SeaChange®

2017 ANNUAL REPORT AND PROXY

shaping the future of video

Across the globe, the people and technologies of SeaChange are the answer to the video industry's requirement to capitalize on superior anytime, anywhere video experiences. For nearly 25 years, we've earned our mastery of video management, delivery and monetization through an unbending commitment to the growth and success of our video service provider and content owner customers.

letter from the CEO

Dear Fellow Shareholders,

As we continue the important work begun in 2016, I am pleased to report that we are seeing early indications that SeaChange's turnaround efforts and cost reduction programs are showing results.

We believe SeaChange is poised to capitalize on the opportunity presented by substantial growth in the consumption of high quality video across devices by enabling service providers and content owners—in traditional and new markets—to fully monetize video assets through multiple delivery platforms and business models. No matter the format—linear broadcast, video-on-demand, time-shifted TV, IPTV or OTT—SeaChange offers an open and comprehensive suite of products for content management, delivery, advertising and user experience to help entertainment stakeholders engage consumers through subscription, transactional and advertising-based services. We also see opportunities for other verticals to benefit from our core competencies, including sports franchises, higher education, healthcare and government, thereby increasing SeaChange's addressable market.

The requirements of our markets are changing rapidly. By example, outside the U.S., service providers have evolved from demanding 'best of breed' solutions to increasingly preferring end-to-end solutions to solve a host of challenges, such as providing a common user experience across consumer devices, or managing massive volumes of content for mobile user consumption.

Today we are a more nimble software development organization with greater capacity to take advantage of diverse global market conditions strategically by:

- leveraging our existing products for customers in a cloud environment, to reduce our customers' cost of ownership, while accelerating their time to market, and enabling us to pursue new sales opportunities with service providers and content owners;
- broadening our customer base by winning new service providers, content owners and verticals with our core competencies;
- expanding our business with our cloud-based platforms, providing turn-key, end-to-end solutions;
- increasing our penetration of existing customers with complementary products and new releases of our core products;
- innovating new products to help our customers further monetize their video assets;
- and expanding the use of partners, including resellers and system integrators, to capture market opportunities in certain geographies and in adjacent markets.

Some initial results from this focused strategy include:

- In a significant milestone, a large European customer, Quickline, deployed an end-to-end multiscreen solution, including our Adrenalin video platform and Nucleus Reference Design Kit (RDK)-based video home gateway, to enable a personalized TV service called Quickline TV. Quickline TV allows multiple viewers in a household to enjoy uniquely curated experiences with on-demand video, recommendations and time-shifted TV programming on any device. Our acquisition of DCC Labs last year was instrumental to this and other customer successes, as well as driving a more robust client software strategy overall.

- We deployed a virtualized Adrenalin video platform for our largest customer to support operations in numerous European countries, enabling maintenance and upgrades at significantly lower cost and greater frequency.
- We won a new mobile customer in the Middle East to deploy Adrenalin in a private cloud on a SaaS basis.
- Lastly, we successfully completed the first beta trial of our OTT-managed SaaS joint offering with Filmbank, a leading non-theatrical distributor, under which students at U.K. universities enjoyed on-demand streaming over IP.

By the end of fiscal 2017, we stabilized our revenue base and reduced our operating loss and cash burn. We expect to complete our restructuring program in the first half of fiscal 2018; this will include reducing our total employee population to approximately 300 and consolidating our operations to better balance our geographic footprint, which entails reducing facilities in the Philippines while expanding our engineering and technical support capabilities in Poland. As a result, we expect to return to revenue growth and profitability in the second half of fiscal 2018.

Overall, our focus on strengthening our sales organization has led to an improved pipeline for fiscal 2018. More of this pipeline is composed of end-to-end solutions that combine traditional cable delivery with IP delivery to serve multiscreen devices, with more opportunities priced on a monthly subscription or SaaS basis. We expect that our business model will increasingly shift toward end-to-end transactions in the second half of the year. Meanwhile, our pipeline for pure-play OTT opportunities continues to grow, particularly in the Americas, even though we still experience delays in customer decision-making.

SeaChange is a trusted partner to its customers, bringing a strong value proposition that aligns well with their goals of transitioning to the cloud and monetizing their digital assets by providing a satisfying experience to their consumers. We appreciate your support as we work towards streamlining operations, returning to revenue growth and profitability, and retaining category leadership globally.

Sincerely,

Edward Terino

Ed Terino
Chief Executive Officer

SEACHANGE INTERNATIONAL, INC.
50 Nagog Park
Acton, Massachusetts 01720

NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JULY 13, 2017

The Annual Meeting of Stockholders of SeaChange International, Inc. (“SeaChange” or the “Company”) will be held at SeaChange’s offices, located at 50 Nagog Park, Acton, Massachusetts 01720, on Thursday, July 13, 2017 at 9:00 a.m., local time, to consider and act upon each of the following matters:

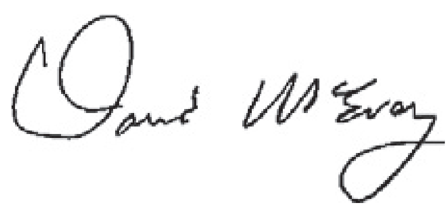
1. To elect the nominees named in the proxy statement to the Board of Directors to serve for three-year terms as Class III Directors.
2. To conduct an advisory vote on the compensation of the Company’s named executive officers.
3. To conduct an advisory vote of the frequency of the shareholder advisory vote on the compensation of the Company’s named executive officers.
4. To approve an amendment to the Company’s Second Amended and Restated 2011 Compensation and Incentive Plan.
5. To ratify the appointment of the Company’s independent registered public accounting firm.
6. To transact such other business as may properly come before the meeting and any adjournments thereof.

Stockholders entitled to notice of and to vote at the meeting shall be determined as of the close of business on May 23, 2017, the record date fixed by the Board of Directors for such purpose.

IF YOU PLAN TO ATTEND:

Please call Jim Sheehan at 978-889-3064 if you plan to attend. Please bring valid picture identification, such as a driver’s license or passport. Stockholders holding stock in brokerage accounts (“street name” holders) will also need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, cell phones, recording devices and other electronic devices will not be permitted at the meeting.

By Order of the Board of Directors,



David McEvoy
Senior Vice President, General Counsel and Secretary

Acton, Massachusetts
May 26, 2017

Whether or not you expect to attend the meeting, please complete, date and sign the enclosed proxy and mail it promptly in the enclosed envelope to ensure representation of your shares. No postage need be affixed if the proxy is mailed in the United States. If you are the registered holder of the shares, you may rather choose to vote via the Internet or by telephone. If your shares are held in a bank or brokerage account, you may be eligible to vote electronically or by telephone. Please refer to the enclosed form for instructions.

2017 ANNUAL MEETING OF STOCKHOLDERS
PROXY STATEMENT
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SEACHANGE INTERNATIONAL, INC.
50 Nagog Park
Acton, Massachusetts 01720

PROXY STATEMENT
FOR THE ANNUAL MEETING OF STOCKHOLDERS
July 13, 2017

May 26, 2017

Proxies in the form enclosed with this proxy statement are solicited by the Board of Directors (the "Board") of SeaChange International, Inc. ("SeaChange" or the "Company") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held on Thursday, July 13, 2017, at 9:00 a.m., local time, at SeaChange's offices, located at 50 Nagog Park, Acton, Massachusetts 01720.

Only stockholders of record as of the close of business on May 23, 2017 (the "Record Date") will be entitled to vote at the Annual Meeting and any adjournments thereof.

SeaChange is pleased to take advantage of the U.S. Securities and Exchange Commission (the "SEC") rules that allow companies to furnish their proxy materials over the Internet. We believe that this process allows SeaChange to provide its stockholders with the information they need in a timelier manner, while reducing the environmental impact and lowering the costs of printing and distributing its proxy materials.

As a result, SeaChange is mailing to most of its stockholders of record entitled to vote at the Annual Meeting on or about May 31, 2017, a Notice Regarding the Availability of Proxy Materials (sometimes referred to as the "Notice") instead of a paper copy of this proxy statement and SeaChange's 2017 Annual Report. The Notice contains instructions on how to access those documents over the Internet. The balance of SeaChange's stockholders entitled to vote at the annual meeting will be mailed on or about May 31, 2017 a printed copy of the proxy materials together with a copy of the Notice.

Information Regarding Voting and Proxies

Stockholders may vote in one of the following three ways:

1. if you receive a copy of the proxy materials by mail, by completing, signing and dating the enclosed proxy card and returning it in the enclosed postage paid envelope by return mail;
2. by completing a proxy using the toll-free telephone number listed on the proxy card or Notice; or
3. by completing a proxy on the Internet at the address listed on the proxy card or Notice.

Any proxy may be revoked by a stockholder at any time before its exercise by either delivering written revocation or a later dated proxy to the Secretary of SeaChange, entering a new vote by Internet or telephone, or attending the Annual Meeting of Stockholders and voting in person. **Only your latest dated proxy will count.**

All properly completed proxy forms returned in time to be cast at the Annual Meeting will be voted. Stockholders are being asked to vote with respect to the election of Class III Directors, an advisory vote on the compensation of the Company's named executive officers and the ratification of the selection of SeaChange's independent registered public accounting firm. Where a choice has been specified on the proxy card with respect to each proposal, the shares represented by the proxy will be voted in accordance with your specifications. If no specification is indicated on the proxy card, the shares represented by the proxy will be voted **FOR** the nominees named herein for election to the Board of Directors to serve as Class III Directors, **FOR** approval of the compensation of the Company's named executive officers, **FOR** having the advisory vote to approve the compensation of the Company's named executive officers every year, **FOR** approval of an amendment to SeaChange's Second Amended and Restated 2011 Compensation and Incentive Plan and **FOR** the ratification of the selection of SeaChange's independent registered public accounting firm.

A majority-in-interest of the outstanding shares represented at the Annual Meeting in person or by proxy shall constitute a quorum for the transaction of business. Votes withheld from any nominee, abstentions and broker "non-votes" are counted as present or represented for purposes of determining the presence or absence of a quorum for the meeting. A "non-vote" occurs when a nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. On all matters being submitted to stockholders at this Annual Meeting, an affirmative vote of at least a majority of the shares present, in person or represented by proxy, and voting on that matter is required for approval or ratification. An automated system administered by Broadridge Financial Solutions, Inc. tabulates the votes. The vote on each matter submitted to stockholders is tabulated separately. Abstentions, as well as broker "non-votes" are not considered to have been voted for such matters and have the practical effect of reducing the number of affirmative votes required to achieve a majority for such matters by reducing the total number of shares from which the majority is calculated.

The Board of Directors knows of no other matter to be presented at the Annual Meeting. If any other matter should be presented at the Annual Meeting upon which a vote properly may be taken, shares represented by all proxies received by the Board of Directors will be voted with respect thereto in accordance with the judgment of the persons named as proxies and in accordance with the SEC's proxy rules. See "Stockholder Proposals" herein at page 10. The persons named as proxies, Peter Faubert and David McEvoy, were selected by the Board of Directors and are executive officers of SeaChange.

OWNERSHIP OF SECURITIES

Securities Ownership Of Certain Beneficial Owners And Management

The following table sets forth information regarding the beneficial ownership of SeaChange common stock as of May 23, 2017 by:

- each person or entity who is known by SeaChange to beneficially own more than five percent (5%) of the common stock of SeaChange;
- each of the directors of SeaChange and each of the executive officers of SeaChange named in the Summary Compensation Table on page 32; and
- all of the directors and executive officers of SeaChange as a group.

Except for the named executive officers and directors, none of these persons or entities has a relationship with SeaChange, except as disclosed below under "Certain Relationships and Related Transactions." Unless otherwise indicated, the address of each person or entity named in the table is c/o SeaChange International, Inc., 50 Nagog Park, Acton, Massachusetts 01720, and each person or entity has sole voting power and investment power (or shares such power with his or her spouse), with respect to all shares of capital stock listed as owned by such person or entity.

The number and percentage of shares beneficially owned is determined in accordance with the rules of the SEC, and is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares as to which a person has sole or shared voting power or investment power and also any shares of common stock underlying restricted stock units ("RSUs"), performance stock units ("PSUs"), options or warrants that are exercisable by that person within sixty (60) days of May 23, 2017. However, these shares underlying options or warrants are not treated as outstanding for the purpose of computing the percentage ownership of any other person or entity. Percentage of beneficial ownership is based on 35,330,542 shares of SeaChange's common stock outstanding as of May 23, 2017.

Name	Amount and Nature of Beneficial Ownership [(1)] (#)	Percent of Common Stock Outstanding
Edward Terino [(2)]	203,758	*
Jonathan Rider [(3)]	27,792	*
Peter Faubert [(4)]	25,000	*
David McEvoy	60,252	*
Jay Samit [(5)]	0	*
Anthony Dias [(6)]	37,602	*
Mary Palermo Cotton	181,584	*
Steven Craddock	114,084	*
William F. Markey, III [(7)]	45,693	*
Thomas F. Olson	271,972	*
Royce E. Wilson	60,087	*
Ariel Investments, LLC [(8)] 200 E. Randolph Street Suite 2900 Chicago, IL 60601	4,132,278	11.7%
Eric Singer [(9)] VIEX Capital Advisors, LLC 825 Third Avenue, 33rd Floor New York, NY 10022	3,875,956	11.0%

Name	Amount and Nature of Beneficial Ownership [(1)] (#)	Percent of Common Stock Outstanding
Pinnacle Associates, Ltd. [(10)] 335 Madison Avenue, Suite 1100 New York, NY 10017	2,438,384	6.9%
Neuberger Berman Investment Advisors LLC [(11)] 605 Third Avenue New York, NY 10158	2,373,293	6.7%
Dimensional Fund Advisors, LP [(12)] Building One 6300 Bee Cave Road Austin, TX 78746	2,000,809	5.7%
Royce & Associates, LLC [(13)] 745 Fifth Avenue New York, NY 10151	1,898,334	5.4%
All Executive Officers and Directors as a group (11 persons) [(14)]	1,027,824	2.9%

* Less than 1%

(1) Includes shares of Common Stock which have not been issued but are subject to options which either are presently exercisable or will become exercisable within sixty (60) days of May 23, 2017, as follows: Mr. Terino: 16,149 shares; Mr. Rider: 25,773 shares; Mr. Faubert: 25,000 shares; Mr. McEvoy: 13,989 shares and Mr. Olson: 75,000 shares. Includes RSUs and DSUs that will have vested within sixty (60) days of May 23, 2017, as follows: Mr. Terino: 13,793 RSUs; Ms. Cotton: 29,851 DSUs; Mr. Craddock: 29,851 DSUs; Mr. Markey: 29,851 DSUs; Mr. Olson: 29,851 DSUs; and Mr. Wilson: 29,851 DSUs.

(2) Mr. Terino was appointed Chief Executive Officer on April 6, 2016, as previously reported on a Form 8-K filed with the SEC on April 7, 2016, and continues to serve as a director of the Company. Prior to his appointment as Chief Executive Officer, Mr. Terino was appointed Chief Operating Officer and Executive Vice President on June 3, 2015, as previously reported on a Form 8-K filed with the SEC on June 4, 2015.

(3) Mr. Rider was appointed Chief Operating Officer and Senior Vice President on January 31, 2017, as previously reported on Form 8-K filed with the SEC on February 3, 2017.

(4) Mr. Faubert was appointed Chief Financial Officer, Senior Vice President and Treasurer on July 6, 2016, as previously reported on Form 8-K filed with the SEC on July 7, 2016.

(5) Mr. Samit ceased to be an executive officer, employee, and director of the Company as of April 6, 2016, as previously reported on a Form 8-K filed with the SEC on April 7, 2016.

(6) Mr. Dias resigned as an executive officer of the Company as of July 6, 2016 and ceased to be an employee of the Company as of July 31, 2016, as previously reported on a Form 8-K filed with the SEC on July 7, 2016.

(7) Mr. Markey was elected as a director to the Board of Directors effective March 18, 2016 as previously reported on a Form 8-K filed with the SEC on March 22, 2016.

(8) According to a Schedule 13G/A filed on February 14, 2017, Ariel Investments, LLC may be deemed to have sole voting power with respect to 3,074,056 of the above-mentioned shares and sole dispositive power with respect to 4,132,278 of the above-mentioned shares.

(9) According to a Schedule 13D/A filed on February 28, 2017, VIEX Capital Advisors, LLC, Eric Singer and certain of their affiliated persons, including VIEX Opportunities Fund, LP – Series One, VIEX Special Opportunities Fund II, LP, VIEX GP, LLC and VIEX Special Opportunities GP II, LLC, may be deemed to have shared voting power and shared dispositive power with respect to all of the above-mentioned shares.

(10) According to an amended Schedule 13G/A filed on February 10, 2017, Pinnacle Associates, Ltd. may be deemed to have shared voting power and shared dispositive power with respect to all of the above-mentioned shares with its clients.

(11) According to a Schedule 13G/A filed on February 15, 2017, Neuberger Berman Investment Advisors LLC may be deemed to have shared dispositive power with respect to all 2,373,293 of the above-mentioned shares and shared voting power over 2,119,603 of the above-mentioned shares with its clients.

(12) According to an amended Schedule 13G/A filed on February 9, 2017, Dimensional Fund Advisors LP may be deemed to have sole dispositive power with respect to all 2,000,809 of the above-mentioned shares and sole voting power over 1,905,394 of the above-mentioned shares. Dimensional Fund Advisors LP serves as investment advisor to four investment companies and serves as investment manager to certain other commingled group trusts and investment accounts, which own the above-mentioned shares. Dimensional Fund Advisors LP disclaims beneficial ownership of such shares.

(13) According to a Schedule 13G/A filed on January 18, 2017, Royce & Associates, LLC may be deemed to have sole voting power and dispositive power with respect to all of the above-mentioned shares.

(14) This group is comprised of those individuals named in the Summary Compensation Table on page 32 and those persons who were directors of SeaChange as of May 23, 2017. Includes an aggregate of 318,959 shares of Common Stock which the directors and executive officers, as a group, have the right to acquire by exercise of stock options or will acquire upon vesting of RSUs within sixty (60) days of May 23, 2017. Includes an aggregate of 163,048 RSUs and DSUs held by directors and executive officers, as a group that will have vested within sixty (60) days of May 23, 2017.

PROPOSAL NO. I

ELECTION OF DIRECTORS

SeaChange's Board of Directors currently consists of six members, five of whom are independent, non-employee directors. The Board of Directors is divided into three classes. Each class is elected for a term of three years, with the terms of office of the directors in the respective classes expiring in successive years.

The present term of the current Class III Directors, Messrs. Olson and Terino, expires at the Annual Meeting. The Board of Directors, based on the recommendation of the Corporate Governance and Nominating Committee, has nominated Messrs. Olson and Terino for re-election as Class III Directors. The Board of Directors knows of no reason why either of these nominees should be unable or unwilling to serve, but if that should be the case, proxies will be voted for the election of some other person, or for fixing the number of directors at a lesser number. Messrs. Olson and Terino have each consented to being named in this proxy statement as a nominee to be a Class III Director and to serving in that capacity, if elected.

The Board of Directors unanimously recommends a vote "FOR" the Nominees listed below.

The following table sets forth, for the Class III nominees to be elected at the Annual Meeting and each of the other current directors, the year the nominee or director was first appointed or elected a director, the principal occupation of the nominee or director during at least the past five years, any other public company boards on which the nominee or director serves or has served in the past five years, the nominee's or director's qualifications to serve on the Board and the age of the nominee or director. In addition, included in the information presented below is a summary of each nominee's or director's specific experience, qualifications, attributes and skills that led the Board to the conclusion that he or she should serve as a director.

Class III Directors (Terms Expire at 2017 Annual Meeting)

Director's Name and Year First Became Director	Position and Principal Occupation and Business Experience During the Past Five Years
Thomas F. Olson (2001)	Director Thomas F. Olson, 68, has served as a Director of SeaChange since May 2001 and as Chairman from November 2011 until July 2015. In addition, from January 1999 to December 2003, Mr. Olson served as the Chief Executive Officer of National Cable Communications, a company specializing in cable television advertising time sales. From January 1995 to May 1998, Mr. Olson was Managing Partner of National Cable Communications. Mr. Olson served as Chief Executive Officer and was a member of the board of directors of Katz Media Group, a radio, broadcast television and cable television national sales representation firm, from August 1994 to May 1998. Mr. Olson was with Katz Media Group for 23 years. Since 2005, Mr. Olson has also served on the board of Sarkes Tarzian, Inc., a private company that owns and operates television and radio stations. Mr. Olson contributes valuable executive experience within the cable and broadcast television industry and the advertising industry, and with the issues confronting companies within these industries.
Edward Terino (2010)	Chief Executive Officer and Director Edward Terino, 63, became Chief Executive Officer on April 6, 2016, after being appointed Chief Operating Officer and Executive Vice President on June 3, 2015. Mr. Terino has served as a member of our Board of Directors since July 2010, where he was formerly Chairman of the Audit Committee and a member of the Compensation Committee. Mr. Terino has served as President of GET Advisory Service LLC, a strategic and financial

Director's Name and Year First Became Director	Position and Principal Occupation and Business Experience During the Past Five Years
	management consulting firm focused on the technology and maritime industries since March 2009. Mr. Terino is also a founder of Novium Learning, Inc., a start-up vocational educational publishing company based in Wellesley, Massachusetts. From March 2010 to July 2015, Mr. Terino served as a director of Baltic Trading Ltd., a NYSE listed international dry bulk shipping company (NYSE:BALT), where he was the Chairman of the Audit Committee and a member of the Compensation Committee. From October 2012 to November 2013, Mr. Terino served as a director of Extreme Networks, Inc., a NASDAQ listed network switching and services company (NASDAQ:EXTR), where he was a member of the Audit Committee. From April 2007 through February 2012, Mr. Terino served as a director of S1 Corporation, a NASDAQ listed internet banking and payments software company (NASDAQ:SONE), where he was Chairman of the Audit Committee and a member of the Compensation Committee. In February 2012, S1 Corporation was acquired by ACI Worldwide, Inc. From November 2009 to November 2010, Mr. Terino served as a director of Phoenix Technologies Ltd., a NASDAQ listed BIOS software company (NASDAQ:PTEC), where he was the Chairman of the Audit Committee and a member of the Compensation Committee. In November 2010, Phoenix Technologies Ltd. was acquired by Marlin Equity Partners. From October 1999 to March 2006, Mr. Terino served as a director of EBT International Inc., a NASDAQ listed web content management software company (NASDAQ:EBTI), where he was Chairman of the Audit Committee and a member of the Compensation Committee. From July 2005 through December 2008, Mr. Terino was Chief Executive Officer and Chief Financial Officer of Arlington Tankers Ltd., a NYSE listed international seaborne transporter of crude oil and petroleum products (NYSE:ATB). In December 2008 Arlington Tankers Ltd. merged with General Maritime Corporation. From September 2001 to June 2005, Mr. Terino was Senior Vice President, Chief Financial Officer, and Treasurer of Art Technology Group, Inc. Art Technology Group, Inc. was acquired by Oracle Corporation in 2011. Prior to 2001, Mr. Terino held senior financial and operational management positions over a 15-year period with several publicly traded technology and educational publishing companies. Mr. Terino began his career at Deloitte & Touche and spent 9 years in their consulting services organization. Mr. Terino earned a BS degree in Management from Northeastern University and he earned a MBA from Suffolk University. Currently Mr. Terino is a founding donor and member of the Advisory Board for the Center for Innovation and Change Leadership at Suffolk University. Mr. Terino contributes experience as a "financial expert" in mergers and acquisitions, in cost restructurings, investor relations, and in implementing financial measures and controls in software companies.

Class I Directors (Terms Expire at 2018 Annual Meeting)

Director's Name and Year First Became Director	Position and Principal Occupation and Business Experience During the Past Five Years
Mary Palermo Cotton (2004)	Director Mary Palermo Cotton, 59, has served as a Director of SeaChange since September 2004. Currently Ms. Cotton serves on the Board of Directors, as CEO Emeritus, for VT iDirect a leading provider of satellite-based communications technology. In this role she advises the company on key strategic initiatives. For the previous 10 years Ms. Cotton held the position of Chief Executive Officer and Director of VT iDirect. Previously, Ms. Cotton was a Senior Vice President of SAP, an enterprise software provider, as a result of SAP's June 2006 acquisition of Frictionless Commerce. Prior to the acquisition, Ms. Cotton had been the

Director's Name and Year First Became Director	Position and Principal Occupation and Business Experience During the Past Five Years
	Chief Executive Officer of Frictionless Commerce, a company providing supplier relationship management software, since February 2005. From February 2003 to July 2004, Ms. Cotton was a Senior Advisor to Aspen Technology, a software service provider, and previously served as Aspen's Chief Operating Officer from January 2001 to January 2003. Ms. Cotton additionally served on the Board of Directors of Precise Software Solutions from June 2000 to June 2003 when Precise Software Solutions was acquired by VERITAS Software. Ms. Cotton contributes extensive executive experience in the global software industry as well as extensive financial reporting expertise.
Royce E. Wilson (2015)	Director Royce E. Wilson, 60, has served as a Director of SeaChange since February 2015. Mr. Wilson is a founding partner of New Form Digital, a developer of original cinematic stories on digital platforms, since January 2014; President and Chief Executive Officer of Dreamcatcher Broadcasting, which owns 3 television stations, since July 2013; and President of Dreamcatcher Media, an angel investment and consulting company, since January 2011. Mr. Wilson was Executive Chairman of Timeline Labs (acquired by SeaChange in February 2015) from June 2011 to January 2015, having also served as its President and Chief Executive Officer from 2011 through 2013. Mr. Wilson was President of Tribune Broadcasting Company and Chief Revenue Officer of The Tribune Company, which owned 23 television stations, from February 2008 to April 2010; President of FOX Television Network from 2004-2008; President of NBC Enterprises and Syndication from 2000-2004; and President of CBS Enterprises from 1996-2000. Prior to that Mr. Wilson also held executive positions at Maxam Entertainment, Sony Pictures TV, and Paramount Pictures. Mr. Wilson also serves as a director of MVPindex, a social media index for sports and entertainment since January 2016 and of Newzulu Limited, a global crowd-sourced technology and media company, since August 2016. In addition, Mr. Wilson serves as a Trustee to Southern Methodist University since July 2008, and as a Director to the San Diego Zoo since February 2014. Mr. Wilson contributes extensive management experience in traditional and emerging media markets, developing key strategic partnerships and using new approaches to create innovative solutions.

Class II Directors (Terms Expire at 2019 Annual Meeting)

Nominee's Name and Year First Became Director	Position and Principal Occupation and Business Experience During the Past Five Years
Steven Craddock (2012)	Chairman of the Board of Directors Steven C. Craddock, 68, has served as a member of our Board of Directors since August 2012 and as Chairman of the Board since July 2015. Since March 2011, Mr. Craddock has served as a member of the Board of Directors of MaxLinear (NASDAQ:MXL), a provider of integrated radio-frequency analog and mixed signal semiconductor SoC solutions for broadband communications applications. Since July 2008, Mr. Craddock has served as President of The Del Ray Group, LLC, a private consulting firm advising companies on strategic and technology developments in the cable television and telecommunications markets. From November 2006 until June 2008, Mr. Craddock served as Senior Vice President, Technology, for Comcast Corporation, a provider of entertainment, information, and communications products and services. From June 1994 until November 2006, he served as Senior Vice President, New Media Development for Comcast. Previously, Mr. Craddock was a Vice President at Bell Atlantic and played a leading role in the development of their broadband and video initiatives. From June 2002 until its acquisition by Zoran Corporation in

Nominee's Name and Year First Became Director	Position and Principal Occupation and Business Experience During the Past Five Years
	December 2010, Mr. Craddock served as a director of Microtune, Inc. (NASDAQ:TUNE), a provider of high-performance radio frequency tuners and transceivers. Mr. Craddock has over 30 years of experience in corporate governance, is an alumnus of the Stanford University Law School Director's College Program, is a member of NACD and holds an Executive Masters Professional Director Certification from the American College of Corporate Directors, a national public company director education and credentialing organization. Mr. Craddock is a licensed professional engineer and holds a Bachelor of Science in civil engineering and electrical engineering from Virginia Military Institute. Mr. Craddock has extensive financial and business expertise, including a diversified background in the cable television and telecommunications industries.
William Francis Markey, III (2016)	Director William Francis Markey, III, 51, has served as a member of our Board of Directors since March 2016. Since October 2002, Mr. Markey has been the Founder and President of the Relevant C Business Group (RCBG), a private consulting firm that assists companies with strategy and execution, often around emerging technologies, in the areas of telecom, media and technology. Prior to that Mr. Markey was a co-founder of Ucentric Systems, a software company that provided connected home software solutions to television operators, that was acquired by Motorola, and also held various management positions at 3Com, Motorola, Pacific Telesis and Preview Media. Mr. Markey holds a BA from Georgetown University, an MS from Columbia University and an MA from Johns Hopkins University. Mr. Markey is a member of various advisory boards and is a trustee of Lake Forest Academy in Illinois. Mr. Markey has extensive experience in corporate development, business strategy, and mergers and acquisitions in technology and media.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

Determination of Director Independence

The Board of Directors has determined that Ms. Cotton and Messrs. Craddock, Markey, Olson, and Wilson are "independent" directors, meeting all applicable independence requirements of the SEC, including Rule 10A-3(b)(1) pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Marketplace Rules of The NASDAQ Stock Market ("NASDAQ"). In making this determination, the Board of Directors affirmatively determined that none of such directors has a relationship that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, that neither the identification in 2015 of Mr. Wilson as a director nominee by the former equityholders of TLL, LLC, the terms of the Agreement and Plan of Merger dated December 22, 2014 for the acquisition of TLL, LLC nor Mr. Wilson's prior management positions with TLL, LLC precluded a determination that Mr. Wilson qualified as "independent."

Stockholder Proposals

Proposals of stockholders intended to be presented at the 2018 Annual Meeting of Stockholders must be received no later than the close of business on January 26, 2018 at SeaChange's principal executive offices in order to be included in the SeaChange proxy statement for that meeting. Any such stockholder proposals should be submitted to SeaChange International, Inc., 50 Nagog Park, Acton, Massachusetts, 01720, Attention: Secretary. Under the By-Laws of SeaChange, stockholders who wish to make a proposal at the 2018 Annual Meeting — other than one that will be included in SeaChange's proxy materials — must notify SeaChange no earlier than December 27, 2017, and no later than January 26, 2018. If a stockholder who wishes to present a proposal fails to notify SeaChange by January 26, 2018, the stockholder will not be entitled to present the proposal at the meeting. If, however, notwithstanding the requirements of the By-Laws of SeaChange, the proposal is brought before the meeting, then under the SEC's proxy rules the proxies solicited by management with respect to the 2018 Annual Meeting will confer discretionary voting authority with respect to the stockholder's proposal on the persons selected by management to vote the proxies. If a stockholder makes a timely notification, the proxies may still exercise discretionary voting authority under circumstances consistent with the SEC's proxy rules.

In order to curtail controversy as to the date on which a proposal will be marked as received by SeaChange, it is suggested that stockholders submit their proposals by Certified Mail — Return Receipt Requested.

Availability of Corporate Governance Documents

SeaChange's Code of Ethics and Business Conduct ("Ethics Policy") for all directors and all employees of SeaChange, including executive officers, and the charters for the Audit, Compensation, and Corporate Governance and Nominating Committees of the Board of Directors are available on SeaChange's website at www.schange.com under the "Corporate Governance" section of the "Investor Relations" link. SeaChange will ensure that amendments, if any, to these documents are disclosed and posted on this website within four (4) business days of any such amendment.

Board Meetings

The Board of Directors of SeaChange met twenty (20) times and acted by written consent five (5) times during the fiscal year ended January 31, 2017. During the fiscal year ended January 31, 2017, each director attended at least seventy-five percent (75%) of the total number of meetings of the Board of Directors and meetings of all the committees of the Board on which they serve. SeaChange has a policy that its Board of Directors attends SeaChange's Annual Meeting of Stockholders. Last year, all of the directors attended the Annual Meeting of Stockholders that was held on July 13, 2016.

Board Leadership Structure

The Board of Directors has appointed an independent director to serve as Chairman of the Board of Directors. The Board has adopted this structure to strike an effective balance between management and independent leadership participation in the Board process. The function of the Chairman is to set the agenda for Board meetings and to facilitate and improve communication between the independent directors and SeaChange by serving as the interface between SeaChange's Chief Executive Officer, senior management and the independent directors. The Chairman works with the chair of the Compensation Committee, if a separate person, to establish goals for the Chief Executive Officer each fiscal year and conducts the annual Chief Executive Officer evaluation. Mr. Craddock currently serves as the Chairman and Chairman of the Compensation Committee.

Board Oversight of Risk

The Board oversees the business and strategic risks of SeaChange. The Audit Committee oversees financial reporting, internal controls and compliance risks confronting SeaChange. The Compensation Committee oversees risks associated with SeaChange's compensation policies and practices, including performance-based compensation and change in control plans. The Corporate Governance and Nominating Committee oversees risks relating to corporate governance and the process governing the nomination of members of the Board. SeaChange provides a detailed description of the risk factors impacting its business in its Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q filed with the SEC.

Board Committees

The Board has a standing Audit Committee, Compensation Committee, and Corporate Governance and Nominating Committee. The members of each committee are appointed by the Board based on the recommendation of the Corporate Governance and Nominating Committee. The members are set forth below in this proxy statement. Actions taken by any committee of the Board are reported to the Board, usually at the next Board meeting following a committee meeting. Each of these standing committees is governed by a committee-specific charter that is reviewed periodically by the applicable committee pursuant to the rules set forth in each charter. The Board annually conducts a self-evaluation of each of its committees. All members of all committees are independent directors.

Audit Committee

The Audit Committee members are Ms. Cotton (Chairman), Mr. Craddock, Mr. Markey and Mr. Olson, each of whom meet the independence requirements of the SEC and NASDAQ, as described above. In addition, SeaChange's Board has determined that each member of the Audit Committee is financially literate and that Ms. Cotton satisfies the requirement of the Marketplace Rules applicable to NASDAQ-listed companies that at least one member of the Audit Committee possess financial sophistication and that Ms. Cotton is an "audit committee financial expert" as defined in the rules and regulations promulgated under the Exchange Act. The Audit Committee's oversight responsibilities include matters relating to SeaChange's financial disclosure and reporting process, including the system of internal controls, the performance of SeaChange's internal audit function, compliance with legal and regulatory requirements, and the appointment and activities of SeaChange's independent auditors. The Audit Committee met ten (10) times and acted by written consent one (1) time during fiscal 2017. The responsibilities of the Audit Committee and its activities during fiscal 2017 are more fully described under the heading "Report of the Audit Committee" contained in this proxy statement.

Compensation Committee

The Compensation Committee members are Messrs. Craddock (Chairman) Markey and Olson, each of whom meet the independence requirements of the SEC and NASDAQ, as described above. Among other things, the Compensation Committee determines the compensation, including stock options, RSUs and other equity compensation, of SeaChange's management and key employees, administers and makes recommendations concerning SeaChange's equity compensation plans, and ensures that appropriate succession planning takes place for all levels of management, department heads and senior management. The Compensation Committee met nine (9) times and acted by unanimous written consent twelve (12) times during fiscal 2017. The responsibilities of the Compensation Committee and its activities during fiscal 2017 are more fully described in this proxy under the heading, "COMPENSATION DISCUSSION AND ANALYSIS."

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee members are Mr. Olson (Chairman), Ms. Cotton and Mr. Craddock, each of whom meet the independence requirements of the SEC and NASDAQ, as described above. The Corporate Governance and Nominating Committee is responsible for oversight of corporate governance at SeaChange, recommending to the Board of Directors persons to be nominated for election or appointment as directors of SeaChange and monitoring compliance with SeaChange's Code of Ethics and Business Conduct. The Corporate Governance and Nominating Committee identify Board candidates through numerous sources, including recommendations from existing Board members, executive officers, and stockholders of SeaChange. Additionally, the Corporate Governance and Nominating Committee may identify candidates through engagements with executive search firms. The Corporate Governance and Nominating Committee met seven (7) times and acted by unanimous written consent three (3) times during fiscal 2017.

Qualifications of Director Candidates

In evaluating the suitability of individuals for Board membership, the Corporate Governance and Nominating Committee takes into account many factors, including whether the individual meets the requirements for independence, his or her professional expertise and educational background, and the potential to contribute to the diversity of viewpoints, backgrounds or experiences of the Board as a whole including diversity of experience, gender, race, ethnicity and age. The Corporate Governance and Nominating Committee evaluates each individual in the context of the entire Board, with the objective of recommending nominees who can best further the success of SeaChange's business and represent stockholder interests. The Corporate Governance and Nominating Committee assigns specific weights to particular criteria for prospective nominees. SeaChange believes that the backgrounds and qualifications of directors, considered as a group, should provide a significant composite mix of experience, knowledge and abilities that will allow the Board of Directors to fulfill its responsibilities. As part of the consideration in fiscal 2017 by the Corporate Governance and Nominating Committee of candidates for election to the Board, these criteria were reviewed. No changes to these criteria were recommended as a result of such review.

Procedures for Stockholders to Recommend Director Candidates

Stockholders wishing to suggest candidates to the Corporate Governance and Nominating Committee for consideration as potential director nominees may do so by submitting the candidate's name, experience, and other relevant information to the SeaChange Corporate Governance and Nominating Committee, 50 Nagog Park, Acton, Massachusetts 01720. SeaChange stockholders wishing to nominate directors may do so by submitting a written notice to the Secretary of SeaChange at the same address in accordance with the nomination procedures set forth in SeaChange's By-Laws. The procedures are summarized in this proxy statement under the heading "Stockholder Proposals." The Secretary will provide the notice to the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee do not distinguish between nominees recommended by stockholders and other nominees. All nominees must meet, at a minimum, the qualifications described in "Qualifications of Director Candidates" above.

Process for Stockholders to Communicate with Directors

Stockholders may write to the Board or a particular Board member by addressing such communication to the Chairman of the Board, if directed to the Board as whole, or to an individual director, if directed to that particular Board member, care of SeaChange's Secretary, at SeaChange's offices at 50 Nagog Park, Acton, Massachusetts 01720. Unless such communication is addressed to an individual director, SeaChange will forward any such communication to each of the directors. Communication sent in any other manner, including but not limited to email, text messages or social media will be forwarded to the entire Board of Directors. The Chairman of the Board together with the Chief Executive Officer will determine the appropriate response to such communication.

Compensation of Directors

Directors who are employees of SeaChange receive no compensation for their services as directors, except for reimbursement of expenses incurred in connection with attending meetings.

Non-employee directors received the following cash compensation in fiscal 2017:

- A cash retainer of $45,000;
- The Chairman of the Board received additional cash compensation of $25,000;
- Each member of the Audit Committee received additional cash compensation of $7,500, other than the Chairman, who received additional cash compensation of $15,000;
- Each member of the Compensation Committee received additional cash compensation of $6,000, other than the Chairman, who received additional cash compensation of $12,000; and
- Each member of the Corporate Governance and Nominating Committee received additional cash compensation of $5,000, other than the Chairman, who received additional cash compensation of $10,000.
- Each member of the Strategy Committee received additional cash compensation of $5,000, other than the Chairman, who received additional cash compensation of $10,000.

In addition, each non-employee director is entitled to receive an annual grant of RSUs valued at $100,000, granted on the date of our Annual Meeting and which vests in full one year from the grant date, subject to acceleration in the event of a Change in Control. Commencing in fiscal 2015, our non-employee directors have the option to receive a deferred stock unit (DSU) in lieu of an RSU, with the number of units subject to the DSU being determined as of the first day of the applicable fiscal year and the shares underlying the DSU not being vested and issued until the earlier of the director ceasing to be a member of the Board (provided such is subsequent to the first day of the succeeding fiscal year) or immediately prior to consummation of a Change in Control.

Newly appointed non-employee directors receive an initial grant of RSUs valued at $100,000, granted on the date of the director's appointment or election to the Board of Directors, which vest annually in three (3) equal tranches over a three (3) year period, subject to acceleration in the event of a Change in Control. New non-employee directors have the option to receive their initial grant in the form of DSUs rather than RSUs (as described above with respect to the annual awards).

Director Compensation
Fiscal 2017

Name	Fees Earned or Paid in Cash ($)	Stock Awards [1] ($)	Total ($)
Mary Palermo Cotton	65,000	100,000	165,000
Steven Craddock	94,500	100,000	194,500
William F. Markey, III [2]	50,875	250,000	300,875
Thomas F. Olson	69,750	100,000	169,750
Royce E. Wilson	46,250	100,000	146,250

(1) The grant date fair value for each of these awards, aggregated in the above table, is as follows:

Name	Date of Grant	Stock Awards (#DSUs)	Total Grant Date Fair Value ($)
Mary Palermo Cotton	7/13/2016	29,851	100,000
Steven Craddock	7/13/2016	29,851	100,000
William F. Markey, III [2]	3/17/2016	19,011	100,000
	3/17/2016	9,506	50,000
	7/13/2016	29,851	100,000
Thomas F. Olson	7/13/2016	29,851	100,000
Royce E. Wilson	7/13/2016	29,851	100,000

(2) Mr. Markey joined the Board of Directors on March 18, 2016, as previously reported on a Form 8-K filed with the SEC on March 22, 2016.

The table below shows the aggregate number of unvested stock awards and options for each non-employee director as of January 31, 2017. Stock awards consist of DSUs for which the minimum one-year service period has not been satisfied.

Name	Aggregate Stock Awards Outstanding (#)	Aggregate Stock Options Outstanding (#)
Mary Palermo Cotton	29,851	—
Steven Craddock	29,851	—
William F. Markey, III [1]	58,368	—
Thomas F. Olson	29,851	—
Royce. E. Wilson	29,851	—

(1) Mr. Markey joined the Board of Directors on March 18, 2016, as previously reported on a Form 8-K filed with the SEC on March 22, 2016.

Report of the Audit Committee

The Audit Committee currently consists of Ms. Cotton (Chairman), Mr. Craddock, Mr. Markey and Mr. Olson.

The Audit Committee's primary duties and responsibilities are to:

- Appoint, compensate and retain SeaChange's independent registered public accounting firm, and oversee the work performed by the independent registered public accounting firm;
- Assist the Board of Directors in fulfilling its responsibilities by reviewing the financial reports provided by SeaChange to the SEC and SeaChange's stockholders;

- Monitor the integrity of SeaChange's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance;
- Recommend, establish and monitor procedures designed to improve the quality and reliability of the disclosure of SeaChange's financial condition and results of operations; and
- Provide an avenue of communication among the independent registered public accounting firm, management and the Board of Directors.

The Board of Directors has adopted a written charter setting out the functions the Audit Committee is to perform. A copy of this may be found on SeaChange's website at *www.schange.com* under the "Corporate Governance" section of the "Investor Relations" link.

Management has primary responsibility for SeaChange's consolidated financial statements and the overall reporting process, including SeaChange's system of internal controls.

The independent registered public accounting firm audits the annual consolidated financial statements prepared by management, expresses an opinion as to whether those consolidated financial statements fairly present, in all material respects, the financial position, results of operations and cash flows of SeaChange in conformity with accounting principles generally accepted in the United States of America, expresses an opinion on the effectiveness of internal control over financial reporting and discusses with the Audit Committee any issues the independent registered public accounting firm believes should be raised with SeaChange.

For fiscal 2017, the Audit Committee reviewed the audited consolidated financial statements of SeaChange and met with both management and Grant Thornton LLP, SeaChange's independent registered public accounting firm, to discuss those consolidated financial statements.

The Committee has received from and discussed with Grant Thornton LLP the written disclosure and the letter required by the applicable requirements of the Public Company Accounting Oversight Board regarding Grant Thornton LLP's communications with the audit committee concerning independence, and has discussed with Grant Thornton LLP their independence. The Committee also discussed with Grant Thornton LLP the matters required to be discussed under rules adopted by the Public Company Accounting Oversight Board in Rule 3200T.

Based on these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements of SeaChange be included in its Annual Report on Form 10-K for the fiscal year ended January 31, 2017. The Audit Committee also decided to retain Grant Thornton LLP as SeaChange's independent registered public accounting firm for the 2018 fiscal year.

RESPECTFULLY SUBMITTED BY THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Mary Palermo Cotton, Chairman
Steven Craddock
William F. Markey, III
Thomas F. Olson

The information contained in this Audit Committee Report shall not be deemed to be "soliciting material." No portion of this Audit Committee Report shall be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, through any general statement incorporating by reference in its entirety the Proxy Statement in which this report appears, except to the extent that SeaChange specifically incorporates this report or any portion of it by reference. In addition, this report shall not be deemed to be filed under either the Securities Act or the Exchange Act.

INFORMATION CONCERNING EXECUTIVE OFFICERS

In addition to Edward Terino, SeaChange's Chief Executive Officer and Director, whose biographical information is set forth above at page 6, SeaChange's executive officers are:

Executive Officer's Name	Position and Principal Occupation and Business Experience During the Past Five Years
Jonathan Rider	Chief Operating Officer & Senior Vice President Mr. Rider, age 52, previously served as SeaChange's Chief Information Officer since April 19, 2016. Mr. Rider's has over thirty years of senior management experience in the high technology sector including service as Chief Information Officer of Dynatrace from August 2014 to February 2016; Senior Vice President, Technology and Engineering of Arcadia Solutions from September 2013 to August 2014; Principal and Chief Information Officer of JetStream Consulting from June 2006 to January 2014; Vice President, Business Systems of PTC from March 2011 to June 2012; Vice President and Chief Information Officer of Gilbane Building Company from November 2006 to May 2010. Previously Mr. Rider served as a U.S. Army Officer and helicopter instructor. Mr. Rider holds a United States patent in the area of data mining and is a Six Sigma Green and Black Belt. Mr. Rider has a B.S. in Aeronautics, Engineering/Aviation and a M.B.A. in E-Business from the University of Phoenix.
Peter Faubert	Chief Financial Officer, Senior Vice President and Treasurer Mr. Faubert, age 47, joined the Company on July 7, 2016 as Chief Financial Officer, Senior Vice President and Treasurer. He brings over fifteen years of extensive finance leadership for public and private software companies that focused on video service providers, mobility and enterprise computing. Prior to joining the Company, Mr. Faubert served as Chief Financial officer of This Technology, Inc. from December 2013 to August 2015, Chief Financial Officer and Treasurer of Vision Government Solutions, Inc. from October 2012 to December 2013, Chief Financial Officer of JNJ Mobile (MocoSpace) from February 2009 to July 2012 and Chief Financial Officer and Treasurer at Turbine, Inc. from August 2005 to January 2009. Prior to that Mr. Faubert held various senior finance positions with Viisage Technology Inc., Burntsand Inc. and Ariba Inc. Mr. Faubert is also a Certified Public Accountant.
David McEvoy	General Counsel, Senior Vice President and Secretary Mr. McEvoy, age 59, joined the Company on July 2, 2012 as Vice President and General Counsel. He became Senior Vice President and General Counsel on February 1, 2013, and became the Secretary on May 17, 2013. Prior to joining SeaChange, Mr. McEvoy was the Senior Vice President and General Counsel of Peoplefluent Inc. from June 2011 to July 2012. Mr. McEvoy served as the Senior Vice President and General Counsel of Art Technology Group, Inc. ("ATG") from September 2005 to March 2010, which was acquired by Oracle Corporation on January 5, 2011. Prior to joining ATG, Mr. McEvoy was the Group General Counsel — Operations of Gores Technology Group, a private equity firm. Mr. McEvoy has held various General Counsel and other executive level legal positions with several companies including Aprisma Inc., Anker Systems Ltd., VeriFone Inc., Mattel Interactive, Broderbund and The Learning Company.

Executive officers of SeaChange are appointed by, and serve at the discretion of, the Board of Directors, and serve until their successors have been duly elected and qualified. There are no family relationships among any of the executive officers or directors of SeaChange. Each executive officer is a full-time employee of SeaChange.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

We have implemented an executive compensation program that rewards performance. Our executive compensation program is designed to attract, retain and motivate the key individuals who are most capable of contributing to our success and building long-term value for our stockholders. The elements of our executives' total compensation are base salary, incentive compensation and other employee benefits. We have designed a compensation program that makes a substantial portion of executive pay variable, subject to increase when performance targets are achieved, and subject to reduction when performance targets are not achieved.

Fiscal 2017 Business Results

In fiscal 2017, we continued to address what we see as the continuing rise of over-the-top ("OTT") services by such companies as Netflix, Hulu and Amazon and by media companies such as HBO, CBS and BBC. This rise of OTT video services in the United States has increased the demand for multiscreen capabilities on a range of consumer devices operating on cloud-based platforms. We increased our strategic investments in research and development related to our cloud-based offerings, as well as in sales and marketing as we work to increase our go-to-market efforts in this area. We continued to invest in our Rave premium OTT platform ("Rave") which is our cloud-based software-as-a-service ("SaaS") offering that permits service providers and media companies to offer features and functions through a service hosted and managed by SeaChange, reducing cost and increasing speed and ease of use for end-users. We believe that by delivering innovative solutions to both our existing customer base and to content owners that are looking to provide OTT services, we can meet their growing needs and help them get to market faster, which will help them drive new revenue growth. Recognizing the importance of OTT, we have architected our cloud solutions and products to make integrating with existing networks simple and a core competency of our platform. We have optimized our software solutions to serve a wide range of consumer devices.

In fiscal 2017, we acquired a 100% share of DCC Labs, enabling us to optimize the operations of our In-Home business, which develops home video gateway software including SeaChange's Nucleus and NitroX products. In addition, the acquisition brings market-ready products, including an optimized television software stack for Europe's Digital Video Broadcasting community, and an HTML5 framework for building additional user experience client applications across a variety of CPE devices, including Android TV STBs, tablets, mobile and compute devices.

In conjunction with the DCC Labs acquisition, we commenced a workforce reduction within our In-Home engineering and services organization, which allowed us to achieve approximately $8 million in annualized cost savings. In addition to the reduction in workforce due to the acquisition of DCC Labs, we implemented additional company-wide cost savings during the second half of fiscal 2017, which included a worldwide reduction in workforce, to help improve operations and optimize our cost structure with the goal of assisting in restoring SeaChange to profitability and positive cash flow.

In addition, during fiscal 2017 we appointed a new Chief Executive Officer, Edward Terino, who previously served as the Company's Chief Operating Officer. Mr. Terino has an extensive track record in C-level corporate strategy, execution and board participation which spans ten public companies, including six business-to-business enterprise-level software providers in addition to SeaChange. In addition, during fiscal 2017, we appointed a new Chief Financial Officer, Peter Faubert and a new Chief Operating Officer, Jonathan Rider. We made significant operational improvements during fiscal 2017. We ended the fourth quarter of fiscal 2017 with cash, cash equivalents, restricted cash and marketable securities of $38.7 million and no debt outstanding.

However, our overall financial results decreased from fiscal 2016, with revenues of $83.8 million in fiscal 2017 compared to revenues of $107.0 million in fiscal 2016 and a GAAP operating loss of $54.1 million, or

$1.55 per basic share, in fiscal 2017 compared to a GAAP operating loss of $48.2 million, or $1.44 per basic share, from continuing operations in fiscal 2016. These decreases were primarily the result of less service revenue recognized for professional services provided on our video platform and a decrease in maintenance and support revenue provided on post-warranty contracts. Included in the full fiscal 2017 GAAP results are $33.3 million in non-GAAP charges, which consisted primarily of the loss on impairment of long-lived assets, severance and other restructuring costs, stock-based compensation, amortization of intangible assets from prior acquisitions, and other non-recurring professional fees, while the full fiscal 2016 results by comparison included $40.7 million of similar non-GAAP charges.

Pay for Performance

In recent years, payouts under our executive compensation incentive plan have largely been limited to payouts made for the achievement of individual performance objectives rather than the portion of payouts allocable to the achievement of pre-established financial objectives of the Company, as these objectives have not been met. For example, in fiscal 2017, payouts under our fiscal 2017 performance-based compensation plan were only made for the achievement of certain individual performance objectives, and no payouts were made with respect to satisfying the pre-established financial objectives. In contrast, in years, such as fiscal 2011, when performance improved over those in the prior fiscal year, payouts were also made based on pre-determined Company financial objectives. We believe that the variability in these payouts indicates that our annual compensation plans effectively reward our executive officers for superior performance, while appropriately adjusting compensation downward for less-than-superior performance.

Compensation Objectives

We structure our executive compensation to reflect individual responsibilities and contributions, while providing incentives to achieve overall business and financial objectives. The Compensation Committee (the "Committee") has the responsibility for establishing, implementing and monitoring adherence to this philosophy.

The Committee has designed an executive compensation plan that rewards the achievement of specific financial and non-financial goals through a combination of cash and stock-based compensation. This bifurcation between financial and non-financial objectives and between cash and stock-based compensation creates alignment with stockholder interests and provides a structure in which executives are rewarded for achieving results that the Committee believes will enhance stockholder value.

The Committee believes that stockholder interests are best served by compensating our executives at industry competitive rates, enabling us to attract and retain the best available talent, recognizing superior performance while providing incentives to achieve overall business and financial objectives. By doing so, we believe that our ability to achieve financial and non-financial goals is enhanced.

Setting Executive Compensation

When setting the annual compensation plan for our executive officers, the Committee begins with an analysis of each compensation component for our Chief Executive Officer. This analysis includes the dollar amount of each component of compensation payable to the Chief Executive Officer related to the relevant period, together with the related metrics for performance-based compensation. The overall purpose of this analysis is to bring together, in one place, all of the elements of fixed and contingent compensation, so that the Committee may analyze both the individual elements of compensation (including the compensation mix) as well as the aggregate amount of actual and projected compensation.

The Committee then presents this analysis to the Chief Executive Officer, who provides input to the Committee on the reasonableness, feasibility and effectiveness of the compensation components, including performance metrics, proposed by the Committee. The Chief Executive Officer then creates similar compensation component breakdowns for the other executive officers, presenting compensation recommendations of both base and performance-based compensation related to the relevant period, together with the associated performance metrics. These recommendations are then reviewed and, once agreed upon, approved by the Committee. The Committee can and has exercised its discretion in modifying any recommended compensation to executives, and exercises this discretion in active consultation with the Chief Executive Officer.

In setting executive compensation for fiscal 2017, the Committee reviewed its list of peer companies recommended by Frederic W. Cook & Co., Inc., ("Cook") a compensation consulting firm who the Committee concluded based on the Company's knowledge and information provided by Cook had no conflict of interest with the Company. The list of our peer companies, which is identical to the list of peer companies recommended by Cook in fiscal 2016, is as follows:

- American Software, Inc.
- Brightcove, Inc.
- Carbonite, Inc.
- eGain Corporation
- Guidance Software, Inc.
- Jive Software, Inc.
- Limelight Networks, Inc.
- Marchex, Inc.
- Marin Software Incorporated
- Model N, Inc.
- Monotype Imaging Holdings, Inc.
- PROS Holdings, Inc.
- RealNetworks, Inc.
- Tangoe, Inc.
- Telenav, Inc.
- YuMe, Inc.
- 8x8, Inc.

The Committee determined that this list of peer companies provided appropriate referenceable data points, based on our revenues, market capitalization, and industry focus relative to each of these companies. The Committee made reference to the compensation paid by these peer companies in establishing fiscal 2017 executive compensation but did not benchmark compensation to these companies.

With respect to all of the fiscal 2017 compensation programs for the Company's named executive officers, the Committee endeavors to establish a compensation program that is internally consistent and equitable to enable our achievement of overall corporate objectives. Within this framework, the level of the Chief Executive Officer's compensation will differ from that of the other executives because of the difference in his role and responsibilities and the compensation practices at peer companies.

In 2016, we submitted our executive compensation to an advisory vote of our stockholders and it received the support of 98% of the total votes cast on this matter at our annual meeting. We pay careful attention to any feedback we receive from our stockholders about our executive compensation, including the "Say-on-Pay" vote. While we had already approved our fiscal 2017 compensation plan by the time we held our "Say-on-Pay" vote in July 2016, we considered the stockholder advisory vote in formulating our fiscal 2018 compensation plan. This consideration included reaching out to certain large stockholders to discuss and seek input on our compensation plans.

Fiscal 2017 Executive Compensation

In fiscal 2017, we experienced a number of leadership changes. Effective April 6, 2016, Edward Terino, who previously served as our Chief Operating Officer, was appointed Chief Executive Officer, following the termination of Jay Samit as CEO and Director. Effective July 6, 2016, Peter Faubert was appointed Chief Financial Officer, following the resignation of Anthony Dias as CFO. Effective January 31, 2017, Jonathan Rider, who previously served as our Chief Information Officer, was appointed Chief Operating Officer. A description of employment terms related to these appointment is set forth below, and a description of the terms of the separation agreements with Mr. Samit and Mr. Dias is set forth below under the headings "Separation Agreement with Former Chief Executive Officer, Jay Samit" and "Separation Agreement with Former Chief Financial Officer, Anthony Dias."

Employment Offer Letter with New Chief Executive Officer, Edward Terino

In connection with the hiring of our new Chief Executive Officer, Edward Terino, effective as of April 6, 2016, we entered into an employment offer letter with Mr. Terino, dated as of April 6, 2016.

In establishing the terms of Mr. Terino's employment, the Committee determined that the Cook list of peer companies provided appropriate referenceable data points, based on the revenues, market capitalization, and industry focus of the Company relative to each of these companies. The Committee made reference to these peer companies in establishing the compensation package with respect to Mr. Terino's service as Chief Executive Officer, but did not benchmark compensation to these companies. Among the items considered by the Committee was that not each of the peer companies had recently hired a new chief executive officer, meaning that there would be a lack of comparability in compensation amounts when incentive or new hire awards are taken into account.

Based on the foregoing, we entered into an employment offer letter containing the following material compensation terms:

- Annual base salary of $450,000 per year;
- A grant of an option to purchase 600,000 shares of stock with an exercise price of $5.56 (fair market value based on the price of our stock at market close on April 6, 2016), to vest in approximately equal tranches based on our stock price reaching $7.00, $9.00 and $11.00 for twenty consecutive trading dates, but in any event no earlier than six months from April 6, 2016;
- A fiscal 2017 performance-based compensation plan to consist of a target bonus award of $405,000 payable in cash;
- Eligibility for annual Long Term Incentive ("LTI") equity awards;
- An additional LTI equity award valued at $370,000.

As summarized in the table below, the Committee structured each of Mr. Terino's inducement award, target annual compensation and LTI Award to have a substantial performance-based element.

Fiscal 2017 CEO Target Pay Mix

Inducement Award	Target Annual Compensation 47.4% Performance-Based	Long Term Incentive Equity ("LTI") Award
• A grant of an option to purchase 600,000 shares of stock to vest in equal increments upon our stock price achieving $7.00, $9.00 and $11.00 (the "Initial Option Award)	• 52.6% or $450,000 base salary • 47.4% or $405,000 target performance-based cash bonus on achievement of fiscal 2017 goals	• LTI equity awards in an amount to be determined

The Committee believed that the overall compensation mixture, including the use of RSUs, PSUs and options containing both time-based and performance-based vesting, would incentivize an effective alignment of the interests of our newly-hired Chief Executive Officer with those of our stockholders. Because of the accounting treatment of these inducement or new hire awards, there is a substantial increase in the compensation reported in the Summary Compensation Table to Mr. Terino in fiscal 2017 than has historically been paid to our Chief Executive Officer. The Committee anticipates that the compensation reported in the Summary Compensation Table for Mr. Terino in future years will be significantly lower, as the reported compensation would be only annual compensation and long-term awards.

Employment Offer Letter with New Chief Operating Officer, Jonathan Rider

In connection with the hiring of our new Chief Operating Officer, Jonathan Rider, effective as of January 31, 2017, we entered into an employment offer letter with Mr. Rider, dated as of January 31, 2017.

In establishing the terms of Mr. Rider's employment, the Committee determined that the Cook list of peer companies provided appropriate referenceable data points, based on the revenues, market capitalization, and industry focus of the Company relative to each of these companies.

Based on the foregoing, we entered into an employment offer letter containing the following material compensation terms:

- Annual base salary of $325,000 per year;
- A grant of an option to purchase 100,000 shares of stock with an exercise price of $2.42 (fair market value based on the price of our stock at market close on January 31, 2017), to vest in four equal tranches on January 31, 2018, January 31, 2019, January 31, 2020 and January 31, 2021;
- A fiscal 2018 performance-based compensation plan to consist of a target bonus award of $260,000 payable in cash; and
- Eligibility for annual LTI equity awards.

Employment Offer Letter with New Chief Financial Officer, Peter Faubert

In connection with the hiring of our new Chief Financial Officer, Peter Faubert, effective as of July 6, 2016, we entered into an employment offer letter with Mr. Faubert, dated as of July 6, 2016.

In establishing the terms of Mr. Faubert's employment, the Committee determined that the Cook list of peer companies provided appropriate referenceable data points, based on the revenues, market capitalization, and industry focus of the Company relative to each of these companies.

Based on the foregoing, we entered into an employment offer letter containing the following material compensation terms:

- Annual base salary of $300,000 per year;
- A grant of an option to purchase 100,000 shares of stock with an exercise price of $3.30 (fair market value based on the price of our stock at market close on July 6, 2016), to vest in four equal tranches on July 6, 2017, July 6, 2018, July 6, 2019 and July 6, 2020;
- A fiscal 2017 performance-based compensation plan to consist of a target bonus award of $180,000 payable in cash, to be pro-rated based on his days of service in fiscal 2017; and
- Eligibility for annual LTI equity awards.

Fiscal 2017 Executive Compensation Components

For the fiscal year ended January 31, 2017, the principal components of compensation for our named executive officers were:

- base salary;
- short-term performance-based incentive compensation;
- long-term incentive equity awards;
- discretionary equity awards;
- change in control and termination benefits; and
- general employee welfare benefits.

As discussed below, the Committee believed that this mix of compensation would allow us to pay our executive officers competitive levels of compensation that best reflect individual responsibilities and contributions, while providing incentives to achieve overall business and financial objectives.

Base Salary

We provide our named executive officers and other employees with base salary to compensate them for services rendered during the fiscal year. Base salary ranges for named executive officers are determined individually for each executive.

During its review of base salaries for named executive officers, the Committee primarily considers:

- individual performance of the executive;
- our overall past operating and financial performance and future expectations;
- internal review of the executive's compensation, both individually and relative to other executive officers; and
- market data regarding peer companies.

The Committee does not give a specific weighting among these various factors but rather considers the factors collectively in setting base salary. Salary levels are typically considered on an annual basis as part of the performance review process, as well as upon a promotion or other change in job responsibility. We try to provide an allocation between base and performance-based incentive compensation that reflects market conditions and appropriately ensures alignment of individual performance with our objectives.

In setting the executive compensation plan for fiscal 2017, the Committee did not make an adjustment to the base salary of the Chief Executive Officer, Mr. Samit, who continued to receive a base salary of $500,000 prior to the termination of his employment on April 6, 2016. The Committee also did not make an adjustment to the base salary of the Chief Operating Officer, Mr. Terino, who continued to receive a base salary of $385,000, until his appointment as Chief Executive Officer on April 6, 2016. The Committee increased Mr. Terino's base salary to $450,000 upon his appointment as the Chief Executive Officer. The Committee increased base salary of the Chief Financial Officer, Mr. Dias, from $306,000 to $315,500 on May 1, 2016 that he continued to earn until the termination of his employment on July 31, 2016. The Committee also increased Mr. McEvoy's base salary from $280,000 to $290,000 on May 1, 2016.

The Committee appointed Mr. Faubert as the Chief Financial Officer of the Company on July 6, 2016, and set Mr. Faubert's base salary at $300,000. The Committee also appointed Mr. Rider as the Chief Operating Officer of the Company on January 31, 2017 and increased Mr. Rider's base salary from $240,000 (in his prior role with the Company as Chief Information Officer) to $325,000 in his new role of Chief Operating Officer.

Performance-Based Incentive Compensation

After considering the overall cash-equity mix of the aggregate compensation paid to our named executive officers, the Committee structured awards pursuant to the fiscal 2017 performance-based compensation plan to be a mixture of cash, stock options, restricted stock units ("RSUs") and performance stock units ("PSUs"). The Committee believes that including both cash, stock options, RSUs and PSUs as an element of the performance-based compensation is important as it further aligns the interests of our executive officers with those of our stockholders, increases executive ownership of our stock, discourages excessive levels of risk taking, and enhances executive retention in a challenging business environment and competitive labor market, while at the same time providing competitive current compensation and accounting for the liquidity limitations created by the Company's stock ownership guidelines.

Starting in fiscal 2017, the Committee now provides all equity awards to the named executive officers under the performance-based Long Term Incentive ("LTI") compensation plan and all cash awards to the named executive officers under the performance-based Short Term Incentive ("STI") compensation plan. Each of the STI and LTI plans are described further below.

Fiscal 2017 Performance-Based Short Term Incentive Compensation Plan

The Committee believes that performance-based incentive compensation motivates the achievement of critical annual performance objectives aimed at enhancing stockholder value. The fiscal 2017 performance-based STI compensation plans established for each of Messrs. Terino, Rider, Faubert, McEvoy and Dias, the Company's executive officers during fiscal 2017, provided for a cash award payable upon the satisfaction of specified targets. Mr. Samit, our Chief Executive Officer until the termination of his employment on April 6, 2016, did not participate in the fiscal 2017 performance-based STI compensation plan because Mr. Samit ceased to be employed by the Company prior to the Committee's approval of the fiscal 2017 STI plans.

Performance-based compensation for each of the named executive officers, except for Mr. Rider, pursuant to our fiscal 2017 plan was structured as follows:

- 40% of target bonus payable based upon the achievement of certain GAAP revenue goals for fiscal 2017;
- 40% of target bonus payable based upon the achievement of certain non-GAAP operating income[1] goals for fiscal 2017; and
- 20% or target bonus payable based upon the achievement of certain individual performance-based objectives.

Mr. Rider's fiscal 2017 performance-based STI compensation plan was structured as follows, similar to other non-executive officers of the Company as it was awarded to Mr. Rider in his capacity as Chief Information Officer prior to becoming our Chief Operating Officer:

- 20% of target bonus payable based upon the achievement of certain GAAP revenue goals for fiscal 2017;
- 40% of target bonus payable based upon the achievement of certain non-GAAP operating income goals for fiscal 2017; and
- 40% or target bonus payable based upon the achievement of certain individual performance-based objectives.

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[1] We define non-GAAP (loss) income from operations as GAAP operating (loss) plus stock-based compensation expenses, amortization of intangible assets, earn-outs and change in fair value of earn-outs, non-operating expense professional fees, severance and other restructuring costs, provision for loss contract and loss on impairment of long-lived assets.

In determining the targets and payouts at target performance levels for each of the objectives for awards under the 2017 executive compensation plan, the Committee considered the probability of achieving that target and the corresponding level of individual and group effort that would be required to achieve that target. Within that framework, the Committee set a fiscal 2017 GAAP revenue target of $117 million, with a threshold of $111 million, and a fiscal 2017 non-GAAP operating income target of $3.5 million, with a threshold of $0. The Committee retained discretion to adjust these targets during the year, including discretion to reflect changes from the Company's ongoing transition to being a leading provider of software and services, changes in the Company's executive officers, and other unusual or non-recurring items. The Committee did not establish limits for itself with respect to exercise of this discretion, and believes that this discretion is important in order to retain the ability to compensate executive officers in a manner that reflects overall corporate and individual performance relative to the market conditions.

In establishing financial targets and potential payout targets for the named executive officers, the Committee provided for additional incentive payouts in the event that the revenue or non-GAAP operating income targets were exceeded, with a specified maximum upward adjustment of twenty-five percent (25%) above target based upon non-GAAP operating income and a maximum upward adjustment of twenty-five (25%) based upon revenue. The Committee also provided for a decreasing amount of cash payouts in the event that the revenue or non-GAAP operating income target, as applicable, were not met, while establishing a threshold with respect to each objective below which no corresponding payout would be made. These provisions were established to provide incentive to our executive officers to exceed the financial targets, as well as to provide some form of payout for performance that approaches but may not meet the established targets. The Committee implemented this structure to ensure that our compensation programs support our overall compensation objectives.

Each of the named executive officers participating in our fiscal 2017 performance based incentive compensation plan also had individual performance-based objectives, except for Mr. Dias whose objectives were not finalized prior to the termination of his employment with the Company on July 31, 2016. The objectives for Messrs. Terino, Rider, Faubert and McEvoy are as follows:

- Mr. Terino: the acquisition of DCC Labs, the reduction of operating costs, the expansion of the Company's sales capability, the re-engineering of the Company's information systems and the strengthening of the finance organization's contribution to the business functions.
- Mr. Rider (in his role of Chief Information Officer): implementation of a new CRM/SFA system, the consolidation and streamlining of engineering time tracking and project management systems, the reduction of operating costs in IT and G&A, the integration of DCC labs into the Company and improvements to the Company's IT infrastructure and software environments.
- Mr. Faubert: implementation of the Company's restructuring plans, the evaluation and strengthening of the global finance organization, the strengthening of the Company's working capital management, the identification and improvements to the Company's global revenue forecasting and reporting, and the improvement of the Company's budget process.
- Mr. McEvoy: the acquisition and integration of DCC Labs, the management of the legal risks associated with the Company's restructuring activities, performing certain commercial contract reviews, the evaluation of the Company's external legal resources, and the update of the Company's Enterprise Risk Management documentation.

Payouts were made under our fiscal 2017 performance-based STI plan based on the achievement of individual performance objectives only. No payouts were made in fiscal 2017 with respect to the satisfaction of the pre-established financial objectives under our fiscal 2017 performance-based STI plan. Mr. Samit and Mr. Dias did not receive any awards under the fiscal 2017 performance-based compensation plan, however fiscal 2017 performance was considered in the determination of their severance packages discussed more fully under the section, "*Separation Agreement with Former Chief Executive Officer, Jay Samit" and "Separation Agreement with Former Chief Financial Officer, Anthony Dias", respectively.* Under the fiscal 2017 performance-based STI plan, Mr. Terino received a cash bonus of $70,200; Mr. Rider received a cash bonus of $58,032; Mr. Faubert received a cash bonus of $18,726; and Mr. McEvoy received a cash bonus of $27,796.

Long-Term Incentive Equity Awards

Fiscal 2017 Long-Term Incentive Program

In fiscal 2017, the Committee continued its Long-Term Incentive ("LTI") Program under which the named executive officers will receive long-term equity-based incentive awards, which are intended to align the interests of our named executive officers with the long-term interests of our stockholders and to emphasize and reinforce our focus on team success. The long-term equity-based incentive compensation awards for fiscal 2017 were made in the form of stock options, RSUs and performance stock units for shares of our common stock ("PSUs") subject to vesting based in part on the extent to which employment continues for three (3) years.

Because the executives are able to profit from stock options only if our stock price increases relative to the stock option's exercise price, because the value of restricted stock units is based on the price of our common stock when the RSUs vest and because the vesting of the PSUs is dependent on the price of our common stock, we believe stock options, RSUs and PSUs provide meaningful incentives to executives to achieve increases in the value of our stock over time and as a result are effective tools for meeting our compensation goal of increasing long-term stockholder value.

All LTI awards are approved by the Committee. In determining the size of a stock option grant, RSU award or PSU award, the Committee takes into account individual performance (generally consisting of financial performance for the year as well as a subjective, qualitative review of each named executive officer's contribution to the success of the business), internal pay equity considerations and the value of previously granted equity awards.

The following LTI awards were approved by the Committee on January 31, 2017:

- **PSUs.** An award of PSUs in an amount based on the target number of shares of SeaChange's common stock set forth opposite the applicable executive's name below:

Executive	Target Award # of PSUs
Edward Terino	91,488
Jonathan Rider	30,843
Peter Faubert	40,175
David McEvoy	15,838

Such awards of PSUs will vest, if at all, on January 31, 2020 (the "Maturity Date") based on SeaChange's total shareholder return for the period between February 1, 2017 and January 31, 2020 (the "Performance Period") compares to that of the companies comprising the S&P SmallCap 600 Index (the "SeaChange Relative TSR Percentile Rank"):

SeaChange Relative TSR Percentile Rank at January 31, 2020	Share Payout as a Percentage of Target Award
25th or lower	0%
26th to 50th	50% to 99%
51% to 75%	100% to 149%
76th or higher	150%

- **RSUs.** An award of RSUs for an amount of shares of SeaChange's common stock set forth opposite the applicable executive's name below, to be vested ratably on an annual basis over the three years following January 31, 2017:

Executive	RSUs Awarded
Edward Terino	45,744
Jonathan Rider	15,422
Peter Faubert	20,088
David McEvoy	7,919

- **Stock Options.** An award of options to purchase the number of shares of SeaChange's common stock set forth opposite the applicable executive's name below at an exercise price equal SeaChange's closing stock price on January 31, 2017, to be vested ratably on an annual basis over the three years following January 31, 2017:

Executive	Options Awarded
Edward Terino	96,710
Jonathan Rider	32,604
Peter Faubert	42,469
David McEvoy	16,743

Additional PSU Terms

If a change in control of the Company occurs prior to the Maturity Date and while an executive is in the employ of the Company, then the continued employment requirement of the PSUs shall cease to apply and the share payout as a percentage of the PSU target award by reference to the SeaChange Relative TSR Percentile Rank on the thirty (30) consecutive trading days preceding the change in control, and (ii) any Share Payout shall be made in a single payment of shares of the Company's common stock in connection with the closing of the change in control transaction.

If a named executive's officer's employment is terminated prior to a change in control by the Company without cause or by the named executive officer for good reason, then the continued employment requirement for the named executive officer will cease to apply and the share payout as a percentage of the PSU target award will be determined as of the Maturity Date and paid provided, however, that the number of shares of the Company's common stock to be paid to the named executive officer in such circumstance shall be pro-rated based on the number of days elapsed in the Performance Period prior to the date the executive's employment terminated.

Other Awards

In connection with Mr. Terino's appointment as Chief Executive Officer effective as of April 6, 2016, as previously reported on a Form 8-K filed with the SEC on April 7, 2016, we entered into an employment offer letter with Mr. Terino providing for a grant of an option to purchase 600,000 shares of our stock with an initial exercise price of $5.56 (fair market value based on the price of our stock at market close on April 6, 2016), to vest in approximately equal tranches based on our stock price reaching $7.00, $9.00 and $11.00 for twenty (20) consecutive trading dates, but in any event no earlier than six (6) months from April 6, 2016, in addition to his base salary and LTI Award described above.

In connection with Mr. Rider's appointment as Chief Operating Officer effective as of January 31, 2017, as previously reported on a Form 8-K filed with the SEC on February 3, 2017, we entered into an employment offer letter with Mr. Rider providing for a grant of an option to purchase 100,000 shares of our stock with an exercise price of $2.42 (fair market value based on the price of our stock at market close on January 31, 2017), to vest annually in four equal tranches on January 31, 2018, January 31, 2019, January 31, 2020 and January 31, 2021, respectively, in addition to his base salary and LTI Award described above.

In connection with Mr. Faubert's appointment as Chief Financial Officer effective as of July 6, 2016, as previously reported on a Form 8-K filed with the SEC on July 6, 2016, we entered into an employment offer letter with Mr. Faubert providing for a grant of an option to purchase 100,000 shares of our stock with an exercise price of $3.30 (fair market value based on the price of our stock at market close on July 6, 2016), to vest annually in four equal tranches on July 6, 2017, July 6, 2018, July 6, 2019 and July 6, 2020, respectively, in addition to his base salary and LTI Award described above.

Mr. Rider and Mr. McEvoy each received $25,000 discretionary cash bonuses for their efforts regarding improvements to our customer service organization and the DCC Labs acquisition, respectively. The Compensation Committee also exercised discretion to award Mr. McEvoy a $27,796 cash bonus for his efforts and performance during fiscal 2017, concurrent with payments pursuant to the fiscal 2017 performance-based STI compensation plan.

Separation Agreement with Former Chief Executive Officer, Jay Samit

In connection with the termination of employment without cause of our Chief Executive Officer Jay Samit, effective as of April 6, 2016, we entered into a separation agreement, dated as of April 6, 2016, with Mr. Samit, the terms of which were consistent with those contained in Mr. Samit's employment offer letter, as previously reported on a Form 8-K filed with the SEC on October 22, 2014. Pursuant to the separation agreement, we agreed to:

- Pay Mr. Samit 18 months base salary ($750,000) as severance in twelve (12) equal installments of $62,500 per installment, subject to all ordinary payroll taxes and withholdings;
- Pay Mr. Samit $625,000 in satisfaction of his fiscal 2016 and fiscal 2017 annual bonus;
- Allow for pro-rated vesting of his time-based equity awards through his termination date; and
- Allow Mr. Samit to remain eligible to receive his pro-rated portion of his LTI PSU award.

Under the separation agreement, Mr. Samit affirmed his existing employee noncompetition, nondisclosure and developments agreement pursuant to which Mr. Samit agreed to non-competition and non-solicitation provisions restricting his activities for a period of one-year after the termination of his employment.

Separation Agreement with Former Chief Financial Officer, Anthony Dias

In connection with the termination of employment of our Chief Financial Officer Anthony Dias, effective as of July 31, 2016, we entered into a separation agreement, dated as of July 6, 2016, with Mr. Dias. Pursuant to the separation agreement, we agreed to:

- Pay Mr. Dias six (6) months of base salary ($157,750) as severance in twelve (12) equal semi-monthly installments of $13,145.83, subject to all ordinary payroll taxes and withholdings;
- Allow Mr. Dias to remain eligible for a pro-rated fiscal 2017 target annual bonus of $189,300, payable in cash ("Target Bonus"). Forty percent (40%) of this Target Bonus was based upon the achievement of certain goals related to the Company's reported fiscal 2017 non-GAAP operating income, forty percent (40%) of it was based upon the achievement of certain goals related to the Company's reported revenue (both according to the Company's fiscal 2017 financial goals) and twenty percent (20%) based upon the achievement of Mr. Dias' personal goals; and
- Allow for the continued vesting through January 31, 2017 of Mr. Dias' outstanding equity awards including allowing Mr. Dias to remain eligible to receive a pro-rated portion (33.33% of the original three-year period) of his PSU award to be determined subsequent to January 31, 2019 pursuant to the previously disclosed terms of his PSU award agreement.

Under the separation agreement, Mr. Dias affirmed his existing employee noncompetition, nondisclosure and developments agreement pursuant to which Mr. Dias agreed to non-competition and non-solicitation provisions restricting his activities for a period of one-year after the termination of his employment.

Clawback Policy; Stock Ownership Guidelines; Hedging and Pledging Restrictions

Compensation paid to our named executive officers is subject to a policy regarding compensation reimbursement, or a "clawback" policy, as described in our Code of Ethics and Business Conduct, a copy of which is available on our website of *www.schange.com* under the "Corporate Governance" section of the "Investor Relations" link. The policy provides that in the event that our financial results are significantly restated, the Board of Directors will review any compensation, other than base salary, paid or awarded to any executive officer found to be personally responsible for the fraud or intentional misconduct that caused the need for the restatement. The Board will, to the extent permitted by law, require the executive officer to repay any such compensation if:

- the amount of such compensation was calculated based upon the achievement of certain financial results that were subsequently the subject of the restatement;
- such executive officer engaged in fraud or intentional misconduct that caused the need for the restatement; and
- such compensation would have been lower than the amount actually awarded had the financial results been properly reported.

Compensation paid to our named executive officers in the form of equity is also subject to our stock retention and ownership guidelines that apply to our directors and senior officers, as described in our Corporate Governance Guidelines, a copy of which is available on our website at *www.schange.com* under the "Corporate Governance" section of the "Investor Relations" link. These guidelines provide that by the later of six (6) years following appointment to office or four (4) years following election to the board, as applicable:

- each non-employee director is expected to retain ownership of vested shares of SeaChange stock in a minimum amount equal to lesser of 25,000 shares or $200,000 worth of shares;
- the Chief Executive Officer retain ownership of vested shares of SeaChange stock in a minimum amount equal to 250,000 shares;
- the Chief Financial Officer retain ownership of vested shares of SeaChange stock in a minimum amount equal to 75,000 shares; and
- each Senior Vice President that is an executive officer retain ownership of vested shares of SeaChange stock in a minimum amount equal to 50,000 shares.

Prior to meeting the stock ownership targets, each non-employee director and senior executive officer is encouraged, but is not required, to retain a meaningful portion of all shares of stock acquired by the non-employee director or officer (whether through equity awards by SeaChange, purchases on the open market or otherwise) in order to progress toward the stock ownership targets, other than shares of stock sold to pay taxes and/or applicable exercise price with respect to an equity award. Upon meeting the stock ownership targets, each non-employee director and senior executive officer is required thereafter to retain not less than twenty-five percent (25%) of all shares of stock acquired by the non-employee director or officer (whether through equity awards by SeaChange, purchases on the open market or otherwise), other than shares of stock sold to pay taxes and/or the applicable exercise price with respect to an equity award. In addition, upon any termination of service for a non-employee director and upon voluntary termination of service for a senior executive officer, such director or officer must wait at least ninety (90) days before selling any shares. In the case of hardship or other compelling personal requirements, the stock ownership targets may be waived to permit the sale of shares by the affected person.

In addition, our Insider Trading and Tipping Policy prohibits our insiders, which includes our employees and directors, from engaging in hedging transactions and requires the prior written consent of our compliance officer to pledge securities of SeaChange owned by the insider. We have not received any requests pursuant to our Insider Trading and Tipping Policy to permit pledges of SeaChange stock.

We have made, and from time to time continue to make, grants of stock options and RSUs to eligible employees based upon our overall financial performance and their individual contributions. Stock options and

RSUs are designed to align the interests of our executives and other employees with those of our stockholders by encouraging them to enhance the value of SeaChange. In addition, the vesting of stock options and RSUs over a period of time is designed to defer the receipt of compensation by the recipient, creating an incentive for the individual to remain an employee. We do not have a program, plan or practice to select equity grant dates in connection with the release of favorable or negative news.

Change in Control and Termination Benefits

Each named executive officer is party to a Change in Control Severance Agreement with SeaChange (the "Change in Control Agreements").

The Change in Control Agreements provide for benefits upon termination of employment following a change in control or sale of SeaChange (commonly referred to as "double trigger") and do not contain any tax gross-up provisions. SeaChange entered into these agreements to reflect current best pay practices, while continuing to provide an incentive for each executive to remain with SeaChange leading up to and following a Change in Control.

Under the Change in Control Agreements, if an executive's equity award, other than a performance-based equity award (such as PSUs or market-based stock options), is continued, assumed or substituted following a Change in Control and the executive's employment is terminated within two years after the Change in Control by the employer without cause or by the executive for good reason (a "Covered Termination"), then such equity award would be accelerated in full. Performance-based equity awards would continue to be governed by their existing terms. In addition, if a Covered Termination occurs, the executive would be entitled to receive a cash amount as severance equal to the sum of (a) for each of Messrs. Terino, Rider and Faubert, McEvoy, one times his base salary, plus (b) 150% of the executive's target annual bonus for the fiscal year in which the Covered Termination occurs, plus (c) for each of Messrs. Terino, Rider, Faubert and McEvoy, $62,000, being an amount corresponding to medical and other benefits during the post-employment period.

Mr. Samit had severance benefits under an employment offer letter, which provided for compensation to Mr. Samit when his employment was terminated effective as of July 31, 2016. Mr. Dias also received severance benefits under a separation agreement dated July 6, 2016.

The specific terms of these arrangements, as well as an estimate of the compensation that would have been payable had they been triggered as of fiscal 2017 year-end, are described in detail on page 37 under the heading entitled "*Potential Payments Upon Termination or Change in Control*."

General Employee Welfare Benefits

We also have various broad-based employee benefit plans. Executive officers participate in these plans on the same terms as eligible, non-executive employees, subject to any legal limits on the amounts that may be contributed or paid to executive officers under these plans. We offer a 401(k) retirement plan, which permits employees to invest in a choice of mutual funds on a pre-tax basis. We also maintain medical, disability and life insurance plans and other benefit plans for our employees.

Fiscal 2018 Executive Compensation Components

The principal components of fiscal 2018 executive compensation are as follows, the same as existed for fiscal 2017 executive compensation:

- base salary;
- short-term performance-based incentive compensation;
- long term incentive equity awards;

- discretionary equity awards;
- change in control and termination benefits; and
- general employee welfare benefits.

Within this framework, the Committee established the specific compensation programs for our named executive officers.

In setting executive compensation for fiscal 2018, the Committee reviewed a new list of peer companies recommended by Cook to reflect the removal of certain companies from the prior peer company list with a much larger market capitalization than the Company. The new list of our peer companies is as follows:

- American Software, Inc.
- BSQUARE Corporation
- Digital Turbine, Inc.
- Guidance Software, Inc.
- Limelight Networks, Inc.
- Marin Software Inc.
- Remark Media, Inc.
- Synacor, Inc.
- YuMe, Inc.
- Brightcove, Inc.
- Concurrent Computer Corporation
- eGain Corporation
- Jive Software, Inc.
- Marchex, Inc.
- RealNetworks, Inc.
- SITO Mobile, Ltd.
- Tremor Video, Inc.

The Committee determined that this list of peer companies provided appropriate referenceable data points, based on our revenues, market capitalization, and industry focus relative to each of these companies. The Committee made reference to the compensation paid by these peer companies in establishing fiscal 2018 executive compensation but did not benchmark compensation to these companies.

For fiscal 2018, Mr. Terino receives a base salary of $450,000; Mr. Rider receives a base salary of $325,000; Mr. Faubert receives a base salary of $300,000; and Mr. McEvoy's receives a base salary of $296,000.

In fiscal 2018 no equity awards will be made to the named executive officers under the fiscal 2018 Short Term Incentive bonus plan. Instead, any incentive equity awards to the named executive officers during fiscal 2018 are intended to be made under the 2018 Long-Term Incentive Program subject to vesting based in part on the extent to which employment continues for three (3) years. Under the fiscal 2018 Short Term Incentive bonus plan, Mr. Terino will be eligible for a target cash bonus of 90% of his base salary; Mr. Rider will be eligible for a target cash bonus of 80% of his base salary; Mr. Faubert will be eligible for a target cash bonus of 60% of his base salary; and Mr. McEvoy will be eligible for a target cash bonus of 50% of his base salary.

This short-term incentive bonus compensation is earned based on the Company's achievement of overall company financial objectives for fiscal 2018 related to total revenue and non-GAAP operating income and based on individualized performance-based objectives. These objectives will be further discussed in our proxy statement relating to our 2018 Annual Meeting of stockholders.

In fiscal 2018, the named executive officers will be eligible to receive Long-Term Incentive Awards under the 2018 Long-Term Incentive Program with amounts to be determined.

Tax and Accounting Implications

The financial reporting and income tax consequences to SeaChange of individual compensation elements are important considerations for the Committee when it is analyzing the overall level of compensation and the mix of compensation among individual elements. Overall, the Committee seeks to balance its objective of ensuring an effective compensation package for named executive officers with the need to maximize the immediate deductibility of compensation — while ensuring an appropriate and transparent impact on reported net income and other closely followed financial measures.

In making its compensation decisions, the Committee has considered that Internal Revenue Code Section 162(m) limits deductions for compensation paid in excess of $1 million. Where feasible, the Committee designs compensation paid to its executive officers to qualify for the exemption of "performance-based" compensation from the deductibility limit. While the Committee monitors compensation paid to our executive officers in light of the provisions of Section 162(m) of the Code, the Committee does not believe that compensation decisions should be constrained necessarily by how much compensation is deductible for federal tax purposes, and the Committee is not limited to paying compensation that is "qualified performance-based compensation" under Section 162(m) of the Code. Accordingly, the Committee may elect to pay compensation to our executive officers that may not be deductible for federal tax purposes to the extent compensation to the executive officer exceeds $1 million.

Summary Compensation Table

The following table sets forth summary information regarding the compensation of SeaChange's named executive officers in fiscal 2017, 2016, and 2015.

As described above in Compensation Discussion and Analysis, final determinations regarding awards of performance-based STI compensation are made after fiscal year-end, when performance against the previously established metrics may be assessed by the Committee. With respect to equity awards under SeaChange's performance-based LTI compensation plans, the grant date for purposes of ASC Topic 718 is the service inception date, or the beginning of the period during which performance is measured. In accordance with ASC Topic 718, the amounts reflected below under the headings "Stock Awards" for a given fiscal year, represent the probable outcome as of the service inception date of the performance conditions under the fiscal 2017 performance-based LTI compensation plan, which in each case is the award amount at the targets approved by the Compensation Committee. In the table below performance-based compensation paid in cash after fiscal year-end but earned in the prior fiscal year is reflected under the heading "Non-Equity Incentive Plan Compensation" or "Bonus," as applicable, in the fiscal year in which that compensation was earned, regardless of when paid.

Name	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards [1] ($)	Option Awards [2] ($)	Non-Equity Incentive Plan Compensation [3] ($)	All Other Compensation [4] ($)	Total ($)
Edward Terino [5]	2017	438,705	—	350,399[6]	1,655,865[7]	70,200	—	2,515,169
Chief Executive Officer, Director, and former Chief Operating Officer & Executive Vice President	2016	253,952	—	1,038,600	814,680	147,443	35,888	2,290,563
Jonathan Rider [8] *Chief Operating Officer & Senior Vice President*	2017	188,308	25,000	243,589[6]	687,578[7]	58,032	—	1,202,507
Peter Faubert [9] *Chief Financial Officer, Senior Vice President & Treasurer*	2017	171,731	—	153,872[6]	432,775[7]	18,726	—	777,104
David McEvoy	2017	287,500	52,796	60,659[6]	40,518[7]	27,796	—	469,269
General Counsel,	2016	270,413	—	608,980	82,500	62,906	—	1,024,799
Senior Vice President & Secretary	2015	259,072	7,680	151,127	—	16,000	—	433,879
Jay Samit [10]	2017	91,026	—	—	—	—	1,419,310[11]	1,510,336
Former Chief	2016	500,000	—	1,355,000[12]	—	500,000[12]	—	2,355,000
Executive Officer, Director	2015	144,232	125,000	1,187,500	1,696,035[11]	—	—	3,152,767
Anthony Dias [13]	2017	155,375	—	—	—	—	211,532[14]	366,907
Former Chief	2016	282,856	—	756,634	117,500	98,786	—	1,255,776
Financial Officer, Senior Vice President, Finance and Administration & Treasurer	2015	258,750	17,251	210,000	—	20,400	—	506,401

(1) This expense represents the grant date fair value of the applicable target RSU and PSU awards as computed in accordance with ASC Topic 718 disregarding any estimates of forfeitures relating to service-based vesting conditions. Performance-based RSUs and PSUs are valued at the grant date based upon the probable outcome of the performance metrics. Therefore, the amounts under the "Stock Awards" column do not reflect the amount of compensation actually

received by the named executive officer during the fiscal year. The maximum value of PSUs in fiscal 2017 assuming the highest level of performance conditions is achieved would be $359,549 for Mr. Terino; $253,050 for Mr. Rider; $157,889 for Mr. Faubert; and $62,244 for Mr. McEvoy.

(2) This expense represents the grant date fair value of the applicable option awards, as computed in accordance with ASC Topic 718 disregarding any estimates of forfeitures relating to service-based vesting conditions.

(3) The Non-Equity Incentive Plan Compensation column reflects for fiscal 2015, 2016 and 2017 cash awards under performance-based compensation plans from the satisfaction of pre-established performance criteria and prior to any exercise of discretion permitted to be exercised pursuant to the applicable performance-based compensation plan. Mr. Faubert's fiscal 2017 STI cash bonus was pro-rated based on his days of employment with the Company in fiscal 2017.

(4) The All Other Compensation column includes Company contributions to a named executive officer's 401(k) Plan account, perquisites and other personal benefits received by a named executive officer to the extent such benefits exceeded $10,000 in the aggregate relating to the fiscal year.

(5) Mr. Terino was appointed Chief Executive Officer on April 6, 2016, as previously reported on a Form 8-K filed with the SEC on April 7, 2016, and serves as a director of the Company. Prior to his appointment as Chief Executive Officer, Mr. Terino was appointed Chief Operating Officer and Executive Vice President on June 3, 2015, as previously reported on a Form 8-K filed with the SEC on June 4, 2015. Compensation reported for Mr. Terino in this table includes the compensation paid to him for his service prior to June 3, 2015 as a non-employee director of the Company. Mr. Terino's fiscal 2017 salary reflects a partial year as Chief Operating Officer and a partial year as Chief Executive Officer. Mr. Terino's fiscal 2016 salary reflects a partial year of service to the Company in his capacity as Chief Operating Officer.

(6) Stock Awards in this table for fiscal 2017 consist of: For Mr. Terino, 2017 LTI Award of RSUs valued at $110,700 and PSUs valued at target at $239,699; for Mr. Rider, 2017 LTI Award of RSUs valued at $37,321 and PSUs valued at target at $80,809; for Mr. Faubert, his 2017 LTI Award of RSUs valued at $48,613 and PSUs valued at target at $105,259; and for Mr. McEvoy, his 2017 LTI Award of RSUs valued at $19,163 and PSUs valued at target at $41,496. Mr. Rider received his 2016 LTI Award of RSUs valued at $37,568 and PSUs valued at target at $87,891 in fiscal 2017, which are included in this table.

(7) Option Awards in this table for fiscal 2017 consist of: for Mr. Terino, a 2017 LTI Award of stock options valued at $234,038 and market based stock options valued at $1,421,827 (based on a grant date fair value determined by a third party valuation firm) none of which had vested as of January 31, 2017; for Mr. Rider, a 2017 LTI Award of stock options valued at $78,902, an initial new hire award of stock options valued at $287,250 and an award of stock options on Mr. Rider's promotion to Chief Operating Officer valued at $242,000; for Mr. Faubert, a 2017 LTI Award of stock options valued at $102,775 and an initial new hire award of stock options valued at $330,000; and for Mr. McEvoy an LTI Award of stock options valued at $40,518. Mr. Rider received his 2016 LTI Award of stock options valued at $79,426 in fiscal 2017, which are included in this table

(8) Mr. Rider was appointed Chief Operating Officer and Senior Vice President on January 31, 2017, as previously reported on Form 8-K filed with the SEC on February 3, 2017. Mr. Rider's fiscal 2017 salary reflects his salary as Chief Information Officer, his position with the Company until the last day of fiscal 2017.

(9) Mr. Faubert was appointed Chief Financial Officer, Senior Vice President and Treasurer on July 6, 2016, as previously reported on Form 8-K filed with the SEC on July 7, 2016. Mr. Faubert's fiscal 2017 salary reflects a partial year of service to the Company.

(10) Mr. Samit was appointed Chief Executive Officer on October 20, 2014, and ceased being an executive officer, employee or director of SeaChange as of April 6, 2016, as previously reported on a Form 8-K filed with the SEC on April 7, 2016. Mr. Samit's fiscal 2017 salary reflects a partial year of service to the Company. Mr. Samit's fiscal 2015 salary reflects a partial year of service to the Company.

(11) For fiscal 2017, Mr. Samit received a $2,000 Company contribution to his 401(k) Plan account, a $42,310 payment for his accrued, but unused vacation time upon his termination of employment on April 6, 2016, and $1,375,000 in paid and/ or accrued severance benefits under the terms of his separation agreement.

(12) Due to the termination of his employment on April 6, 2016, Mr. Samit did not receive his cash or equity bonus under his fiscal 2016 performance-based compensation plan, however, fiscal 2016 performance was taken into account in the determination of his severance package. See *Separation Agreement with Former Chief Executive Officer, Jay Samit.* Mr. Samit's target performance-based compensation plan awards for fiscal 2016 are included.

(13) Mr. Dias resigned as an executive officer of the Company as of July 6, 2016 and ceased to be an employee of the Company as of July 31, 2016, as previously reported on a Form 8-K filed with the SEC on July 7, 2016. Mr. Dias' fiscal 2017 salary reflects a partial year of service to the Company.

(14) For fiscal 2017, Mr. Dias received a $7,185 Company contribution to his 401(k) Plan account, a $18,202 payment for his accrued, but unused vacation time upon his termination of employment on July 31, 2016, and $186,145 in paid and/or accrued severance benefits under the terms of his separation agreement. See *Separation Agreement with Former Chief Financial Officer, Anthony Dias.*

Grants of Plan-Based Awards

The following table sets forth information concerning plan-based awards to the named executive officers during the fiscal year ended January 31, 2017.

		Estimated Future Payouts under Non-Equity Incentive Plan Awards			Estimated Future Payouts under Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (2)	All Other Option Awards: Number of Securities Underlying Options (2)	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/Sh)	($)
Edward Terino (3)	5/2/2016(8)	210,600	405,000	506,250	—	—	—	—	—	—	—
	4/6/2016	—	—	—	—	—	—	—	600,000	5.56	1,421,827
	1/31/2017	—	—	—	45,744	91,488	137,232	45,744	96,710	2.42	234,038
Jonathan Rider (4)	5/2/2016(8)	99,840	156,000	195,000	—	—	—	—	—	—	—
	5/2/2016(9)	—	—	—	9,965	19,930	29,895	9,965	21,068	3.77	79,426
	4/19/2016	—	—	—	—	—	—	—	75,000	3.83	287,250
	1/31/2017	—	—	—	15,422	30,843	46,265	15,422	32,604	2.42	78,902
	1/31/2017	—	—	—	—	—	—	—	100,000	2.42	242,000
Peter Faubert (5)	5/2/2016(8)	93,600	180,000	225,000	—	—	—	—	—	—	—
	7/6/2016	—	—	—	—	—	—	—	100,000	3.30	330,000
	1/31/02017	—	—	—	20,088	40,175	60,263	20,088	42,469	2.42	102,775
David McEvoy	5/2/2016(8)	75,400	145,000	181,250	—	—	—	—	—	—	—
	1/31/2017	—	—	—	7,919	15,838	23,757	7,919	16,743	2.42	40,518
Jay Samit (6)	—	—	—	—	—	—	—	—	—	—	—
Anthony Dias (7)	5/2/2016(8)	98,436	189,300	236,625	—	—	—	—	—	—	—

(1) The grants under the "**Estimated Future Payouts under Equity Incentive Plan Awards**" column represent the threshold, target and maximum number of RSUs or stock options awarded under the fiscal 2017 performance-based compensation plan.

(2) The grants under the "**All Other Stock Awards: Number of Shares of Stock or Units**" column and under the "**All Other Option Awards: Number of Securities Underlying Options**" column represent the number of RSUs and options, respectively, granted to each named executive officer in fiscal 2017 under the Company's Second Amended and Restated 2011 Compensation and Incentive Plan.

(3) Mr. Terino was appointed Chief Executive Officer on April 6, 2016, as previously reported on a Form 8-K filed with the SEC on April 7, 2016, and continues to serve as a director of the Company. Prior to his appointment as Chief Executive Officer, Mr. Terino was appointed Chief Operating Officer and Executive Vice President on June 3, 2015, as previously reported on a Form 8-K filed with the SEC on June 4, 2015.

(4) Mr. Rider was appointed Chief Operating Officer and Senior Vice President on January 31, 2017, as previously reported on Form 8-K filed with the SEC on February 3, 2017.

(5) Mr. Faubert was appointed Chief Financial Officer, Senior Vice President and Treasurer on July 6, 2016, as previously reported on Form 8-K filed with the SEC on July 7, 2016. Mr. Faubert's fiscal 2017 "**Estimated Future Payouts Under Non-Equity Incentive Plan Awards"** column represents annual amounts that were pro-rated to the time Mr. Faubert was employed as the Chief Financial Officer in fiscal 2017.

(6) Mr. Samit ceased being an executive officer, employee or director of SeaChange as of April 6, 2016, as previously reported on a Form 8-K filed with the SEC on April 7, 2016. A fiscal 2017 short term incentive ("STI") plan was not prepared for Mr. Samit since he was no longer employed when the 2017 STI plan was approved.

(7) Mr. Dias resigned as an executive officer of the Company as of July 6, 2016 and ceased to be an employee of the Company as of July 31, 2016, as previously reported on a Form 8-K filed with the SEC on July 7, 2016.

(8) These awards were made pursuant to the fiscal 2017 performance-based STI compensation plan adopted May 2, 2016.

(9) Mr. Rider received a fiscal 2016 Long-Term Incentive ("LTI") Award on May 2, 2016, and it is included in this table.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth summary information regarding the outstanding equity awards at January 31, 2017 granted to each of SeaChange's named executive officers:

	Options Awards (1)					Stock Awards (2)	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Edward Terino (3)	—	200,000	—	7.25	6/3/2025	239,730	580,147
	16,149	—	32,307	6.05	1/26/2026		
	—	600,000	—	5.56	4/6/2026		
	—	—	96,710	2.42	1/31/2027		
Jonathan Rider (4)	—	75,000	—	3.83	4/19/2026	72,839	176,270
	7,023	—	14,045	3.77	5/2/2026		
	—	100,000	—	2.42	1/31/2027		
	—	—	32,604	2.42	1/31/2027		
Peter Faubert (5)	—	100,000	—	3.30	7/6/2026	60,263	145,836
	—	—	42,469	2.42	1/31/2027		
David McEvoy	5,000	—	—	8.15	7/2/2022	91,103	220,469
	8,989	—	17,978	6.05	1/26/2026		
	—	—	16,743	2.42	1/31/2027		
Jay Samit (6)	—	—	—	—	—	6,484	15,691
Anthony Dias (7)	—	—	—	—	—	11,958	28,938

(1) All options in the table above were granted under the Company's Second Amended and Restated 2011 Plan. Mr. Terino's 200,000 options granted on June 3, 2015 vest in approximately equal tranches based on our stock reaching \$10.00, \$12.00 and \$14.00 for twenty consecutive trading dates, but in any event not earlier than six months from June 3, 2015, and his 600,000 options granted on April 6, 2016 vest in approximately equal tranches based on our stock reaching \$7.00, \$9.00 and \$11.00 for twenty consecutive trading dates, but in any event not earlier than six months from April 6, 2016. The LTI Award stock options listed in the column, "**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options**" will vest annually in equal tranches over three years from the grant date.

(2) These columns show the number of shares of Common Stock represented by unvested RSUs at January 31, 2017. Each of these RSUs was granted as part of an award. The remaining vesting dates for these unvested RSUs as of January 31, 2017 were as follows:

Name	Number of Restricted Stock Units That Have Not Vested	Date of Grant	Vesting Dates
Edward Terino [3]	41,379	6/3/2015	6/3/2017, 6/3/2018, 6/3/2019
	45,839	1/26/2016	1/31/2019
	15,280	1/26/2016	1/31/2018, 1/31/2019
	45,744	1/31/2017	1/31/2018, 1/31/2019, 1/31/2020
	91,488	1/31/2017	1/31/2020
Jonathan Rider [4]	6,644	5/2/2016	1/31/2018, 1/31/2019
	19,930	5/2/2016	1/31/2019
	15,422	1/31/2017	1/31/2018, 1/31/2019, 1/31/2020
	30,843	1/31/2017	1/31/2020
Peter Faubert [5]	20,088	1/31/2017	1/31/2018, 1/31/2019, 1/31/2020
	40,175	1/31/2017	1/31/2020
David McEvoy	8,503	1/26/2016	1/31/2018, 1/31/2019
	25,510	1/26/2016	1/31/2019
	33,333	1/28/2016	1/28/2018, 1/28/2019
	7,919	1/31/2017	1/31/2018, 1/31/2019, 1/31/2020
	15,838	1/31/2017	1/31/2020
Jay Samit [6]	6,484[8]	1/26/2016	1/31/2019
Anthony Dias [7]	11,958[9]	1/26/2016	1/31/2019

(3) Mr. Terino was appointed Chief Executive Officer on April 6, 2016, as previously reported on a Form 8-K filed with the SEC on April 7, 2016, and continues to serve as a director of the Company. Prior to his appointment as Chief Executive Officer, Mr. Terino was appointed Chief Operating Officer and Executive Vice President on June 3, 2015, as previously reported on a Form 8-K filed with the SEC on June 4, 2015.

(4) Mr. Rider was appointed Chief Operating Officer and Senior Vice President on January 31, 2017, as previously reported on Form 8-K filed with the SEC on February 3, 2017.

(5) Mr. Faubert was appointed Chief Financial Officer, Senior Vice President and Treasurer on July 6, 2016, as previously reported on Form 8-K filed with the SEC on July 7, 2016.

(6) Mr. Samit ceased being an executive officer, employee or director of SeaChange as of April 6, 2016, as previously reported on a Form 8-K filed with the SEC on April 7, 2016.

(7) Mr. Dias resigned as an executive officer of the Company as of July 6, 2016 and ceased to be an employee of the Company as of July 31, 2016, as previously reported on a Form 8-K filed with the SEC on July 7, 2016.

(8) Mr. Samit is eligible to vest the pro-rata portion of his PSUs equivalent to the ratio of days that Mr. Samit was employed during the three-year PSU vesting period, or 6.484%, pursuant to the terms of Mr. Samit's Performance Stock Unit Agreement.

(9) Pursuant to Mr. Dias' Employment Separation Agreement and Voluntary Release dated as of July 6, 2016, Mr. Dias is eligible to vest one third of his PSUs pursuant to the terms of Mr. Dias' Performance Stock Unit Agreement.

Option Exercises and Stock Vested

The following table summarizes the option exercises and vesting of stock awards for each of SeaChange's named executive officers for fiscal 2017:

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting [(1)] ($)
Edward Terino	—	—	28,455	104,816
Jonathan Rider	—	—	7.023	16,996
Peter Faubert	—	—	—	—
David McEvoy	—	—	31,796	80,747
Jay Samit	—	—	19,252	107,042
Anthony Dias	—	—	25,980	66,672

(1) The value realized upon vesting of the RSUs shown in the table above was calculated as the product of the closing price of a share of our common stock on the vesting date multiplied by the number of shares vested.

Pension Benefits

We maintain a defined benefit pension plan (the "Pension Plan") for certain current employees of our Philippine subsidiary. The Pension Plan provides benefits to be paid to all eligible employees at retirement based primarily on years of service with SeaChange and compensation rates in effect near retirement. None of our named executive officers participates or is eligible to participate in the Pension Plan.

Nonqualified Deferred Compensation

SeaChange does not offer nonqualified defined contribution or other nonqualified deferred compensation plans to its employees.

Potential Payments Upon Termination or Change in Control

Each named executive officer is party to a Change in Control Severance Agreement with SeaChange (the "Change in Control Agreements"). The Change in Control Agreements provide for benefits upon termination of employment following a change in control or sale of SeaChange (commonly referred to as "double trigger") and do not contain any tax gross-up provisions. SeaChange entered into these agreements to reflect current best pay practices, while continuing to provide an incentive for each executive to remain with SeaChange leading up to and following a Change in Control.

Under the Change in Control Agreements, a "change in control" means any of the following:

(i) 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;

(ii) 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 fifty percent (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 corporation, if any);

(iii) 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 of 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 fifty percent (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 stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company; or

(iv) 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 forty percent (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 forty percent (40%) or more of the combined voting power of the voting securities of the Company.

Under the Change in Control Agreements, if an executive's equity award, other than a performance-based equity award (such as PSUs or market-based stock options), is continued, assumed or substituted following a change in control and the executive's employment is terminated within two years after the change in control by the employer without cause or by the executive for good reason (a "Covered Termination"), then such equity award would be accelerated in full. PSUs would continue to be governed by their existing terms. In addition, if a Covered Termination occurs, the executive would be entitled to receive a cash amount as severance equal to the sum of (a) one times his base salary, plus (b) 150% of the executive's target annual bonus for the fiscal year in which the Covered Termination occurs, plus (c) $62,000, being an amount corresponding to medical and other benefits during the post-employment period.

As a condition to the receipt by the executive officer of any payment or benefit under the Change in Control Agreements, the executive officer must first execute a valid, binding and irrevocable general release in favor of SeaChange and in a form reasonably acceptable to SeaChange.

In connection with the termination of Mr. Samit's employment, effective as of April 6, 2016, we entered into a separation agreement, dated as of April 6, 2016, with Mr. Samit, the terms of which were consistent with those contained in Mr. Samit's employment offer letter, as previously disclosed October 22, 2014. Pursuant to the separation agreement, we agreed to:

- Pay Mr. Samit eighteen months of base salary ($750,000) as severance in twelve (12) equal installments of $62,500 per installment subject to all ordinary payroll taxes and withholdings;
- Pay Mr. Samit $625,000 in satisfaction of his fiscal 2016 and fiscal 2017 annual bonus;
- Allow for pro-rated vesting of his time-based equity awards through his termination date; and
- Allow Mr. Samit to remain eligible to receive his pro-rated portion of his LTI PSU award to be determined subsequent to January 31, 2019 pursuant to the previously disclosed terms of his PSU award agreement.

In connection with the termination of Mr. Dias' employment, effective as of July 31, 2016, we entered into a separation agreement, dated as of July 6, 2016, with Mr. Dias. Pursuant to the separation agreement, we agreed to:

- Pay Mr. Dias six (6) months of base salary ($157,750) as severance in twelve (12) equal semimonthly installments of $13,145.83, subject to all ordinary payroll taxes and withholdings;

- Allow Mr. Dias to remain eligible for a pro-rated fiscal 2017 target annual bonus of $189,300, payable in cash (“Target Bonus”). Forty percent (40%) of this Target Bonus will be based on the Company’s reported fiscal 2017 non-GAAP operating income, forty percent (40%) of it will be based on the Company’s reported revenue (both according to the Company’s fiscal 2017 financial goals) and twenty percent (20%) based on Mr. Dias’ personal goals; and
- Allow for the continued vesting through January 31, 2017 of Mr. Dias’ outstanding equity awards including allowing Mr. Dias to remain eligible to receive a pro-rated portion (33.33% of the original three-year period) of his LTI PSU award to be determined subsequent to January 31, 2019 pursuant to the previously disclosed terms of his PSU award agreement.

The following table shows, for the named executive officers with SeaChange as of the close of business on January 31, 2017, the payments to which Messrs. Terino, Rider, Faubert and McEvoy would have been entitled pursuant to their Change in Control Agreement in the event of a Covered Termination after with a change in control occurring on such date. With respect to Mr. Samit, the table shows the payments to which he is entitled pursuant to his April 6, 2016 separation agreement. With respect to Mr. Dias, the table shows the payments to which he is entitled pursuant to his July 6, 2016 separation agreement.

Potential Payments Upon Termination or Change in Control

Name	Salary (1) ($)	Non-Equity Incentive Plan Compensation (2) ($)	Equity Incentive Plan Compensation (2) ($)	Benefits ($)	Equity Awards (3) ($)
Edward Terino *(Covered Termination)*	450,000	607,500	—	62,000	576,824
Jonathan Rider *(Covered Termination)*	325,000	234,000	—	62,000	174,017
Peter Faubert *(Covered Termination)*	300,000	270,000	—	62,000	144,864
David McEvoy *(Covered Termination)*	290,000	217,500	—	62,000	219,470
Jay Samit (4) *(Separation Agreement)*	750,000	625,000	—	—	225,813
Anthony Dias (5) *(Separation Agreement)*	157,750	28,395	—	—	83,451

(1) For Messrs. Terino, Rider, Faubert and McEvoy reflects one times annual base salary.

(2) The amounts shown in the incentive plan columns for each of Messrs. Terino, Rider, Faubert and McEvoy reflect payment of 150% of the executive’s target annual STI incentive plan bonus for fiscal 2017 in connection with a Covered Termination.

(3) For Messrs. Terino, Rider, Faubert, McEvoy and Dias the Covered Termination amounts reflect the value of all unvested stock options, RSUs and PSUs that would vest as a result of the termination. The amounts are based on (i) in the case of accelerated options, the excess of the SeaChange January 31, 2017 closing common stock price over the applicable exercise price, (ii) in the case of accelerated RSUs, the SeaChange closing common stock price as of January 31, 2017 multiplied by the number of unvested RSUs as of January 31, 2017, and (iii) in the case of accelerated PSUs, the share payout in the table assumes that the Covered Termination occurs during the PSU Performance Period and the SeaChange Relative TSR Percentile Rank is at the 50th percentile at the time of the Covered Termination. The amount shown in the equity awards column for Mr. Samit reflects the value realized upon his termination on April 6, 2016 of the

pro-rated vesting of his time-based equity awards through his termination date and the value of the pro-rated portion of his LTI PSU award on January 31, 2017, in each case under the terms of his separation agreement. The amount shown in the equity awards column for Mr. Dias reflects the value realized of the extended vesting of his time-based equity awards through January 31, 2017 and the value of the pro-rated portion of his LTI PSU award on January 31, 2017, in each case under the terms of his separation agreement. As above, the LTI PSU share payout in the table assumes that the SeaChange Relative TSR Percentile Rank is at the 50th percentile.

(4) Mr. Samit ceased being an executive officer, employee or director of SeaChange as of April 6, 2016, as previously reported on a Form 8-K filed with the SEC on April 7, 2016.

(5) Mr. Dias ceased being an executive officer SeaChange as of July 6, 2016 and ceased to be an employee as of July 31, 2016, as previously reported on a Form 8-K filed with the SEC on July 7, 2016.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

Steven Craddock, Chairman
William Francis Markey, III
Thomas F. Olson

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Messrs. Craddock (Chairman), Markey and Olson. No person who served as a member of the Compensation Committee was, during the past fiscal year, an officer or employee of SeaChange or any of its subsidiaries, was formerly an officer of SeaChange or any of its subsidiaries, or had any relationship requiring disclosure herein. No executive officer of SeaChange served as a member of the compensation committee of another entity (or other committee of the Board of Directors performing equivalent functions or, in the absence of any such committee, the entire Board of Directors), one of whose executive officers served as a director of SeaChange.

PROPOSAL NO. II

ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

The Company is providing stockholders with the opportunity at the 2017 Annual Meeting to vote on the following advisory resolution, commonly known as "Say-on-Pay":

RESOLVED, that the stockholders of the Company approve, in a non-binding, advisory vote, the compensation of the Company's named executive officers as disclosed in the Company's proxy statement under the heading "Compensation Discussion and Analysis."

The Board has implemented an executive compensation program that rewards performance and is designed to attract, retain and motivate the key individuals who are most capable of contributing to SeaChange's success and building long-term value for its stockholders. This compensation program that makes a substantial portion of executive pay variable, subject to increase when performance targets are achieved, and subject to reduction when performance targets are not achieved. SeaChange believes that the variability in these payouts indicates that its annual compensation plans effectively reward its executive officers for superior performance, while appropriately adjusting compensation downward for less-than-superior performance. The Compensation Committee retains discretion as to final payouts under the incentive compensation plans to ensure the goals of the overall program are met. SeaChange believes that the compensation program is centered on a pay-for-performance philosophy and is strongly aligned with the long-term interests of stockholders.

In recent years, payouts under our executive compensation incentive plan have largely been limited to payouts made for the achievement of individual performance objectives rather than the portion of payouts allocable to the achievement of pre-established financial objectives of the Company, as these objectives have not been met. For example, in fiscal 2017, payouts under our fiscal 2017 performance-based compensation plan were only made for the achievement of certain individual performance objectives, and no payouts were made with respect to satisfying the pre-established financial objectives. In contrast, in years, such as fiscal 2011, when performance improved over those in the prior fiscal year, payouts were also made based on pre-determined Company financial objectives. We believe that the variability in these payouts indicates that our annual compensation plans effectively reward our executive officers for superior performance, while appropriately adjusting compensation downward for less-than-superior performance.

We believe that the variability in these payouts indicates that our annual compensation plans effectively reward our executive officers for superior performance, while appropriately adjusting compensation downward for less-than-superior performance.

We pay careful attention to any feedback we receive from our stockholders about our executive compensation, including the annual "Say-on-Pay" vote. While we had already approved our fiscal 2017 compensation plan by the time we held our "Say-on-Pay" vote in July 2016, we considered the stockholder advisory vote in the implementation of our fiscal 2017 compensation plan and in formulating our fiscal 2018 compensation plan. This consideration included reaching out to certain large stockholders to discuss and seek input on our compensation plans.

The Board urges stockholders to read the Compensation Discussion and Analysis beginning on page 17 of this proxy statement, which describes in more detail how the Company's executive compensation policies and procedures operate and are designed to achieve our compensation objectives, and which includes the Summary Compensation Table and other related compensation tables and narrative, appearing on pages 32 through 40 of this proxy statement, which provide detailed information on the compensation of our named executive officers. The Compensation Committee and the Board believe that the policies and procedures articulated in the Compensation Discussion and Analysis are effective and that the compensation of our named executive officers reported in this proxy statement reflects and supports these compensation policies and procedures.

While the vote is advisory, the Board and the Compensation Committee will consider the outcome of the vote when considering future executive compensation arrangements. It is currently expected that stockholders will be given an opportunity to cast an advisory vote on this topic annually, with the next opportunity occurring in connection with the Company's Annual Meeting in 2018.

The Board of Directors unanimously recommends a vote "FOR" the approval of the Company's executive compensation.

PROPOSAL NO. III

ADVISORY VOTE ON WHETHER THE ADVISORY VOTE ON APPROVAL OF COMPENSATION OF NAMED EXECUTIVE OFFICERS SHOULD OCCUR EVERY ONE, TWO OR THREE YEARS

The Company is providing stockholders with the opportunity at the Annual Meeting to vote on the following advisory resolution, commonly known as “Say-on-Frequency”.

RESOLVED that the stockholders of the Company approve, in a non-binding advisory vote, that the frequency with which the stockholders of the Company shall have an advisory vote on the compensation of the Company’s named executive officers set forth in the Company’s proxy statement is:

Choice 1 — Every year;
Choice 2 — Every two years;
Choice 3 — Every three years; or
Choice 4 — Abstain.

The Board believes that voting every year on “say-on-pay” would be the choice best suited for the Company because, among other things, an annual vote provides a regular, consistent means for the Company’s stockholders to provide feedback to the Board regarding the Company’s efforts to structure executive compensation programs that are centered on a pay-for-performance philosophy and are strongly aligned with the long-term interests of stockholders.

While the vote is advisory, the Board and the Compensation Committee will consider the outcome of the vote when considering how frequently to hold “say-on-pay” advisory votes in the future. The Company will report the results of the vote in a Form 8-K following the Annual Meeting. In addition, the Company will disclose in a Form 8-K to be filed no later than December 10, 2017, 150 days subsequent to the date of the Annual Meeting, the decision by the Company as to the frequency of stockholder votes on executive compensation in light of the results of this advisory vote.

The Board of Directors recommends a vote “FOR” having the advisory vote to approve the compensation of the Company’s named executive officers EVERY YEAR.

PROPOSAL NO. IV

APPROVAL OF AN AMENDMENT TO SEACHANGE'S SECOND AMENDED AND RESTATED 2011 COMPENSATION AND INCENTIVE PLAN

We are seeking approval of an amendment to the Company's Second Amended and Restated 2011 Compensation and Incentive Plan (as amended, the "2011 Plan to increase by 4,000,000 the number of shares authorized for issuance under the 2011 Plan and to make a corresponding increase in the number of incentive stock options that may be authorized for issuance under the 2011 Plan.

The purpose of the 2011 Plan is to provide equity and cash incentives to the employees of the Company in order to attract, motivate and retain qualified employees. The ability to grant RSUs and stock options is an important means of compensation because they help align the interest of the employees with those of our stockholders.

As of April 30, 2017, there were 2,085,318 shares subject to issuance upon exercise of outstanding options under all of our equity compensation plans, at a weighted average exercise price of $4.63, and with a weighted average remaining life of 8.1 years. There were a total of 1,416,293 shares subject to issuance upon release of restricted stock and RSU awards that remain subject to forfeiture. As of April 30, 2017, there were 456,677 shares available for future issuance under the 2011 Plan, though this number is subject to upward adjustment to the extent outstanding awards previously issued under SeaChange's 2005 Equity Compensation and Incentive Plan (the "2005 Plan") or 2011 Plan either expire, terminate or are surrendered or forfeited. If the amendment and restatement of the 2011 Plan is not approved, the Company may continue to make awards under the existing terms of the 2011 Plan, as a result, it is possible that the Company may exhaust the remaining shares available for issuance prior to the Company's annual meeting of stockholders in 2018. The Board of Directors believes that approval of the amendment and restatement is fundamental to the Company's ongoing ability to recruit, retain and motivate employees.

The Board of Directors unanimously recommends a vote "FOR" the approval of the amendment to the 2011 Plan.

The principal features of the 2011 Plan include:

- **Minimum Vesting Periods:** Generally, restricted stock awards granted under the 2011 Plan will have a minimum vesting period of no less than one (1) year.

- **No Discount Stock Options:** The 2011 Plan prohibits the grant of a stock option with an exercise price less than the fair market value of SeaChange's stock on the date of grant.

- **Maximum Ten-Year Option Term:** The 2011 Plan provides that stock options may not have a term greater than ten years.

- **No Liberal Share Counting:** The 2011 Plan does not permit the number of shares available for grant to be increased by actions such as the tendering of shares in payment of a stock option, the withholding of shares to satisfy tax withholding obligations, and shares repurchased with option proceeds.

- **No Repricing of Stock Options:** The 2011 Plan prohibits the repricing of stock options without stockholder approval.

- **Performance-Based Awards:** The 2011 Plan enables SeaChange to grant equity and cash awards that may constitute "performance-based compensation" under Section 162(m) of the Code, and includes categories of business criteria on which SeaChange may base an executive's performance-based incentive compensation. While the 2011 Plan is intended to allow the Committee to pay compensation that may be deductible under Section 162(m) of the Code, the Committee will have discretion to award compensation that may not be deductible.

- **Independent Committee Administration:** The 2011 Plan is administered by a committee of the Board whose members are intended to satisfy the independence requirements of applicable rules and regulations (the “Committee”).

- **Material Amendments to the 2011 Plan Require Stockholder Approval**: The 2011 Plan provides that a material amendment to the 2011 Plan is not effective unless approved by SeaChange’s stockholders.

- **Awards Subject to Recovery:** Awards and shares of Common Stock (and proceeds therefrom) obtained pursuant to or on exercise of such awards under the 2011 Plan are subject to forfeiture, setoff, recoupment or other recovery if the Committee determines in good faith that such action is required by applicable law or Company policy.

Summary of the 2011 Plan

The following description of the 2011 Plan is a summary only. SeaChange strongly recommends that you read the complete text of the 2011 Plan which is attached as Appendix A hereto and which incorporates the amendments for which approval is sought.

The purpose of the 2011 Plan is to provide equity ownership and compensation opportunities in SeaChange (each, an “Award”) to employees, officers, directors, consultants and advisors of SeaChange and its subsidiaries, all of whom are eligible to receive Awards under the 2011 Plan. Any person to whom an Award is granted will be called a “Participant.”

Administration

The 2011 Plan is administered by a committee composed solely of members of SeaChange’s board of directors that are “independent” under applicable rules and regulations (the “Committee”). The Committee has the authority to grant and amend Awards, to establish performance goals with respect to such Awards, to adopt, amend and repeal rules relating to the 2011 Plan, to interpret and correct the provisions of the 2011 Plan and any Award, and to subject Awards to forfeiture, setoff, recoupment or other recovery if the Committee determines in good faith that such action is required by applicable law or Company policy. The 2011 Plan also provides that, subject to certain limits provided for in the 2011 Plan, authority to grant Awards to employees may be delegated to one or more officers of SeaChange.

Authorized Shares

The number of shares (the “Authorized Shares”) of Common Stock that may be delivered in satisfaction of Awards granted under the 2011 Plan is (i) 9,300,000 shares of Common Stock (constituting the original 2,800,000 shares authorized at inception of the 2011 Compensation and Incentive Plan plus an additional 2,500,000 shares added in 2013 and an additional 4,000,000 shares for which approval is being sought by this proposal) plus (ii) the number of shares that would have become available for issuance under SeaChange’s prior 2005 Plan following the adoption of the 2011 Plan due to the expiration, termination, surrender or forfeiture of an award under the 2005 Plan. If any Award expires, or is terminated, surrendered or forfeited, in whole or in part, the unissued shares covered by such Award will again be available for the grant of Awards under the 2011 Plan, provided that in no event shall the following shares of Common Stock be added to the foregoing plan limit: (i) shares of Common Stock tendered in payment of an option, whether granted pursuant to the 2011 Plan or the 2005 Plan; (ii) shares of Common Stock withheld by SeaChange to satisfy any tax withholding obligation, whether pursuant to the 2011 Plan or the 2005 Plan; or (iii) shares of Common Stock that are repurchased by SeaChange with proceeds of options, whether granted pursuant to the 2011 Plan or the 2005 Plan. Subject to adjustment, no more than 9,300,000 shares may be issued under the 2011 Plan as incentive stock options.

Eligibility

Employees, officers, directors, consultants and advisors of SeaChange and its subsidiaries are eligible to be granted Awards under the 2011 Plan. Under present law, however, incentive stock options within the meaning of Section 422 of the Code may only be granted to employees of SeaChange and parent or subsidiaries of SeaChange. The maximum number of shares with respect to which Awards may be granted to any one Participant under the 2011 Plan is 1,250,000 shares in any fiscal year with a per Participant aggregate share vesting limitation in any given fiscal year of 1,250,000 shares. Approximately 496 persons were eligible to participate in the 2011 Plan as of January 31, 2017.

Types of Awards

Awards under the 2011 Plan may be in the form of incentive stock options, non-qualified stock options, restricted stock, RSUs, any other equity-based interests as the Committee shall determine, cash awards, or any combination thereof. Awards may be granted subject to time-based vesting schedules and/or performance-based vesting measured by performance goals.

Stock Options

Stock options represent the right to purchase shares of Common Stock within a specified period of time at a specified price. The exercise price for options will be not less than 100% (110% for an incentive stock option granted to a 10% or more stockholder) of the fair market value of Common Stock on the date of grant. The aggregate fair market value, determined on the date the option is granted, of the stock for which any person may be granted incentive stock options which become exercisable for the first time by such person in any calendar year cannot exceed the sum of $100,000 (determined on the date such option is granted). No incentive stock option will be granted to a person who is not an "employee" as defined in the applicable provisions of the Code, and regulations issued thereunder. Options will expire no later than ten years (five years in the case of an incentive stock option granted to a 10% or more stockholder) after the date of grant. No stock options can be granted under the 2011 Plan after July 20, 2021, but options granted before that date may be exercised thereafter.

Payment for the exercise of options under the 2011 Plan may be made by one or any combination of the following forms of payment:

- by cash or by check payable to the order of SeaChange;
- at the discretion of the Committee through delivery of shares of Common Stock having fair market value equal as of the date of exercise to the cash exercise price of the option; or
- at the discretion of the Committee, by delivery of a sufficient amount of the proceeds from the sale of the Common Stock acquired upon exercise of the option by the optionee's broker or selling agent.

Generally, the Committee will establish a vesting date or vesting dates with respect to the shares of Common Stock covered by stock options granted under the 2011 Plan. Each option or installment may be exercised at any time or from time to time, in whole or in part, for up to the total number of shares with respect to which it is then exercisable.

Restricted Stock, Restricted Stock Units and Other Equity Awards

The 2011 Plan provides the flexibility to grant other forms of Awards based upon the Common Stock, having the terms and conditions established at the time of grant by the Committee. Restricted stock is Common Stock that is subject to a risk of forfeiture or other restrictions that will lapse upon satisfaction of specified conditions. RSUs represent the right to receive shares of Common Stock in the future, with the right to future delivery of the shares subject to a risk of forfeiture or other restrictions that will lapse upon satisfaction of specified conditions. All of the shares being approved for issuance under the 2011 Plan may be granted as Awards of restricted stock, RSUs or other non-stock option Awards.

Generally, restricted stock Awards under the 2011 Plan shall have a minimum vesting period of no less than one (1) year.

Subject to any restrictions applicable to the Award, a Participant holding restricted stock, whether vested or unvested, will be entitled to enjoy all rights of a stockholder with respect to such restricted stock, including the right to receive dividends and to vote the shares. A Participant holding RSUs may not vote the shares represented by a RSU and is not entitled to receive any dividends with respect to shares represented by a RSU.

Cash Awards

The 2011 Plan provides the flexibility to grant cash Awards either alone, in addition to, or in tandem with other Awards granted under the 2011 Plan. The Committee shall determine the terms and conditions of any such cash Award. From time to time, the Committee shall establish administrative rules and procedures governing the administration of Cash Awards, provided that no Participant may be granted a cash Award under the 2011 Plan that would result in a payment of more than $2 million during any one fiscal year of SeaChange. SeaChange has included the flexibility for the Committee to exercise its discretion to grant tax deductible, performance-based cash Awards pursuant to the 2011 Plan under the terms and conditions more fully described below under "Deductibility Under Section 162(m)."

Deductibility Under Section 162(m)

Section 162(m) of the Code places a limit of $1 million on the amount SeaChange may deduct in any one year for compensation paid to each of its principal executive officer and its other three most highly-compensated executive officers other than SeaChange's principal financial officer. There is, however, an exception to this limitation for certain performance-based compensation. For awards under the 2011 Plan to be eligible to qualify for this exception, stockholders must approve the material terms of the 2011 Plan under which the Awards are paid and the Awards must then constitute "qualified performance based compensation" for purposes of Section 162(m) of the Code. The material terms of the 2011 Plan include (i) the employees eligible to receive Awards under the plan, (ii) a description of the business criteria on which the performance goals are based, and (iii) the maximum amount of compensation that could be paid to any employee if the performance goals are attained. Performance goals will be based on one or more of the following business criteria determined with respect to SeaChange and its subsidiaries on a group-wide basis or on the basis of subsidiary, business platform, or operating unit results, in each case on a GAAP or non-GAAP basis: (i) earnings per share (on a fully diluted or other basis), (ii) pretax or after tax net income, (iii) operating income, (iv) gross or net revenue, (v) profit margin, (vi) stock price targets or stock price maintenance, (vii) working capital, (viii) free cash flow, (ix) cash flow, (x) return on equity, (xi) return on capital or return on invested capital, (xii) earnings before interest, taxes, depreciation, and amortization (EBITDA), (xiii) economic value added, (xiv) strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, cost targets, or objective goals relating to acquisitions or divestitures, or (xv) any combination of these measures.

Each performance goal may be expressed in absolute and/or relative terms or ratios and may be based on or use comparisons with internal targets, the past performance of SeaChange (including the performance of one or more subsidiaries, divisions, platforms, operating units and/or other business unit) and/or the past or current performance of other companies. In the case of earnings-based measures, performance goals may use comparisons relating to capital (including, but not limited to, the cost of capital), cash flow, free cash flow, shareholders' equity and/or shares outstanding, or to assets or net assets.

The Committee shall determine the period for which performance goals are set and during which performance is to be measured to determine whether a participant is entitled to payment of an award under the

2011 Plan. Performance periods may be of varying and overlapping durations, but each such period shall not be less than twelve (12) months. To the extent that an award is intended to constitute “qualified performance based compensation” within the meaning of Section 162(m), the performance goals must be established within ninety (90) days of the beginning of the performance period.

The Committee may specify in an award that performance goals shall be adjusted to include or exclude the effect of special one-time or extraordinary gains or losses and other one-time or extraordinary events, including without limitation changes in accounting principles, extraordinary, unusual, or nonrecurring items (such as material litigation, judgments and settlements), currency exchange rate fluctuations, changes in corporate tax rates, and the impact of acquisitions, divestitures, and discontinued operations.

Prior to the occurrence of an acquisition, the Committee may exercise its discretion in a uniform and non-discriminatory manner for similarly-situated participants to reduce (but not increase) any award otherwise payable under the 2011 Plan in accordance with objective or subjective factors if necessary or appropriate to limit the amount payable under an award to an amount consistent with the purposes of the 2011 Plan and the intended economic benefits of participation in the plan.

As outlined in the introduction, by approving the 2011 Plan, stockholders will be approving the material terms of the performance goals of the 2011 Plan under which compensation may be paid for purposes of Section 162(m) of the Code, including the business criteria on which performance goals may be based.

Transferability

Except as the Committee may otherwise determine or provide in an Award, Awards may be transferred only by will or by the laws of descent and distribution; provided, however, that nonstatutory stock options may be transferred pursuant to a qualified domestic relations order or to a grantor-retained annuity trust or a similar estate-planning vehicle under which the trust is bound by all provisions of the option which are applicable to the holder thereof.

Adjustment

In the event of any stock split, stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off, split-up, or other similar change in capitalization or event, the following shall be equitably adjusted:

- the number and class of securities available for stock-based Awards under the 2011 Plan and the per-Participant share limit;
- the number and class of securities, vesting schedule and exercise price per share subject to each outstanding option;
- the repurchase price per security subject to repurchase; and
- the terms of each other outstanding stock-based Award shall be adjusted by SeaChange (or substituted Awards may be made) to the extent the Committee shall determine, in good faith, that such an adjustment (or substitution) is appropriate.

Treatment upon Acquisition

Unless otherwise expressly provided in the applicable Award, upon the occurrence of an acquisition of SeaChange, appropriate provision is to be made for the continuation or the assumption by the surviving or acquiring entity of all Awards. In addition to or in lieu of the foregoing, the Committee may provide that one or more Awards granted under the 2011 Plan must be exercised by a certain date or shall be terminated, that any such Awards shall be terminated in exchange for a cash payment, or that any out of the money stock-based Awards be terminated.

Effect of Termination, Disability or Death

The Committee determines the effect on an Award of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or designated beneficiary, may exercise rights under the Award, subject to applicable law and the provisions of the Code related to incentive stock options.

Amendment of Awards

The Committee may, without stockholder approval, amend, modify or terminate any outstanding Award, *provided that*, the Participant's consent to such action shall be required unless the Committee determines that the action, taking into account any related action, would not materially and adversely affect the Participant. In addition, other than in the case of equitable adjustments to outstanding Awards, without the prior approval of SeaChange's stockholders, (i) no option or other stock-based Award that is not a full value Award may be amended to reduce the price at which such option or Award is exercisable, (ii) no option or other stock-based Award that is not a full value Award may be canceled in exchange for an option or other stock-based Award that is not a full value Award with an exercise price that is less than the exercise price of the original option or stock-based Award that is not a full value Award, (iii) no option or other stock-based full value Award with an exercise price above the then current Fair Market Value may be canceled in exchange for cash or other securities, and (iv) no option or other stock-based Award that is not a full value Award may be amended to extend the period of time for which such previously-issued Award shall be exercisable beyond the expiration date of such Award.

Termination of 2011 Plan; Amendments

Awards may be granted under the 2011 Plan at any time prior to July 20, 2021. The Committee may amend, suspend or terminate the 2011 Plan or any portion thereof at any time, *provided, however,* that any "material amendment" as defined by the 2011 Plan will not be effective unless approved by SeaChange's stockholders. If any Award expires, or is terminated, surrendered or forfeited, in whole or in part, the unissued shares covered by such Award shall again be available for the grant of Awards under the 2011 Plan.

Federal Income Tax Consequences

Incentive Stock Options

The following general rules are applicable under current United States federal income tax law to incentive stock options ("ISOs") granted under SeaChange's 2011 Plan.

- In general, no taxable income results to the optionee upon the grant of an ISO or upon the exercise of the ISO, and no corresponding federal tax deduction is allowed to SeaChange upon either the grant or exercise of an ISO.
- If shares acquired upon exercise of an ISO are not disposed of within (i) two years following the date the option was granted or (ii) one year following the date the shares are issued to the optionee pursuant to the ISO exercise (the "Holding Periods"), the difference between the amount realized on any subsequent disposition of the shares and the exercise price will generally be treated as long-term capital gain or loss to the optionee.
- If shares acquired upon exercise of an ISO are disposed of before the Holding Periods are met (a "Disqualifying Disposition"), then in most cases the lesser of (i) any excess of the fair market value of the shares at the time of exercise of the ISO over the exercise price or (ii) the actual gain on disposition will be treated as compensation to the optionee and will be taxed as ordinary income in the year of such disposition.
- In any year that an optionee recognizes ordinary income as the result of a Disqualifying Disposition, SeaChange generally should be entitled to a corresponding deduction for federal income tax purposes.

- Any excess of the amount realized by the optionee as the result of a Disqualifying Disposition over the sum of (i) the exercise price and (ii) the amount of ordinary income recognized under the above rules will be treated as capital gain to the optionee.
- Capital gain or loss recognized by an optionee upon a disposition of shares will be long-term capital gain or loss if the optionee's holding period for the shares exceeds one year.
- An optionee may be entitled to exercise an ISO by delivering shares of SeaChange's Common Stock to SeaChange in payment of the exercise price, if so provided by the Committee. If an optionee exercises an ISO in such fashion, special rules will apply.
- In addition to the tax consequences described above, the exercise of an ISO may result in additional tax liability to the optionee under the alternative minimum tax rules. The Code provides that an alternative minimum tax (at a maximum rate of 28%) will be applied against a taxable base which is equal to "alternative minimum taxable income" reduced by a statutory exemption. In general, the amount by which the value of the Common Stock received upon exercise of the ISO exceeds the exercise price is included in the optionee's alternative minimum taxable income. A taxpayer is required to pay the higher of his or her regular tax liability or the alternative minimum tax. A taxpayer that pays alternative minimum tax attributable to the exercise of an ISO may be entitled to a tax credit against his or her regular tax liability in later years.

Nonstatutory Stock Options

The following general rules are applicable under current United States federal income tax law to options that do not qualify as ISOs ("NSOs") granted under the 2011 Plan:

- The optionee generally does not realize any taxable income upon the grant of a NSO, and SeaChange is not allowed a federal income tax deduction by reason of such grant.
- The optionee generally will recognize ordinary income at the time of exercise of a NSO in an amount equal to the excess, if any, of the fair market value of the shares on the date of exercise over the exercise price.
- When the optionee sells the shares acquired pursuant to a NSO, he or she generally will recognize a capital gain or loss in an amount equal to the difference between the amount realized upon the sale of the shares and his or her basis in the shares (generally, the exercise price plus the amount taxed to the optionee as ordinary income). If the optionee's holding period for the shares exceeds one year, such gain or loss will be a long-term capital gain or loss.
- SeaChange generally should be entitled to a corresponding tax deduction for federal income tax purposes when the optionee recognizes ordinary income.
- An optionee may be entitled to exercise a NSO by delivering shares of SeaChange's Common Stock to SeaChange in payment of the exercise price, if so provided by the Committee. If an optionee exercises a NSO in such fashion, special rules will apply.

Restricted Stock and Restricted Stock Unit Awards

The following general rules are applicable under current federal income tax law to Awards of restricted stock and RSUs under the 2011 Plan:

- The recipient of RSUs will not recognize taxable income at the time of a grant of a RSU, and SeaChange will not be entitled to a tax deduction at that time. The recipient will recognize compensation taxable as ordinary income, however, at the time of the settlement of the Award, equal to the fair market value of any shares delivered and the amount of cash paid. SeaChange will generally be entitled to a corresponding deduction, except to the extent that the deduction limits of Section 162(m) apply.

- The recipient of restricted stock will not recognize taxable income at the time of a grant of a restricted stock Award, and SeaChange will not be entitled to a tax deduction at such time, unless the Participant makes an election under Section 83(b) of the Code to be taxed at that time. If that election is made, the Participant will recognize compensation taxable as ordinary income at the time of the grant, equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. If such election is not made, the Participant will recognize compensation taxable as ordinary income at the time the restrictions lapse, in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. SeaChange will generally be entitled to a corresponding deduction at the time the ordinary income is recognized by the recipient, except to the extent that the deduction limits of Section 162(m) of the Code apply.

In addition, a Participant receiving dividends with respect to restricted shares for which the above-described election has not been made, and prior to the time the restrictions lapse, will recognize compensation taxable as ordinary income rather than dividend income. SeaChange will generally be entitled to a corresponding deduction, except to the extent that the deduction limits of Section 162(m) apply.

Cash Awards.

The following general rules are applicable under current federal income tax law to cash Awards under the 2011 Plan:

- Participants granted a cash Award generally will recognize ordinary income at the time of payment of the cash Award equal to the amount paid.
- SeaChange will generally be entitled to a corresponding deduction, except to the extent that the deduction limits of Section 162(m) apply.

Other Tax Considerations.

A Participant who receives accelerated vesting, exercise or payment of Awards contingent upon or in connection with a change of control may be deemed to have received an "excess parachute payment" under Section 280G of the Code. In such event, the Participant may be subject to a 20% excise tax and SeaChange may be denied a tax deduction for such payments.

It is the intention of SeaChange that Awards will comply with Section 409A of the Code regarding nonqualified deferred compensation arrangements or will satisfy the conditions of applicable exemptions. However, if an Award is subject to and fails to comply with the requirements of Section 409A, the Participant may recognize ordinary income on the amounts deferred under the Award, to the extent vested, prior to the time when the compensation is received. In addition, Section 409A imposes a 20% penalty tax, as well as interest, on the Participant with respect to such amounts.

The Patient Protection and Affordable Care Act, which was enacted on March 23, 2010, introduced a new Net Investment Income Tax. For taxable years beginning after December 31, 2012, dividends paid to and capital gains recognized by individuals with income over certain threshold amounts may be subject to an additional 3.8% tax on this Net Investment Income.

The foregoing general tax discussion is intended for the information of SeaChange's stockholders considering how to vote with respect to this proposal, and not as tax guidance to Participants in the 2011 Plan.

The Board of Directors unanimously recommends a vote "FOR" the approval of the amendment to the Company's Second Amended and Restated 2011 Compensation and Incentive Plan.

PROPOSAL NO. V

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Grant Thornton LLP currently serves as SeaChange's independent registered public accounting firm. The Board of Directors is seeking ratification of the Audit Committee's selection of Grant Thornton LLP to continue to serve as the registered public accounting firm for the fiscal year ending January 31, 2018.

Independent Registered Public Accounting Firm for Fiscal 2018

The Audit Committee of the Board of Directors has selected the firm of Grant Thornton LLP, independent accountants, to serve as the registered public accounting firm for the fiscal year ending January 31, 2018.

A representative of Grant Thornton LLP is expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and is expected to be available to respond to appropriate questions.

The Board of Directors has put the ratification of the selection of Grant Thornton LLP before the stockholders because the Board believes that seeking stockholder ratification of the selection of the independent registered public accounting firm is good corporate practice. If the appointment of Grant Thornton LLP is not ratified, the Audit Committee will first review the basis for the stockholder vote and SeaChange's relationship with Grant Thornton LLP and will then take such action as it deems necessary.

The Board of Directors unanimously recommends a vote "FOR" ratification of the appointment of SeaChange's independent registered public accounting firm.

Principal Accountant Fees and Services

Fees for Services Provided by Grant Thornton LLP

The following table sets forth the aggregate fees for services provided by Grant Thornton LLP, SeaChange's independent registered public accounting firm for the fiscal years ended January 31, 2017 and 2016.

	2017	2016
Audit Fees	$1,227,967	$1,036,846
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total:	$1,227,967	$1,036,846

Audit Fees. These are aggregate fees billed for professional services rendered by Grant Thornton LLP for the fiscal year ended January 31, 2017, and for the fiscal year ended January 31, 2016 for (a) the annual audit of SeaChange's financial statements for each such fiscal year including statutory audits of foreign subsidiaries and the accompanying attestation report regarding SeaChange's internal control over financial reporting contained in SeaChange's annual reports on Form 10-K, (b) reviews of the quarterly financial information included in SeaChange's Quarterly Reports on Form 10-Q for each such fiscal year and (c) reviews of SEC filings.

The Audit Committee of the Board of Directors has determined that the provision of the services as set out above is compatible with maintaining Grant Thornton LLP's independence.

Audit Committee Pre-Approval Policy

The Audit Committee's policy is to pre-approve all audit, audit-related, tax and other non-audit services that may be provided by Grant Thornton LLP, the independent registered public accounting firm. The policy identifies the principles that must be considered by the Audit Committee in approving these services to ensure that Grant Thornton LLP's independence is not impaired; describes the audit and audit-related, tax and other services that may be provided; and sets forth pre-approval requirements for all permitted services. To date, Audit Committee pre-approval has been sought for the provision of all services by Grant Thornton LLP.

OTHER MATTERS

Expenses and Solicitation

All costs of solicitation of proxies will be borne by SeaChange. In addition to solicitations by mail, certain of SeaChange's directors, officers and regular employees, without additional remuneration, may solicit proxies by telephone, facsimile, e-mail and personal interviews. The Company has engaged The Proxy Advisory Group, LLC, to assist in the solicitation of proxies and provide related advice and informational support, for a service fee, plus customary disbursements, which are not expected to exceed $15,000 in total. Brokers, custodians and fiduciaries will be requested to forward the Notice and proxy soliciting material to the owners of stock held in their names, and SeaChange will reimburse them for their reasonable out-of-pocket costs.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act, requires SeaChange's directors, executive officers and holders of more than 10% of SeaChange's common stock (collectively, "Reporting Persons") to file with the SEC initial reports of ownership and reports of changes in ownership of common stock of SeaChange. Such persons are required by regulations of the SEC to furnish SeaChange with copies of all such filings. Based on its review of the copies of such filings received by it with respect to the fiscal year ended January 31, 2017, and written representations from certain Reporting Persons, SeaChange believes that all Reporting Persons complied with all Section 16(a) filing requirements in the fiscal year ended January 31, 2017 except for one Form 4 for Mr. McEvoy and for Mr. Wilson, each of which were not timely filed.

Certain Relationships and Related Transactions

SeaChange has adopted a written policy pursuant to the Second Amended and Restated Charter of the Audit Committee and the Charter of the Corporate Governance and Nominating Committee that all transactions between SeaChange and its officers, directors, principal stockholders and affiliates will be approved by a majority of the Board of Directors, including a majority of the independent and disinterested outside directors on the Board of Directors, and will be on terms no less favorable to SeaChange than could be obtained from unaffiliated third parties.

On February 2, 2015, SeaChange acquired TLL, LLC ("Timeline Labs") pursuant to an Agreement and Plan of Merger, dated as of December 22, 2014 (the "Merger Agreement"). Upon closing of the acquisition in February 2015, Mr. Wilson, a former member, officer and manager of Timeline Labs, was elected to the Board of Directors of SeaChange. Mr. Wilson had no relationship with SeaChange prior to consummation of the transaction. Also pursuant to the terms of the Merger Agreement, Mr. Wilson received at closing approximately $1.3 million in cash and $330,000 in shares, and received approximately an additional $32,000 in shares six (6) months after the closing and $756,000 in shares twelve (12) months after the closing.

Appendix A

SEACHANGE INTERNATIONAL, INC.
SECOND AMENDED AND RESTATED 2011 COMPENSATION AND INCENTIVE PLAN[2]

1. Purpose and Eligibility.

The purpose of this Second Amended and Restated 2011 Compensation and Incentive Plan (the "Plan") of SeaChange International, Inc. is to provide equity ownership and compensation opportunities in the Company (each an "Award") to employees, officers, directors, consultants and advisors of the Company and its Subsidiaries, all of whom are eligible to receive Awards under the Plan. Any person to whom an Award has been granted under the Plan is called a "Participant". Additional definitions are contained in Section 12.

2. Administration.

a. Administration by Committee of Independent Members of the Board of Directors. The Plan will be administered by a committee (the "Committee") composed solely of members of the Board of Directors of the Company that are "independent", as defined pursuant to applicable rules and regulations; *provided, however*, that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder. The Committee, in its sole discretion, shall have the authority to grant and amend Awards, to adopt, amend and repeal rules relating to the Plan and to interpret and correct the provisions of the Plan and any Award. All decisions by the Committee shall be final and binding on all interested persons. Neither the Company nor any member of the Committee shall be liable for any action or determination relating to the Plan.

b. Delegation to Executive Officers. To the extent permitted by applicable law, the Committee may delegate to one or more executive officers of the Company the power to grant Awards and exercise such other powers under the Plan as the Committee may determine; *provided, however,* that the Committee shall fix the maximum number and type of Awards to be granted and the maximum number of shares issuable to any one Participant pursuant to Awards granted by such executive officer or officers. The Committee may, by a resolution adopted by the Committee, authorize one or more officers of the Company to do one or both of the following: (i) designate employees of the Company or of any of its Subsidiaries to be recipients of Awards created by the Company and (ii) determine the number, type and terms of such Awards to be received by such employees; *provided, however*, that the resolution so authorizing such officer or officers shall specify the maximum number and type of Awards such officer or officers may so award. The Committee may not authorize an officer to designate himself or herself as a recipient of any such Awards and the Committee may not authorize an officer to grant Awards to other executive officers of the Company.

3. Stock Available for Awards.

a. Number of Shares. Subject to adjustment under Section 3(c), the aggregate number of shares (the "Authorized Shares") of the Company's common stock, $0.01 par value per share (the "Common Stock"), that may be issued pursuant to the Plan shall be (i) 9,300,000 shares of Common Stock, *plus* (ii) the number of shares of Common Stock that would have become available for issuance under the Company's Amended and Restated 2005 Equity Compensation and Incentive Plan (the "2005 Plan") following the adoption of this Plan due to the expiration, termination, surrender or forfeiture of an award under the 2005 Plan. If any Award granted pursuant to this Plan expires, or is terminated, surrendered or forfeited, in whole or in part, the unissued Common Stock covered by such Award shall again be available for the grant of Awards under the Plan. Notwithstanding the

[2] The Plan reflects an increase by 4,000,000 shares of Common Stock in the number of shares available for grant pursuant to the Plan and in the aggregate number of Incentive Stock Options that may be granted pursuant to the Plan, approval of which is being requested.

foregoing, in no event shall the following shares of Common Stock be added to the foregoing plan limit: (i) shares of Common Stock tendered in payment of an Option, whether granted pursuant to this Plan or the 2005 Plan; (ii) shares of Common Stock withheld by the Company to satisfy any tax withholding obligation, whether pursuant to this Plan or the 2005 Plan; or (iii) shares of Common Stock that are repurchased by the Company with proceeds of Options, whether granted pursuant to this Plan or the 2005 Plan. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

b. Per-Participant Limit. Subject to adjustment under Section 3(c) and commencing with the fiscal year ended January 31, 2013, no Participant may be granted Awards during any one fiscal year to acquire more than 1,250,000 shares of Common Stock. Notwithstanding the foregoing, commencing with the fiscal year ended January 31, 2013 and subject to Sections 10(e) and 10(j), Awards granted to a Participant shall be interpreted to limit the maximum number of shares of Common Stock issuable in one fiscal year to a Participant to 1,250,000 shares of Common Stock, with any such excess to be vested on the first day of the immediately subsequent fiscal year, subject to the foregoing limitation.

c. Adjustment to Common Stock. In the event of any stock split, stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off, split-up, or other similar change in capitalization or event, (i) the number and class of securities available for Awards under the Plan and the per-Participant share limit, (ii) the number and class of securities, vesting schedule and exercise price per share subject to each outstanding Option (as defined below), (iii) the repurchase price per security subject to repurchase, and (iv) the terms of each other outstanding stock-based Award shall be adjusted by the Company (or substituted Awards may be made) to the extent the Committee shall determine, in good faith, that such an adjustment (or substitution) is appropriate. If Section 10(e)(i) applies for any event, this Section 3(c) shall not be applicable.

d. Fractional Shares. No fractional shares shall be issued under the Plan and the Participant shall receive from the Company cash in lieu of such fractional shares.

4. Stock Options.

a. General. The Committee may grant options to purchase Common Stock (each, an "Option") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option and the Common Stock issued upon the exercise of each Option, including vesting provisions, Performance Goals (as defined in Section 9(b)), repurchase provisions and restrictions relating to applicable federal or state securities laws, as it considers advisable.

b. Incentive Stock Options. An Option that the Committee intends to be an "incentive stock option" as defined in Section 422 of the Code (an "Incentive Stock Option") shall be granted only to employees of the Company and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Committee and the Company shall have no liability if an Option or any part thereof that is intended to be an Incentive Stock Option does not qualify as such. An Option or any part thereof that does not qualify as an Incentive Stock Option is referred to herein as a "Nonstatutory Stock Option." Subject to adjustment under Section 3(c), no more than 9,300,000 shares shall be available for issuance as Incentive Stock Options under the Plan.

c. Dollar Limitation. For so long as the Code shall so provide, Options granted to any employee under the Plan (and any other plans of the Company) which are intended to constitute Incentive Stock Options shall not constitute Incentive Stock Options to the extent that such Options, in the aggregate, become exercisable for the first time in any one calendar year for shares of Common Stock with an aggregate Fair Market Value (as defined below) of more than $100,000 (determined as of the respective date or dates of grant) or such other limit as may be imposed by Section 422 of the Code or other applicable regulation. To the extent that any such Incentive

Stock Options exceed the $100,000 limitation or such other limitation, such Options shall be Nonstatutory Stock Options.

d. Exercise Price. The Committee shall establish the exercise price (or determine the method by which the exercise price shall be determined) at the time each Option is granted and specify the exercise price in the applicable option agreement, *provided,* that the exercise price per share specified in the agreement relating to each Option granted under the Plan shall not be less than the Fair Market Value per share of Common Stock on the date of such grant. In the case of an Incentive Stock Option to be granted to an employee owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, the price per share specified in the agreement relating to such Incentive Stock Option shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the date of grant. For purposes of determining stock ownership under this subsection, the rules of Section 424(d) of the Code shall apply.

e. Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee may specify in the applicable option agreement; *provided*, that no Option shall be exercisable for a period of time greater than ten (10) years from the date of grant of such Option; *provided, further*, that Incentive Stock Options granted to an employee owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company shall be exercisable for a maximum of five (5) years from the date of grant of such option. For purposes of determining stock ownership under this subsection, the rules of Section 424(d) of the Code shall apply.

f. Vesting of Options. At the time of the grant of an Option, the Committee shall establish a vesting date or vesting dates with respect to the shares of Common Stock covered by such Options. The Committee may establish vesting dates based upon the passage of time and/or the satisfaction of Performance Goals or other conditions as deemed appropriate by the Committee.

g. Exercise of Option. Options may be exercised only by delivery to the Company at its principal office address or to such transfer agent as the Company shall designate of a written notice of exercise specifying the number of shares as to which such Option is being exercised, signed by the proper person, or by notification of the Company-designated third party commercial provider (the "Third Party Commercial Provider"), in accordance with the procedures approved by the Company and to which the holder of the Option shall have ongoing access by means of accessing such person's account maintained with the Third Party Commercial Provider, together with payment in full as specified in Section 4(h) for the number of shares for which the Option is exercised.

h. Payment Upon Exercise. Common Stock purchased upon the exercise of an Option shall be paid for by one or any combination of the following forms of payment:

(i) in United States dollars in cash or by check or by fund transfer from the Option holder's account maintained with the Third Party Commercial Provider;

(ii) at the discretion of the Committee, through delivery of shares of Common Stock having a Fair Market Value equal as of the date of the exercise to the cash exercise price of the Option;

(iii) at the discretion of the Committee and consistent with applicable law, through the delivery of an assignment to the Company of a sufficient amount of the proceeds from the sale of the Common Stock acquired upon exercise of the Option and an authorization to the Third Party Commercial Provider to pay that amount to the Company, which sale shall be at the Participant's direction at the time of exercise;

(iv) at the discretion of the Committee, by any combination of (i), (ii), or (iii) above.

If the Committee exercises its discretion to permit payment of the exercise price of an Incentive Stock Option by means of the methods set forth in clauses (ii), (iii) or (iv) of the preceding sentence, such discretion shall be exercised in writing at the time of the grant of the Incentive Stock Option in question.

i. Notice to Company of Disqualifying Disposition. By accepting an Incentive Stock Option granted under the Plan, each optionee agrees to notify the Company in writing immediately after such optionee makes a disqualifying disposition of any stock acquired pursuant to the exercise of Incentive Stock Options granted under the Plan. A "disqualifying disposition" is generally any disposition occurring on or before the later of (a) the date two years following the date the Incentive Stock Option was granted or (b) the date one year following the date the Incentive Stock Option was exercised.

j. Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, each Option will terminate immediately prior to the consummation of such proposed action or at such other time and subject to such other conditions as shall be determined by the Committee.

k. Issuances of Securities. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to Options. No adjustments shall be made for dividends paid in cash or in property other than securities of the Company.

5. Restricted Stock.

a. Grants. The Committee may grant Awards entitling recipients to acquire shares of Common Stock, subject to (i) delivery to the Company by the Participant of a check in an amount at least equal to the par value of the shares purchased, and (ii) the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price from the Participant in the event that conditions specified by the Committee in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Committee for such Award (each, a "Restricted Stock Award").

b. Terms and Conditions. A Participant that is the holder of a Restricted Stock Award, whether vested or unvested, shall be entitled to enjoy all stockholder rights with respect to the shares of Common Stock underlying such Restricted Stock Award, including the right to receive dividends and vote such shares. Subject to Section 5(c) hereof, the Committee shall determine all other terms and conditions of any such Restricted Stock Award, including without limitation whether the shares of Common Stock underlying a Restricted Stock Award are represented by a stock certificate or are registered in electronic or book entry form without the issuance of a stock certificate. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant and, unless otherwise determined by the Committee, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). After the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or, if the Participant has died, to the beneficiary designated by the Participant, in a manner determined by the Committee, to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary"). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

c. Vesting of Restricted Stock. At the time of the grant of a Restricted Stock Award, the Committee shall establish a vesting date or vesting dates with respect to the shares of Common Stock covered by such Restricted Stock Award; *provided*, that all Restricted Stock Awards (other than Awards granted pursuant to Section 10(k), and subject to Sections 10(e) and 10(j)), shall have a minimum vesting period of no less than one (1) year for Restricted Stock Awards. The Committee may establish vesting dates based upon the passage of time and/or the satisfaction of Performance Goals or other conditions as deemed appropriate by the Committee.

6. Restricted Stock Unit.

a. Grants. The Committee may grant Awards entitling recipients to acquire shares of Common Stock in the future, with the future delivery of the Common Stock subject to a risk of forfeiture or other restrictions that will lapse upon the satisfaction of one or more specified conditions (each, a "Restricted Stock Unit").

b. Terms and Conditions. Subject to Section 6(c) hereof, the Committee shall determine the terms and conditions of any such Restricted Stock Unit. A Participant may not vote the shares represented by a Restricted Stock Unit and does not give the Participant a right to receive any dividends (whether paid in cash, stock or property) declared and paid by the Company with respect to shares of Common Stock subject to a Restricted Stock Unit Award.

c. Vesting of Restricted Stock Unit. At the time of the grant of a Restricted Stock Unit Award, the Committee shall establish a vesting date or vesting dates with respect to the shares of Common Stock covered by such Restricted Stock Unit Award. The Committee may establish vesting dates based upon the passage of time and/or the satisfaction of Performance Goals or other conditions as deemed appropriate by the Committee.

7. Other Stock-Based Awards.

The Committee shall have the right to grant other Awards based upon the Common Stock having such terms and conditions as the Committee may determine, including, without limitation, the grant of shares based upon certain conditions and/or Performance Goals, the grant of securities convertible into Common Stock and the grant of stock units. The Committee shall determine the terms and conditions of any such Awards.

8. Cash Awards.

a. Grants. The Committee may grant cash awards (each, a "Cash Award"), either alone, in addition to, or in tandem with other Awards granted under the Plan.

b. Terms and Conditions. The Committee shall determine the terms and conditions of any such Cash Award. From time to time, the Committee shall establish administrative rules and procedures governing the administration of Cash Awards; *provided,* no Participant may be granted a Cash Award hereunder that would result in a payment of more than $2 million during any one fiscal year of the Company.

9. Performance-Based Awards.

a. General. Subject to the terms of the Plan, the Committee shall have the authority to establish and administer performance-based grant, exercise, and/or vesting conditions and Performance Goals (as defined in Section 9(b) below) with respect to such Awards as it considers appropriate, which Performance Goals must be satisfied, as determined by the Committee, before the Participant receives or retains an Award or before the Award becomes exercisable or nonforfeitable, as the case may be. Where such Awards are granted to any person who is a "covered employee" within the meaning of Section 162(m) of the Code ("Section 162(m)"), the Committee (which in such case shall consist solely of those Committee members that are "outside directors" as defined by Section 162(m)) may designate the Awards as subject to the requirements of Section 162(m), in which case the provisions of the Awards are intended to conform with all provisions of Section 162(m) to the extent necessary to allow the Company to claim a Federal income tax deduction for the Awards as "qualified performance based compensation." However, the Committee retains the sole discretion to grant Awards that do not so qualify and to determine the terms and conditions of such Awards including any performance-based vesting conditions that shall apply to such Awards. Prior to the occurrence of an Acquisition, the Committee may exercise its discretion in a uniform and non-discriminatory manner for similarly-situated Participants to reduce (but not increase) any Award otherwise payable under this Plan in accordance with objective or subjective factors if necessary or appropriate to limit the amount payable under an Award to an amount consistent with the purposes of the Plan and the intended economic benefits of participation in the Plan. No Award subject to Section 162(m) shall be paid or vest, as applicable, unless and until the date that the Committee has certified, in the manner prescribed by Section 162(m), the extent to which the Performance Goals for the Performance Period (as defined in Section 9(b) below) have been attained and has made its decisions regarding the extent, if any, of a reduction of such Award. The Committee's determination will be final and conclusive.

b. Performance Goals. Performance goals (the "Performance Goals") will be based exclusively on one or more of the following business criteria determined with respect to the Company and its Subsidiaries on a group-wide basis or on the basis of Subsidiary, business platform, or operating unit results, in each case on a GAAP or non-GAAP basis: (i) earnings per share (on a fully diluted or other basis), (ii) pretax or after tax net income, (iii) operating income, (iv) gross or net revenue, (v) profit margin, (vi) stock price targets or stock price maintenance, (vii) working capital, (viii) free cash flow, (ix) cash flow, (x) return on equity, (xi) return on capital or return on invested capital, (xii) earnings before interest, taxes, depreciation, and amortization (EBITDA), (xiii) economic value added, (xiv) strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, cost targets, or objective goals relating to acquisitions or divestitures, or (xv) any combination of these measures.

Each Performance Goal may be expressed in absolute and/or relative terms or ratios and may be based on or use comparisons with internal targets, the past performance of the Company (including the performance of one or more Subsidiaries, divisions, platforms, operating units and/or other business unit) and/or the past or current performance of other companies. In the case of earnings-based measures, Performance Goals may use comparisons relating to capital (including, but not limited to, the cost of capital), cash flow, free cash flow, shareholders' equity and/or shares outstanding, or to assets or net assets.

The Committee shall determine the period for which Performance Goals are set and during which performance is to be measured to determine whether a Participant is entitled to payment of an Award under the Plan (the "Performance Period"). Performance Periods may be of varying and overlapping durations, but each such period shall not be less than 12 months. To the extent that an Award is intended to constitute "qualified performance based compensation" within the meaning of Section 162(m), the Performance Goals must be established within 90 days of the beginning of the Performance Period.

The Committee may specify in an Award that Performance Goals shall be adjusted to include or exclude the effect of special one-time or extraordinary gains or losses and other one-time or extraordinary events, including without limitation changes in accounting principles, extraordinary, unusual, or nonrecurring items (such as material litigation, judgments and settlements), currency exchange rate fluctuations, changes in corporate tax rates, and the impact of acquisitions, divestitures, and discontinued operations.

10. General Provisions Applicable to Awards.

a. Transferability of Awards. Except as the Committee may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the Participant, shall be exercisable only by the Participant, *provided, however*, that Nonstatutory Stock Options may be transferred pursuant to a qualified domestic relations order (as defined in the Code) or to a grantor-retained annuity trust or a similar estate-planning vehicle in which the trust is bound by all provisions of the Option which are applicable to the Participant. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

b. Documentation. Each Award granted under the Plan, with the exception of Cash Awards, shall be evidenced by a written Award agreement in such form as the Committee shall from time to time approve. Award agreements shall comply with the terms and conditions of the Plan and may contain such other provisions not inconsistent with the terms and conditions of the Plan as the Committee shall deem advisable. In the case of an Incentive Stock Option, the Award agreement shall contain, or refer to, such provisions relating to exercise and other matters as are required of "incentive stock options" under the Code. Award agreements may be evidenced by an electronic transmission (including an e-mail or reference to a website or other URL) sent to the Participant through the Company's normal process for communicating electronically with its employees. As a condition to receiving an Award, the Committee may require the proposed Participant to affirmatively accept the Award and agree to the terms and conditions set forth in the Award agreement by physically and/or electronically executing the Award agreement or by otherwise physically and/or electronically acknowledging such acceptance and agreement. With or without such affirmative acceptance, however, the Committee may prescribe conditions (including the exercise or attempted exercise of any benefit conferred by the Award) under which the proposed Participant may be deemed to have accepted the Award and agreed to the terms and conditions set forth in the Award agreement.

c. Committee Discretion. The terms of each type of Award need not be identical, and the Committee need not treat Participants uniformly.

d. Termination of Status. The Committee shall determine the effect on an Award of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award, subject to applicable law and the provisions of the Code related to Incentive Stock Options.

e. Acquisition of the Company.

(i) Consequences of an Acquisition. If the Company is to be consolidated with or acquired by another entity in a merger, tender offer or other reorganization or transaction in which the holders of the outstanding voting stock of the Company immediately preceding the consummation of such event, shall, immediately following such event, hold, as a group, less than a majority of the voting securities of the surviving or successor entity, or in the event of a sale of all or substantially all of the Company's assets or otherwise (each, an "Acquisition"), the Committee or the board of directors of any entity assuming the obligations of the Company hereunder (the "Successor Committee"), shall, as to outstanding Awards, either (i) make appropriate provision for the continuation of such Awards by substituting on an equitable basis for the shares then subject to such Awards either (a) the consideration payable with respect to the outstanding shares of Common Stock in connection with the Acquisition, (b) shares of stock of the surviving or successor corporation or (c) such other securities as the Successor Committee deems appropriate, the Fair Market Value of which shall not exceed the Fair Market Value of the shares of Common Stock subject to such Awards immediately preceding the Acquisition and in each case subject to applicable tax withholding; (ii) upon written notice to the Participants, provide that all Awards must be exercised, to the extent then exercisable or to be exercisable as a result of the Acquisition, within a specified number of days of the date of such notice, at the end of which period the Awards shall terminate; (iii) terminate all Awards in exchange for a cash payment equal to the excess of the Fair Market Value of the shares subject to such Awards (to the extent then exercisable or to be exercisable as a result of the Acquisition) over the exercise price thereof, if any, subject to applicable tax withholding; (iv) if applicable, in the event the exercise price of an Award exceeds the Fair Market Value of the shares subject to such Award, terminate such Award without any consideration; or (v) in the case of Awards that may be settled in whole or in part in cash, provide for equitable treatment of such Awards.

(ii) Assumption of Awards Upon Certain Events. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Committee may grant Awards under the Plan in substitution for stock and stock-based awards issued by such entity or an affiliate thereof. The substitute Awards shall be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

f. Withholding. Each Participant shall pay to the Company, or make provisions satisfactory to the Company for payment of, any taxes required by law to be withheld in connection with Awards to such Participant no later than the date of the event creating the tax liability. The Committee may allow Participants to satisfy such tax obligations in whole or in part by transferring shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value. The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to a Participant.

g. Amendment of Awards. The Committee may amend, modify or terminate any outstanding Award including, but not limited to, substituting therefor another Award of the same or a different type, changing the date of vesting or realization, modifying the exercise price, converting an Incentive Stock Option to a Nonstatutory Stock Option, and amending or modifying an Award such that it ceases to constitute "qualified performance based compensation" for purposes of Section 162(m); provided that, except as otherwise provided in Section 10(e)(i) or in the last sentence of this Section 10(g), the Participant's consent to such action shall be required unless the Committee determines in its sole discretion that the action, taking into account any related action, would not materially and adversely affect the Participant. Notwithstanding the foregoing, other than as provided for in Section 3(c), without prior approval by the Company's stockholders (a) no Option or other stock-based Award that is not a Full Value Award may be amended to reduce the price at which it is exercisable; (b) no Option or other stock-based Award that is not a Full Value Award may be canceled in exchange for an Option or other stock-based Award that is not a Full Value Award with an exercise price that is less than the exercise price of the original Option or stock-based Award that is not a Full Value Award; (c) no Option or stock-based Full Value Award with an exercise price above the then current Fair Market Value may be canceled in exchange for cash or other securities; and (d) no Option or stock-based Award that is not a Full Value Award may be amended to extend the period of time for which such previously-issued Award shall be exercisable beyond the expiration date of such Award.

h. Forfeiture. Notwithstanding any provision herein to the contrary, Awards and shares of Common Stock (and proceeds therefrom) obtained pursuant to or on exercise of such Awards hereunder are subject to forfeiture, setoff, recoupment or other recovery if the Committee determines in good faith that such action is required by applicable law or Company policy.

i. Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of the Plan and any applicable laws, rules or regulations, and (iv) the Participant has paid to the Company, or made provisions satisfactory to the Company for payment of, any taxes required by law to be withheld in connection with the Award.

j. Acceleration. The Committee may at any time subsequent to the grant of an Award provide that any Options shall become immediately exercisable in full or in part, that Awards that may be settled in whole or in part in cash may become exercisable in full or in part, that any Restricted Stock Awards shall be free of some or all restrictions, or that any other stock-based Awards may become exercisable in full or in part or free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be, despite the fact that the foregoing actions may (i) cause the application of Sections 280G and 4999, (ii) disqualify all or part of the Option as an Incentive Stock Option, or (iii) cause an Award to cease to constitute "qualified performance based compensation" for purposes of Section 162(m). In the event of the acceleration of the exercisability of one or more outstanding Options, including pursuant to Section 10(e)(i), the Committee may provide, as a condition of full exercisability of any or all such Options, that the Common Stock or other substituted consideration, including cash, as to which exercisability has been accelerated shall be restricted and subject to forfeiture back to the Company at the option of the Company at the cost thereof upon termination of employment or other relationship, with the timing and other terms of the vesting of such restricted stock or other consideration being equivalent to the timing and other terms of the superseded exercise schedule of the related Option.

k. Exception to Minimum Vesting Periods. The Committee may grant up to ten percent (10%) of the maximum aggregate shares of Common Stock authorized for issuance hereunder in the form of Restricted Stock based on Common Stock that do not comply with the minimum vesting periods set forth in Section 5(c).

l. Compliance with Code Section 409A. It is the intention of the Company that this Plan and each Award comply with and be interpreted in accordance with Section 409A of the Code, the United States Department of Treasury regulations, and other guidance issued thereunder, including any applicable exemptions (collectively, "Section 409A"). Each payment in any series of payments provided to a Participant pursuant to this Plan or an Award will be deemed a separate payment for purposes of Section 409A. If any amount payable under this Plan or an Award is determined by the Company to constitute nonqualified deferred compensation for purposes of Section 409A (after taking into account applicable exemptions) and such amount is payable upon a termination of employment, then such amount shall not be paid unless and until the Participant's termination of employment also constitutes a "separation from service" from the Company for purposes of Section 409A. In the event that the Participant is determined by the Company to be a "specified employee" for purposes of Section 409A at the time of his separation from service with the Company, then any nonqualified deferred compensation (after giving effect to any exemptions available under Section 409A) otherwise payable to the Participant as a result of the Participant's separation from service during the first six (6) months following his separation from service shall be delayed and paid in a lump sum upon the earlier of (x) the Participant's date of death, or (y) the first day of the seventh month following the Participant's separation from service, and the balance of the installments (if any) will be payable in accordance with their original schedule.

11. Foreign Jurisdictions.

To the extent that the Committee determines that the material terms set by the Committee or imposed by the Plan preclude the achievement of the material purposes of the Plan in jurisdictions outside the United States, the Committee will have the authority and discretion to modify those terms and provide for such additional terms and conditions as the Committee determines to be necessary, appropriate or desirable to accommodate differences in local law, policy or custom or to facilitate administration of the Plan. The Committee may adopt or approve sub-plans, appendices or supplements to, or amendments, restatements or alternative versions of, the Plan as it may consider necessary, appropriate or desirable, without thereby affecting the terms of the Plan as in effect for any other purpose. The special terms and any appendices, supplements, amendments, restatements or alternative versions, however, shall not include any provisions that are inconsistent with the terms of the Plan as then in effect, unless the Plan could have been amended to eliminate such inconsistency without further approval by the stockholders. The Committee shall also have the authority and discretion to delegate the foregoing powers to appropriate officers of the Company.

12. Miscellaneous.

a. Definitions.

(i) "Company" for purposes of eligibility under the Plan, shall include any present or future subsidiary corporations of SeaChange International, Inc., as defined in Section 424(f) of the Code (a "Subsidiary"), and any present or future parent corporation of SeaChange International, Inc., as defined in Section 424(e) of the Code. For purposes of Awards other than Incentive Stock Options, the term "Company" shall also include any other business venture in which the Company has a direct or indirect significant interest, as determined by the Committee in its sole discretion.

(ii) "Code" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

(iii) "employee" for purposes of eligibility under the Plan shall include a person to whom an offer of employment has been extended by the Company and who has actually commenced employment with the Company, whether full or part-time status; *provided*, *however*, that for purposes of Section 4(b) such person must be an employee of the Company as defined under Section 422 of the Code.

(iv) "Fair Market Value" of the Company's Common Stock on any date means (i) the last reported sale price (on that date) of the Common Stock on the principal national securities exchange on which the Common Stock is traded, if the Common Stock is then traded on a national securities exchange; or (ii) the average of the closing bid and asked prices last quoted (on that date) by an established quotation service for over-the-counter securities, if the Common Stock is not then traded on a national securities exchange; or (iii) if the Common Stock is not publicly traded, the fair market value of the Common Stock as determined by the Committee after taking into consideration all factors which it deems appropriate, including, without limitation, recent sale and offer prices of the Common Stock in private transactions negotiated at arm's length); *provided*, that, in all events the Fair Market Value shall represent the Committee's good faith determination of the fair market value of the Common Stock. The Committee's determination shall be conclusive as to the Fair Market Value of the Common Stock.

(v) "Full Value Awards" means Restricted Stock, Restricted Stock Units and Awards other than (a) Options or (b) Cash Awards or (c) other stock-based Awards for which the Participant pays the intrinsic value (whether directly or by forgoing a right to receive a cash payment from the Company).

b. No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan.

c. No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder thereof.

d. Effective Date and Term of Plan. The Plan shall become effective on the date on which it is approved by the stockholders of the Company (the "Effective Date"). No Awards shall be granted under the Plan after the completion of ten years from the Effective Date, but Awards previously granted may extend beyond that date.

e. Amendment of Plan. The Committee may amend this Plan at any time, provided that any material amendment to the Plan will not be effective unless approved by the Company's stockholders. For this purpose, a material amendment is any amendment that would (i) other than pursuant to Section 3(c), materially increase either the number of shares of Common Stock available under the Plan, or the maximum number of shares of Common Stock issuable in one fiscal year to a Participant; (ii) expand the class of persons eligible to receive Awards or otherwise participate in the Plan; (iii) amend Section 10(g); (iv) amend Section 10(k); (v) subject to Sections 10(e) and 10(j), amend the minimum vesting provisions of Awards contained in Sections 4(f), 5(c), 6(c) or 7 of the Plan; or (vi) require stockholder approval pursuant to the requirements of NASDAQ or any exchange on which the Company is then listed or applicable law.

f. Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of The Commonwealth of Massachusetts, exclusive of reference to rules and principles of conflicts of law.

Adopted by the Board of Directors on May 31, 2011

Approved by the stockholders on July 20, 2011

Amended by the Board of Directors on February 8, 2013

Amended by the Board of Directors on May 17, 2013

Approved by the stockholders on July 17, 2013

Amended by the Board of Directors on May 19, 2016

Approved by the stockholders on July 13, 2016

Amended by the Board of Directors on May 22, 2017

Approved by the stockholders on [July 13, 2017].

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

FORM 10-K

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

For the fiscal year ended January 31, 2017

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

Commission File Number: 0-21393

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

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

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

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

Securities Registered Pursuant to Section 12(b) Of The Act:
Common Stock, $0.01 par value
Securities Registered Pursuant to Section 12(g) Of The Act:
None

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

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

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or in any amendment to this Form 10-K. ☒

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

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

If an emerging growth company, indicate by check mark if the registrant has elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of July 31, 2016, the aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price for the registrant's Common Stock on the NASDAQ Global Select Market on such date was $109,408,093. The number of shares of the registrant's Common Stock outstanding as of the close of business on April 10, 2017 was 35,312,255.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement filed no later than 120 days after the Company's fiscal year end pursuant to Regulation 14A are incorporated by reference into Part III of this Annual Report on Form 10-K.

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The statements contained in this Annual Report on Form 10-K ("Form 10-K") of SeaChange International, Inc. ("SeaChange," the "Company," "us," or "we"), including, but not limited to the statements contained in Item 1., *"Business,"* and Item 7., *"Management's Discussion and Analysis of Financial Condition and Results of Operations,"* along with statements contained in other reports that we have filed with the Securities and Exchange Commission ("SEC"), external documents and oral presentations, which are not historical facts, are considered to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements which may be expressed in a variety of ways, including the use of forward looking terminology such as "believe," "expect," "seek," "intend," "may," "will," "should," "could," "potential," "continue," "estimate," "plan," or "anticipate," or the negatives thereof, other variations thereon or compatible terminology, relate to, among other things, our transition to being a company that primarily provides software solutions, the effect of certain legal claims against us, projected changes in our revenues, earnings and expenses, exchange rate sensitivity, interest rate sensitivity, liquidity, product introductions, industry changes, general market conditions, our continued limited number of customers, geographic location of sales and a reduction in workforce and the impact thereof. We do not undertake any obligation to publicly update any forward-looking statements.

These forward-looking statements, and any forward-looking statements contained in other public disclosures of the Company which make reference to the cautionary factors contained in this Form 10-K, are based on assumptions that involve risks and uncertainties and are subject to change based on the considerations described below. We discuss many of these risks and uncertainties in greater detail in Item 1A., *"Risk Factors,"* of this Form 10-K. These and other risks and uncertainties may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements.

The following discussion should be read in conjunction with Part II, Item 7., *"Management Discussion and Analysis of Financial Condition and Results of Operations,"* and our financial statements and footnotes contained in this Form 10-K.

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PART I

ITEM 1. BUSINESS

GENERAL

SeaChange International, Inc., a Delaware corporation founded on July 9, 1993, is an industry leader in the delivery of multiscreen video, advertising and premium over the top ("OTT") video headquartered in Acton, Massachusetts. Our products and services facilitate the aggregation, licensing, management and distribution of video and advertising content for cable television system operators, telecommunications companies, satellite operators and media companies. We sell our software products and services worldwide, primarily to television service providers including: cable television system operators, such as Liberty Global, plc. ("LGI"), Comcast Corporation ("Comcast"), Cox Communications, Inc. and Rogers Communications, Inc.; telecommunications companies, such as Verizon Communications, Inc., AT&T, Inc. and Frontier Communications Corporation; satellite operators such as Direct TV and Dish Network Corporation; and media companies such as Filmbank Media.

Our products and services are designed to enable our customers to reduce capital and operating expenses, reduce subscriber turnover, and increase average revenue per subscriber. Using our products and services, we believe customers can increase revenues by offering services such as video-on-demand ("VOD") programming on a variety of consumer devices, including televisions ("TVs"), mobile telephones ("smart phones"), personal computers ("PCs"), tablets and OTT streaming players. Our systems enable service providers to offer other interactive television services that allow subscribers to receive personalized services and interact with their video devices, thereby enhancing their viewing experience. Our products also allow our customers to insert advertising into broadcast and VOD content.

SeaChange serves an exciting global marketplace where multiscreen viewing is increasing, consumer device options are evolving rapidly, and viewing habits are shifting. The primary driver of our business is to enable the delivery of video assets in the evolving multiscreen television environment. Through acquisitions and partnerships, we have expanded our capabilities, products and services to address the delivery of content to devices other than television set-top boxes, namely PCs, tablets, smart phones and OTT streaming players. We believe that our strategy of expanding into adjacent product lines will also position us to further support and maintain our existing service provider customer base. Providing our customers with more scalable software platforms enables them to further reduce their infrastructure costs, improve reliability and expand service offerings. Additionally, we believe we are well positioned to capitalize on new customers entering the multiscreen marketplace and increasingly serve adjacent markets, such as mobile and OTT. Our core technologies provide a foundation for products and services that can be deployed in next generation video delivery systems capable of increased levels of subscriber activity across multiple devices.

On May 5, 2016, we acquired a 100% share of DCC Labs in exchange for an aggregate of $2.7 million in newly issued shares of SeaChange common stock and $5.2 million in cash, net of cash acquired, resulting in a total net purchase price of $7.9 million. DCC Labs is a developer of set-top and multiscreen device software. Under the purchase agreement, $0.5 million in cash and all the stock was initially held in escrow as security for the indemnification obligations of the sellers to SeaChange. The stock consideration was determined by dividing the total value of $2.6 million by the volume weighted average closing price of our common stock for the twenty trading days preceding the closing.

The acquisition of DCC Labs enables us to optimize the operations of our In-Home business, which develops home video gateway software including SeaChange's Nucleus and NitroX products. In addition, the acquisition brings market-ready products, including an optimized television software stack for Europe's Digital Video Broadcasting community, and an HTML5 framework for building additional user experience client applications across a variety of CPE devices, including Android TV STBs, tablets, mobile and compute devices.

In conjunction with the DCC Labs acquisition, SeaChange commenced a workforce reduction within its In-Home engineering and services organization, which allowed us to achieve approximately $8 million in annualized cost savings. This reduction in workforce resulted in aggregate charges of $1.9 million in severance and other restructuring costs during fiscal 2017.

In addition to the reduction in workforce due to the acquisition of DCC Labs, we implemented additional company-wide cost savings during our third quarter of fiscal 2017, which includes a worldwide reduction in workforce, to help improve operations and optimize our cost structure with the goal of assisting in restoring SeaChange to profitability and positive cash flow. During fiscal 2017, we recognized $3.1 million of restructuring costs related to these cost saving initiatives. We expect to complete our workforce reductions in the first half of fiscal 2018.

LEADERSHIP CHANGES

Effective April 6, 2016, Edward Terino, who previously served as our Chief Operating Officer, was appointed Chief Executive Officer ("CEO") of SeaChange, following the termination without cause of Jay Samit as CEO and Director, as previously reported in a Current Report on Form 8-K ("Form 8-K") filed with the Securities and Exchange Commission ("SEC") on April 7, 2016.

Effective July 6, 2016, Peter Faubert was appointed Chief Financial Officer ("CFO") of SeaChange, following the resignation of Anthony Dias as CFO, as previously reported in a Current Report on Form 8-K filed with the SEC on July 7, 2016.

Effective January 31, 2017, Jonathan Rider, who previously served as our Chief Information Officer, was appointed Chief Operating Officer of SeaChange.

PRODUCTS AND SERVICES

Our business is focused on the following product areas: video platform (including content management), advertising and user experience. Our revenue sources consist of product revenue from these areas, as well as related services.

Video Platform

SeaChange Adrenalin Multiscreen Video Backoffice Platform. Adrenalin is a comprehensive software platform that enables service providers to manage, monetize and deliver a seamless viewing experience to subscribers across TVs, PCs, tablets, smart phones and other IP-enabled devices. Adrenalin is a modular software solution allowing customers to gradually adopt new functionality and features to expand multiscreen television distribution capabilities. We offer our Adrenalin platform under two deployment options; through onsite software licenses and on a cloud-based offering through software-as-a-service ("SaaS"). With an onsite software license model, revenue is derived from perpetual software licenses, maintenance and support fees and professional services. In a SaaS offering, we license our product offerings and customers pay us on a monthly recurring basis based on the total number of subscribers deployed by the customer.

SeaChange AssetFlow Content Management Solution. In today's multiscreen viewing environment, programming or advertisements are reproduced with numerous variants to serve the unique requirements of multiple network types, consumer devices and geographies. Metadata, such as poster, description and pricing, associated with the programming is also managed by the platform. At the point of content ingest, our AssetFlow software is used to receive, manage and publish video content for viewing on televisions, tablets, PCs and other consumer devices. AssetFlow simplifies the increasingly complex tasks of movie and television program asset tracking, metadata management, and overall content workflow processing.

SeaChange Rave™ Premium OTT Video Platform. Our Rave premium OTT video platform ("Rave") offering provides a managed-services solution for our customers. Rave enables live, time-shifted, pay-per-view, on-demand video services and storefront creation. Advanced content recommendations, discovery and social media are enabled through SeaChange's user experience and third-party applications. Rave includes services, tools and integrations for OTT content workflow, media management and analytics. Rave also enables video and interactive cross-device advertising throughout individual streams and user experiences. Advanced content promotion and monetization features include download to purchase and rent, subscription packaging and couponing. Through these features, Rave allows media companies and service providers to fully integrate with the connected consumer lifestyle and create a deeper audience relationship to project their brand and create pertinent, contextual promotions and advertising.

Advertising

SeaChange Infusion Advanced Advertising Platform. As more video content is served to multiple consumer devices, the ability to generate additional revenue by inserting advertising across multiple platforms becomes crucial to service providers seeking to offset content rights costs and reduce subscriber fees for viewing the content. Infusion enables service providers to maximize advertising revenue across multiscreen, broadcast, on-demand and OTT viewing and reach their audiences while viewers watch content across multiple devices.

User Experience

Nucleus. Nucleus ports to third-party set-top boxes, or other customer premises equipment hardware and system on a chip, and acts as a hub for all video distribution to any IP- connected device throughout the home, such as tablets, smart phones and game consoles. SeaChange capitalizes on open software and networking technologies to create Nucleus, a fully customizable foundation for rich multiscreen services running on the chipset and hardware. Nucleus enables the service providers to select the chipset, hardware and set-top box vendor of their choice. Nucleus extends providers' video services to a wide range of video consumer devices through its support for Digital Living Network Alliance networking protocols. This enables enhancement of the overall offering by providing the framework for the introduction of new applications. Further, Nucleus leverages the industry Reference Design Kit, a technology standard that enables the video service provider community to take advantage of open technologies to more rapidly introduce and support service innovations.

SeaChange NitroX. Introduced in September 2016, NitroX is a new generation of user experience products that empower service providers and content owners to optimize live and on-demand video consumption on multiscreen and OTT services. Its features and functionality allow service providers to fully leverage the extensive content management, delivery and monetization capabilities of Seachange's platforms. The new generation NitroX products provide a ready-to-deploy multiscreen user experience that is pre-integrated with SeaChange's widely deployed Adrenalin or third-party multiscreen video platform and Nucleus.

Services

SeaChange offers comprehensive professional services, maintenance and support for all its products. We have developed extensive capabilities in systems integration, implementation and customer engineering. We also offer managed services with advantages, including remote monitoring and proactive system maintenance to help our customers quickly and confidently establish new on-demand and multiscreen capabilities.

STRATEGY

Our goal is to strengthen our position as a leading global provider of multiscreen video delivery solutions by enabling service providers and content owners to increase revenue opportunities by delivering transformative multiscreen video services to their end users. Key elements of our strategy include:

- We intend to continue providing our current and future customer base with industry-leading solutions through our focus on product innovation and substantial investment in research and development for our latest feature-rich software products and services;

- We intend to provide pre-packaged integrated solutions with the goal of better enabling new and existing customers to drive the adoption of Rave and SaaS commercial models through service offerings hosted and/or managed by us;
- We intend to continue pursuing acquisitions and collaborations which we believe will strengthen our industry leadership position, expand our geographic presence, open new markets or allow us to expand to new products or services, or enhance our existing ones;
- We may enter strategic relationships to help our customers address deficiencies in their market space;
- We are capable of selling our products to support a single screen and upgrade to support multiple devices as service providers expand their reach. We can also scale to enable platforms as part of the initial sale; and
- Our customers represent some of the top service providers worldwide and we are well positioned to expand our customer base in new geographies such as Asia Pacific and Latin America as well as market segments such as mobile, satellite, telecommunications and media companies.

RESEARCH AND DEVELOPMENT

Our research and development costs were $30.1 million in fiscal 2017, $33.7 million in fiscal 2016 and $42.2 million in fiscal 2015. We believe that our success will depend on our ability to develop and introduce timely new integrated solutions and enhancements to our existing products that meet changing customer requirements in our current and future customer base as well as new markets. We have made substantial investments in developing and bringing to market our next generation products. Our current research and development activities are focused on developing multiscreen television platforms, content management solutions, additional user experience applications, advertising solutions and integrating the solutions we currently offer. Our direct sales and marketing groups closely monitor changes in customer needs, changes in the marketplace and emerging industry standards to help us focus our research and development efforts to address our customers' needs, such as increasing average revenue per subscriber, lowering operating and capital costs and reducing customer churn. Our significant research and development efforts are performed in the United States at our Acton, Massachusetts headquarters and worldwide in Manila, Philippines, Warsaw, Poland and Eindhoven, Netherlands.

During fiscal 2017, we continued the focus of our research and development efforts on the next generation software platforms, which are vital to our customers' success. We achieved this by further increasing our investment in our software products for multiscreen video platforms. As of January 31, 2017, we had a research and development staff of 230 employees.

SELLING AND MARKETING

Our sales cycle tends to be long, in some instances twelve to twenty-four months, and purchase orders are typically more than one million dollars. It is sometimes difficult to predict what quarter or fiscal year our sales will occur. Considering the complexity of our video products, we primarily utilize a direct sales process. We sell and market our products worldwide through a direct sales organization, primarily conducted from our headquarters although we will use sales representatives deployed in different regions where we do not have a direct sales force. Working closely with customers to understand and define their needs enables us to obtain better information regarding market requirements, enhance our expertise in our customers' industries, and more effectively and precisely convey to customers how our solutions address their specific needs.

We use several marketing programs to focus on our targeted markets to support the sale and distribution of our products. We also market certain of our products to systems integrators and value-added resellers. We attend and exhibit our products at a limited number of prominent industry trade shows and conferences and we present our technology at seminars and smaller conferences to promote their awareness. In fiscal 2017, to increase software sales in North America and EMEA, we increased our sales efforts in those regions. We also increased our sales efforts in other geographic areas such as Asia Pacific and Latin America. As of January 31, 2017, we had a selling and marketing staff of 43 employees.

MANUFACTURING AND QUALITY CONTROL

Our manufacturing operation consists primarily of component and subassembly procurement, systems integration and final assembly, testing and quality control of the complete systems. As of January 31, 2017 we had a manufacturing staff of 8 employees.

OUR CUSTOMERS

We currently sell our products primarily to video service providers, such as cable system operators and telecommunications companies, as well as content providers. Our customer base is highly concentrated among a limited number of large service provider customers. A significant portion of our revenues in any given fiscal period have been derived from substantial orders placed by these large organizations. For the fiscal year ended January 31, 2017, LGI was the only customer that accounted for more than 10% of our total revenues.

We expect that we will continue to be dependent upon a limited number of customers for a significant portion of our revenues in the near future, even as we intend to penetrate new markets and customers. As a result of this customer concentration, our business, financial condition and results of operations could be materially adversely affected by the failure of anticipated orders to materialize and by deferrals or cancellations of orders because of changes in customer requirements or new product announcements or introductions. In addition, the concentration of customers may cause variations in revenue, expenses and operating results on a quarterly basis due to seasonality of orders, the timing and relative size of orders received and accepted during a fiscal quarter, or the timing and size of orders for which revenue recognition criteria have been satisfied during a fiscal quarter.

We do not believe that our backlog at any time is meaningful as an indicator of our future level of revenue for any period. Because of the requirements of some customers, orders may require final acceptance prior to revenue being recognized, resulting in the related revenues not being recognized in the ensuing quarter. Therefore, there is no direct correlation between the backlog at the end of any quarter and our total revenue for the following quarter or other periods. If our sales growth increases or we experience business model changes, our backlog may become a meaningful indicator of revenue in the future.

COMPETITION

The markets in which we compete are characterized by intense competition, with many suppliers providing different types of products to different segments of the markets. In new markets for our products, we compete principally based on price. In markets in which we have an established presence, we compete principally based on the breadth of our products' features and benefits, including the flexibility, scalability, professional quality, ease of use, reliability and cost effectiveness of our products, and our reputation and the depth of our expertise, customer service and support. While we believe that we currently compete favorably overall with respect to these factors and that our ability to provide integrated solutions to manage and distribute digital video differentiates us from our competitors, in the future we may not be able to continue to compete successfully with respect to these factors.

In the market for multiscreen video, we compete with various larger companies offering video platforms and applications such as Cisco Systems, Inc., Arris Group Inc., TiVo Corporation and Ericsson Inc. as well as in-house solutions built by the service provider. Increasingly, we are also seeing competition from integrated end-to-end solutions such as Comcast's X-1 platform and many OTT players. We expect the competition in each of the markets in which we operate to intensify in the future with existing and new competitors with significant market presence and financial resources.

Many of our current and prospective competitors have significantly greater financial, technical, manufacturing, sales, marketing and other resources. As a result, these competitors may be able to devote greater resources to the development, promotion, sale and support of their products. Moreover, these companies may introduce additional products that are competitive with ours or enter strategic relationships to offer complete solutions. In the future, our products may not be able to compete effectively with these products.

PROPRIETARY RIGHTS

Our success and our ability to compete are dependent, in part, upon our proprietary rights. We have been granted 24 patents worldwide and have several patents pending for various technologies developed and used in our products. In addition, we rely on a combination of contractual rights, trademark laws, trade secrets and copyright laws to establish and protect our proprietary rights in our products. It is possible that in the future not all these patent applications will be issued or that, if issued, the validity of these patents would not be upheld. It is also possible that the steps taken by us to protect our intellectual property will be inadequate to prevent misappropriation of our technology or that our competitors will independently develop technologies that are substantially equivalent or superior to our technology. In addition, the laws of some foreign countries in which our products are or may be distributed do not protect our proprietary rights to the same extent as do the laws of the United States. Currently, we are not party to intellectual property litigation, but we may be a party to litigation in the future to enforce our intellectual property rights or because of an allegation that we infringe others' intellectual property.

EMPLOYEES

The table below represents the number of full-time employees that we employ in different geographic areas across the world for the periods shown. We also use part-time and many other temporary employees in the ordinary course of our business. We believe that our relations with our employees are good. None of our employees are represented by a collective bargaining agreement. Employees in certain foreign jurisdictions are represented by local workers' council as may be customary or required in those jurisdictions.

	January 31,		
Country	**2017**	**2016**	**2015**
United States	199	307	302
Philippines	132	171	161
Netherlands	83	116	137
Other international	82	66	103
Total employees by country	496	660	703

During fiscal 2017, we implemented costs-savings actions related to the TLL, LLC ("Timeline Labs") business and the DCC Labs acquisition. We implemented an additional company-wide cost savings beginning in the third quarter of fiscal 2017, which includes a worldwide reduction in workforce, to help improve operations and optimize our cost structure with the goal of assisting in restoring SeaChange to profitability and positive cash flow. In total, these actions affected over 170 employees in fiscal 2017 and reductions in workforce relating to the latest cost-savings efforts are expected to be completed in the first half of fiscal 2018.

ACQUISITIONS AND LOSS ON IMPAIRMENT OF TLL, LLC

DCC Labs

On May 5, 2016, we acquired a 100% share of DCC Labs in exchange for an aggregate of $2.7 million in newly issued shares of SeaChange common stock and $5.2 million in cash, net of cash acquired, resulting in a total net purchase price of $7.9 million. DCC Labs is a developer of set-top and multiscreen device software. Under the purchase agreement, $0.5 million in cash and all the stock was initially held in escrow as security for the indemnification obligations of the sellers to SeaChange. The stock consideration was determined by dividing the total value of $2.6 million by the volume weighted average closing price of our common stock for the twenty trading days preceding the closing.

The acquisition of DCC Labs enables us to optimize the operations of our In-Home business, which develops home video gateway software including SeaChange's Nucleus and NitroX products. In addition, the acquisition brings market-ready products, including an optimized television software stack for Europe's Digital Video Broadcasting community and an HTML5 framework for building additional user experience client applications across a variety of CPE devices, including Android TV STBs, tablets, mobile and compute devices.

We accounted for the acquisition of DCC Labs as a business combination, which requires us to record the assets acquired and liabilities assumed at fair value. The amount by which the purchase price exceeds the fair value of the net assets acquired is recorded as goodwill. We engaged an independent appraiser to assist management in assessing the fair values of the tangible and intangible assets acquired and liabilities assumed and the amount of goodwill to be recognized as of the acquisition date. Assets acquired in the acquisition include receivables, prepaid expenses and property and equipment, while liabilities assumed include accounts payable, other accrued expenses, deferred taxes and income taxes payable. The amounts recorded for these assets and liabilities are final based on information obtained about the facts and circumstances that existed as of the acquisition date.

TLL, LLC

On February 2, 2015, pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), dated as of December 22, 2014, we acquired 100% of the member interests in Timeline Labs, a privately-owned California-based software-as-a-service ("SaaS") company.

We accounted for the acquisition of Timeline Labs as a business combination and the financial results of Timeline Labs have been included in our consolidated financial statements as of the date of acquisition. Under the acquisition method of accounting, the purchase price was allocated to the acquired net tangible and intangible assets based upon their fair values as of February 2, 2015.

Loss on Impairment of TLL, LLC

In January 2016, our Board of Directors authorized a restructuring plan to wind down the Timeline Labs operations, as previously reported in a Current Report on Form 8-K filed with the SEC on February 17, 2016. Based on the decision to enter into the restructuring plan and the plan's impact on the projected future cash flows of the Timeline Labs operations, we determined that the carrying amount of all long-term assets that resulted from the February 2015 acquisition had exceeded their fair value as of January 31, 2016. As a result, these long-term assets were deemed fully impaired and we recorded the $21.9 million net book value of these long-term assets as a component of loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss for the fiscal year ended January 31, 2016. Additionally, we reduced the contingent consideration liability associated with the Timeline Labs acquisition to zero, as we determined that the defined performance criteria would not be achieved, and credited the reversal of the liability of $0.4 million to loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss for the fiscal year ended January 31, 2016. See Part II. Item 8, Note 4, *"Acquisitions and Loss on Impairment of TLL, LLC,"* to this Form 10-K for more information.

In addition, we incurred $0.7 million in severance and other restructuring charges during fiscal 2017 related to cost-saving actions taken with respect to the Timeline Labs business.

EXECUTIVE OFFICERS

The following is a list of our executive officers, their ages as of April 10, 2017 and their positions held with us:

Name	Age	Title
Edward Terino	63	Chief Executive Officer and Director
Jonathan Rider	52	Chief Operating Officer, Senior Vice President
Peter R. Faubert	46	Chief Financial Officer, Senior Vice President, Finance and Administration and Treasurer
David McEvoy	59	Senior Vice President and General Counsel and Secretary

Mr. Terino became SeaChange's Chief Executive Officer ("CEO") effective April 6, 2016 having previously served as Chief Operating Officer ("COO") since June 2015. He has served on the Company's board of directors since 2010. Mr. Terino's professional experience spans 30 years in senior management and operational roles for public companies including service as Senior Vice President ("SVP") and Chief Financial Officer ("CFO") of Art Technology Group, Inc. from September 2001 to June 2005, CEO and CFO of Arlington Tankers Ltd. from July 2005 to December 2008, and Vice President ("VP") of Finance and Operations at Houghton Mifflin Harcourt from 1985 to 1996. He has served on the board of directors for software and technology companies including Extreme Networks, Inc. from October 2012 to November 2013, S1 Corporation from April 2007 to February 2012, Phoenix Technologies Ltd. from November 2009 to November 2010, and EBT International, Inc. from October 1999 to March 2006. He also served on the board of directors of Baltic Shipping Ltd. from March 2010 to July 2015.

Mr. Rider joined the Company on April 19, 2016 as Chief Information Officer ("CIO"). He became COO and Senior Vice President on January 31, 2017. He brings over 30 years of senior management experience in the high technology sector. Prior to joining SeaChange, Mr. Rider was CIO of Dynatrace from August 2014 to February 2016; Senior Vice President, Technology and Engineering of Arcadia Solutions from September 2013 to August 2014; and Principal and CIO of JetStream Consulting LLC from June 2006 to January 2014. Mr. Rider held various senior positions with PTC, Gilbane Building Company, Monster Worldwide, Netscout Systems and Helidesigns. Mr. Rider served as a U.S. Army Officer and helicopter instructor. He has a bachelor of science degree in aeronautics, engineering/aviation and a master's degree in e-business from the University of Phoenix.

Mr. Faubert joined the Company on July 7, 2016 as CFO, SVP, Finance and Administration, and Treasurer. He brings over 15 years of extensive finance leadership for public and private software companies that focused on video service providers, mobility and enterprise computing. Prior to joining the Company, Mr. Faubert served as CFO of This Technology, Inc. since December 2013. Prior to that, Mr. Faubert served as CFO and Treasurer of Vision Government Solutions, Inc. from October 2012 to December 2013. He has also served as CFO of JNJ Mobile (MocoSpace) from February 2009 to July 2012 and CFO and Treasurer at Turbine, Inc. from August 2005 to January 2009. Prior to that Mr. Faubert held various senior finance positions with Viisage Technology Inc., Burntsand Inc. and Ariba Inc. Mr. Faubert is also a Certified Public Accountant.

Mr. McEvoy joined the Company on July 1, 2012 as VP and General Counsel. He became SVP and General Counsel on February 1, 2013. Prior to joining SeaChange, Mr. McEvoy was the SVP and General Counsel of Peoplefluent Inc. Mr. McEvoy was the SVP and General Counsel of Art Technology Group, Inc. ("ATG") from September 2005 to March 2010. ATG was acquired by Oracle on January 5, 2011. Prior to joining ATG, Mr. McEvoy was the Group General Counsel of Gores Technology Group, a private equity firm. Mr. McEvoy has held various General Counsel and other executive level legal positions with several companies including Aprisma Inc., Anker Systems Ltd., VeriFone Inc., Mattel Interactive, Broderbund and The Learning Company.

GEOGRAPHIC INFORMATION

Geographic information is included in Part II, Item 7 of this Form 10-K under the heading *"Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations"* and in Note 11, *"Segment Information, Significant Customers and Geographic Information,"* to the consolidated financial statements located in Part II, Item 8, of this Form 10-K.

AVAILABLE INFORMATION

SeaChange is subject to the informational requirements pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). SeaChange files periodic reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be obtained by visiting the Public Reference Room of the SEC at 100 F Street, N.E., Washington, DC 20549 or by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

Financial and other information about SeaChange, including our Code of Ethics and Business Conduct and charters for our Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee, is available on the Investor Relations section of our website at www.schange.com. We make available free of charge on our website our Form 10-K, Quarterly Reports on Form 10-Q ("Form 10-Q"), Current Reports on Form 8-K ("Form 8-K") and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained on our web site is not incorporated by reference into this document and should not be considered a part of this Form 10-K. Our website address is included in this document as an inactive textual reference only.

ITEM 1A. RISK FACTORS

We wish to caution each reader of this Form 10-K to consider the following factors and other factors discussed herein and in other past reports, including but not limited to prior year Form 10-K and Form 10-Q reports filed with the SEC. Our business and results of operations could be materially affected by any of the following risks. The factors discussed herein are not exhaustive. Therefore, the factors contained herein should be read together with other reports that we file with the SEC from time to time, which may supplement, modify, supersede, or update the factors listed in this document.

Our business is dependent on customers' continued spending on video solutions and services. A reduction in spending by customers would adversely affect our business.

Our performance is dependent on customers' continued spending for video solutions and services. Spending for these systems and services is cyclical and can be curtailed or deferred on short notice. A variety of factors affect the amount of spending, and, therefore, our sales and profits, including:

- general economic conditions;
- customer specific financial or stock market conditions;
- availability and cost of capital;
- governmental regulation;
- demand for services;
- competition from other providers of video solutions and services;
- acceptance by our customers; and
- real or perceived trends or uncertainties in these factors.

Any reduction in spending by our customers would adversely affect our business. We continue to have limited visibility into the capital spending plans of our current and prospective customers. Fluctuations in our revenue can lead to even greater fluctuations in our operating results. Our planned expense levels depend in part on our expectations of future revenue. Our planned expenses include significant investments, particularly within our research and development organization, which we believe are necessary to continue to provide innovative solutions to meet our current and prospective customers' needs. As a result, it is difficult to forecast revenue and operating results. If our revenue and operating results are below the expectations of our investors and market analysts, it could cause a decline in the price of our common stock.

Our future success is dependent on the continued development of the multiscreen video and OTT market and if these markets do not continue to develop, our business may not continue to grow.

A large portion of our anticipated revenue growth is expected to come from sales and services related to our multiscreen video and OTT products. However, these markets continue to develop as a commercial market, both within and outside North America. The potential size of these markets and the timing of their development are uncertain. The success of these markets require that video service providers continue to upgrade their cable networks to service and successfully market multiscreen video, OTT and similar services to their cable television subscribers. Some cable system operators, particularly outside of North America, are still in the early stages of commercial deployment of multiscreen video and OTT services to major residential cable markets. If cable system operators and telecommunications companies fail to make the capital expenditures necessary to upgrade their networks or determine that broad deployment of multiscreen video and OTT services is not viable as a business proposition or if our products cannot support a substantial number of subscribers while maintaining a high level of performance, our revenues will not grow as we have planned.

Our efforts to introduce SaaS-based multiscreen service offerings may either not succeed or impair our sale of on-site licensed offerings. The occurrence of either of which may adversely affect our financial condition and operating results.

We have been, and will continue to, devote considerable resources and allocate capital expenditures to growing our SaaS service offering revenue over the next several years. There can be no assurance that we will meet our revenue targets for this service and if we fail to achieve our revenue goals, our growth and operating results will be materially adversely affected. Additionally, new or existing customers may choose to purchase our SaaS services rather than our on-premise solutions. If our customers' purchases trend away from perpetual licenses toward our SaaS, or to the extent customers defer orders due to evaluation SaaS, our product revenues, and our timing of revenue generally, may be adversely affected, which could adversely affect our results of operations and financial condition.

If we are unable to successfully introduce new products or enhancements to existing products on a timely basis, our financial condition and operating results may be adversely affected by a decrease in sales of our products.

Because our business plan is based on technological development of new products and enhancements to our existing products, our future success is dependent on our successful introduction of these new products and enhancements on a timely basis. In the future, we may experience difficulties that could delay or prevent the successful development, introduction and marketing of these and other new products and enhancements, or find that our new products and enhancements do not adequately meet the requirements of the marketplace or achieve market acceptance. Announcements of currently planned or other new product offerings may cause customers to defer purchasing our existing products. Moreover, despite testing by us and by current and potential customers, errors or failures may be found in our products, and, even if discovered, may not be successfully corrected in a timely manner. These errors or failures could cause delays in product introductions and acceptance, or require design modifications that could adversely affect our competitive position. Our inability to complete the development of new products or enhancements on a timely basis or the failure of these new products or enhancements to achieve market acceptance could have a material adverse effect on our business, financial condition and results of operations in future periods.

We may be unsuccessful in our efforts to become a company that primarily provides software solutions.

Our efforts to become a company that primarily provides software solutions may result in a reduction in both the range of products and services we offer and in the range of our current and potential future customers. Each of these factors may increase the level of execution risk in our strategy, in that there may be increased variability in our revenues. If we are unsuccessful in this transition, our business, financial condition and results of operation may be adversely affected, and the market price of our common stock may decrease.

Our business is impacted by worldwide economic cycles, which are difficult to predict.

The global economy and financial markets experienced a severe downturn in recent years. The downturn stemmed from a multitude of factors, including, among other things, extreme volatility in security prices, diminished credit availability, concerns about inflation and deflation, rapid changes in foreign exchange rates, increased energy costs, decreased consumer confidence, rating downgrades of certain investments and declining valuations of others. These economic developments, the rate of recovery and the change in business spending resulting from these developments affect businesses such as ours and those of our customers and vendors in a number of ways that could result in unfavorable consequences to us. The continuation of the change in business spending from these events or further disruption and deterioration in economic conditions may reduce customer purchases of our products and services, thereby reducing our revenues and earnings. In addition, these events may, among other things, result in increased price competition for our products and services, increased risk in the collectability of our accounts receivable from our customers and higher operating costs as a percentage of revenues. We have taken actions to address the effects of the change in business spending and future economic cycles, including implementing cost control and cost reduction measures. It is possible that we may need to take further actions to control our cost structure and implement further cost reduction measures. We cannot predict whether these measures will be sufficient to offset certain of the negative trends that might affect our business.

We have taken and continue to take measures to address the variability in the market for our products and services, which could have long-term negative effects on our business or impact our ability to adequately address a rapid increase in customer demand.

We have taken and continue to take measures to address the variability in the market for our products and services, to increase average revenue per unit of our sales and to reduce our operating expenses, rationalize capital expenditure and minimize customer turnover. These measures include shifting more of our operations to lower cost regions by outsourcing and off-shoring, implementing cost reduction programs and reducing and rationalizing planned capital expenditures and expense budgets. We cannot ensure that the measures we have taken will not impair our ability to effectively develop and market products and services, to remain competitive in the industries in which we compete, to operate effectively, to operate profitably during slowdowns or to effectively meet a rapid increase in customer demand. These measures may have long-term negative effects on our business by reducing our pool of technical talent, decreasing or slowing improvements in our products and services, making it more difficult to hire and retain talented individuals and to quickly respond to customers or competitors in an upward cycle.

Because our customer base is highly concentrated among a limited number of large customers, the loss of or reduced demand by, the return of product by one or more of these customers or the failure of revenue acceptance criteria to have been satisfied in a given fiscal quarter, could have a material adverse effect on our business, financial condition and results of operations.

Our customer base is highly concentrated among a limited number of large customers, and, therefore, a limited number of customers account for a significant percentage of our revenues in any fiscal period. We generally do not have written agreements that require customers to purchase fixed minimum quantities of our products. Our sales to specific customers tend to vary significantly from year to year and from quarter to quarter depending upon these customers' budgets for capital expenditures and our new product introductions. We believe that a significant amount of our revenues will continue to be derived from a limited number of large customers in the future. The loss of, reduced demand for products or related services by, return of a product previously purchased by any of our major customers or the failure of revenue acceptance criteria to have been satisfied in a given fiscal quarter, could materially and adversely affect, either in a particular quarter or on a more long-term basis, our business, financial condition and results of operations.

Consolidations in the television service provider industry could result in delays or reductions in purchases of products, which would have a material adverse effect on our business.

The television service provider industry has historically experienced, and continues to experience, the consolidation of many industry participants. For example, AT&T acquired Direct TV, Charter Communications acquired Time Warner Cable, Altice NV acquired HOT, Suddenlink Communications and Cablevision Systems Corp., and Verizon Communications Inc. announced that it is selling assets to Frontier Communications Corporation. When consolidations occur, it is possible that the acquirer will not continue using the same suppliers, possibly resulting in an immediate or future elimination of sales opportunities for us or our competitors. Even if sales are not reduced, consolidation can also result in pressure from customers for lower prices or better terms, reflecting the increase in the total volume of products purchased or the elimination of a price differential between the acquiring customer and the company acquired. Consolidations also could result in delays in purchasing decisions by the affected companies prior to completion of the transaction and by the merged businesses. The purchasing decisions of the merged companies could have a material adverse effect on our business.

Cancellation or deferral of purchases of our products or final customer acceptance, or the return of previously purchased products could cause a substantial variation in our operating results, resulting in a decrease in the market price of our common stock and making period-to-period comparisons of our operating results less meaningful.

We derive a substantial portion of our revenues from purchase orders that exceed one million dollars in value. Therefore, any significant cancellation or deferral of purchases of our products or receiving final customer acceptance could result in a substantial variation in our operating results in any particular quarter due to the resulting decrease in revenue and gross margin. In addition, to the extent significant sales occur earlier than expected, operating results for subsequent quarters may be adversely affected because our operating costs and expenses are based, in part, on our expectations of future revenues, and we may be unable to adjust spending in a timely manner to compensate for any revenue shortfall. Because of these factors, in some future quarter our operating results may be below guidance that we may issue or the expectations of public market analysts and investors, any of which may adversely affect the market price of our common stock. In addition, these factors may make period-to-period comparisons of our operating results less meaningful.

Due to the lengthy sales cycle involved in the sale of our products, our quarterly results may vary and should not be relied on as an indication of future performance.

Our software products and related services are relatively complex and their purchase generally involves a significant commitment of capital, with attendant delays frequently associated with large capital expenditures and implementation procedures within an organization. Moreover, the purchase of these products typically requires coordination and agreement among a potential customer's corporate headquarters and its regional and local operations. For these and other reasons, the sales cycle associated with the purchase of our software products and services is typically lengthy and subject to a number of significant risks, including customers' budgetary constraints and internal acceptance reviews, over which we have little or no control. Based upon all of the foregoing, we believe that our quarterly revenues and operating results are likely to vary significantly in the future, that period-to-period comparisons of our results of operations are not necessarily meaningful and that these comparisons should not be relied upon as indications of future performance.

If there were a decline in demand or average selling prices for our products and services, our revenues and operating results would be materially affected.

A decline in demand or average selling prices for our products or services in the foreseeable future, whether as a result of new product introductions by others, price competition, technological change, inability to enhance the products in a timely fashion, or otherwise, could have a material adverse effect on our business, financial condition and results of operations. Increasingly, we are seeing competition from integrated end-to-end solutions such as Comcast's X-1 platform and a large number of OTT players, each of which may reduce the demand for or average selling prices of our products and services and adversely affect our business, financial condition and results of operations.

We must manage product transitions successfully to remain competitive.

The introduction of a new product or product line is a complex task, involving significant expenditures in research and development, training, promotion and sales channel development. However, we cannot assure that we will be able to execute product transitions in an efficient manner or that product transitions will be executed without harming our operating results. Failure to develop products with required features and performance levels or any delay in bringing a new product to market could significantly reduce our revenues and harm our competitive position.

We may fail to achieve our financial forecasts due to inaccurate sales forecasts or other factors.

Our revenues are difficult to forecast, and as a result, our quarterly operating results can fluctuate substantially. We use a "pipeline" system, a common industry practice, to forecast sales and trends in our business. Our sales personnel monitor the status of all proposals and estimate when a customer will make a purchase decision and the dollar amount of the sale. These estimates are aggregated periodically to generate a sales pipeline. Our pipeline estimates can prove to be unreliable both in a particular quarter and over a longer period of time, in part because the "conversion rate" or "closure rate" of the pipeline into contracts can be very difficult to estimate. A reduction in the conversion rate, or in the pipeline itself, could cause us to plan or budget incorrectly and adversely affect our business or results of operations. In particular, a slowdown in capital spending or economic conditions generally can unexpectedly reduce the conversion rate in particular periods as purchasing decisions are delayed, reduced in amounts or cancelled. The conversion rate can also be affected by the tendency of some of our customers to wait until the end of a fiscal period in the hope of obtaining more favorable terms, which can also impede our ability to negotiate, execute and deliver upon these contracts in a timely manner.

Because a significant portion of our cost structure is largely fixed in the short-term, revenue shortfalls tend to have a disproportionately negative impact on our profitability. The number of large new software licenses transactions increases the risk of fluctuations in our quarterly results because a delay in even a small number of these transactions could cause our quarterly revenues and profitability to fall significantly short of our predictions.

We have incurred net losses and may experience a significant reduction in our cash position.

We incurred a net loss in fiscal 2017. We may incur additional net losses in future quarters and years. If we are unable to execute our strategy for expanding our business and growing our revenues, we may not generate sufficient revenues to reduce our losses or to regain profitability. These losses have contributed to the reduction in our cash position. While we have undertaken significant actions to control our cash expenditures, it is possible that these actions may not be sufficient to bring us to a cash neutral or cash accretive position, the failure of which to achieve may adversely affect our business and financial condition.

Restructuring programs could have a material negative impact on our business.

To increase strategic focus and operational efficiency we have implemented restructuring programs. In fiscal 2017, we undertook significant cost-saving actions related to TLL and in the second half of fiscal 2017 with a worldwide reduction in workforce. We may incur additional restructuring costs or not realize the expected benefits of these new initiatives. Further, we could experience delays, business disruptions, decreased productivity, unanticipated employee turnover and increased litigation-related costs in connection with past and future restructuring and other efficiency improvement activities, and there can be no assurance that our estimates of the savings achievable by restructuring will be realized. As a result, our restructuring and our related cost reduction activities could have an adverse impact on our financial condition or results of operations.

If we are unable to manage our efforts to focus our business and grow in targeted areas, our business may be harmed through a diminished ability to monitor and control effectively our operations, and a decrease in the quality of work and innovation of our employees.

Our ability to successfully focus our business and grow in targeted areas requires effective planning and management. We are also continuing to transition towards greater reliance on our software products and services for a significant portion of our total revenue. In light of the growing complexities in managing our expanding portfolio of products and services, our anticipated future operations may continue to strain our operational and administrative resources. To manage future growth effectively, we must continue to improve our operational controls and internal controls over financial reporting, integrate new personnel and the businesses we have acquired, or will acquire, and manage our expanding international operations. A failure to manage our growth may harm our business through a decreased ability to monitor and control effectively our operations, and a decrease in the quality of work and innovation of our employees upon which our business is dependent.

Because our business is susceptible to risks associated with international operations, we may not be able to maintain or increase international sales of our products and services.

Approximately 64% of our total revenue is generated from sales outside the United States. Our international operations are expected to continue to account for a significant portion of our business in the foreseeable future. However, in the future we may be unable to maintain or increase international sales of our products and services. Our international operations are subject to a variety of risks, including:

- difficulties in establishing and managing international distribution channels;
- difficulty in staffing and managing foreign operations;
- inability to collect accounts receivable;
- difficulties in selling, servicing and supporting overseas products and services and in translating products and services into foreign languages;
- the uncertainty of laws and enforcement in certain countries relating to the protection of intellectual property;
- fluctuations in currency exchange rates;
- multiple and possibly overlapping tax structures;
- negative tax consequences such as withholding taxes and employer payroll taxes;
- differences in labor laws and regulations affecting our ability to hire and retain employees;
- business and operational disruptions or delays caused by political, social and economic instability and unrest, including risks related to terrorist activity;
- changes in economic policies by foreign governments, including the imposition and potential continued expansion of economic sanctions by the United States and the European Union on the Russian Federation;

- the burden of complying with a wide variety of foreign laws, treaties and technical standards;
- cultural differences in the conduct of business;
- natural disasters and pandemics; and
- growth and stability of the economy or political changes in international markets.

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

We are subject to the Foreign Corrupt Practices Act ("FCPA"), and our failure to comply could result in penalties which could harm our reputation, business, and financial condition.

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

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

We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.

Because a significant portion of our business is conducted outside the United States, we face exposure to adverse movements in foreign currency exchange rates. These exposures may change over time as business practices evolve, and they could have a material adverse impact on our financial results and cash flows. An increase in the value of the U.S. dollar could increase the real cost to our customers of our products in those markets outside the United States where we often sell in dollars, and a weakened dollar could increase local currency operating costs. In preparing our consolidated financial statements, certain financial information is required to be translated from foreign currencies to the U.S. dollar using either the spot rate or the weighted-average exchange rate. If the U.S. dollar weakens or strengthens relative to applicable local currencies, there is a risk our reported sales, operating expenses, and net income could significantly fluctuate. We are not able to predict the degree of exchange rate fluctuations; nor can we estimate the effect any future fluctuations may have upon our future operations.

Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights from third-party challenges.

Our success and ability to compete depends upon our ability to protect our proprietary technology that is incorporated into our products. We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Although we have issued patents, we cannot assure that any additional patents will be issued or that the issued patents will not be invalidated. We also enter confidentiality or license agreements with our employees, consultants and corporate partners, and control access to and distribution of our software, documentation and other proprietary information. Despite these precautions, it may be possible for a third-party to copy or otherwise misappropriate and use our products or technology without authorization, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States. We may need to resort to litigation in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. If competitors are able to use our technology, our ability to compete effectively could be harmed.

We have been and in the future, could become subject to litigation regarding intellectual property rights, which could seriously harm our business and require us to incur significant legal costs to defend our intellectual property rights.

The industry in which we operate is characterized by vigorous protection and pursuit of intellectual property rights or positions, which on occasion, have resulted in significant and often protracted litigation. We have from time to time received, and may in the future receive, communications from third-parties asserting infringements on patent or other intellectual property rights covering our products or processes. We may be a party to litigation in the future to enforce our intellectual property rights or because of an allegation that we infringe others' intellectual property. Any parties asserting that our products infringe upon their proprietary rights would force us to defend ourselves and possibly our customers or manufacturers against the alleged infringement, as many of our commercial 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. We have received certain claims for indemnification from customers but have not been made party to any litigation involving intellectual property infringement claims as a result. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages and invalidation of our proprietary rights. This possibility of multiple damages serves to increase the incentive for plaintiffs to bring such litigation. In addition, these lawsuits, regardless of their success, would likely be time-consuming and expensive to resolve and would divert management time and attention away from our operations. Although we carry general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. In addition, any potential intellectual property litigation also could force us to stop selling, incorporating or using the products that use the infringed intellectual property or obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, although this license may not be available on reasonable terms, or at all, or redesign those products that use the infringed intellectual property. If we are forced to take any of the foregoing actions, our business may be seriously harmed.

If content providers limit the scope of content licensed for use in the digital VOD and OTT market, our business, financial condition and results of operations could be negatively affected because the potential market for our products would be more limited than we currently believe and have communicated to the financial markets.

The success of the multiscreen video backoffice market is contingent on content providers permitting their content to be licensed for use in this market. Content providers may, due to concerns regarding either or both marketing and illegal duplication of the content, limit the extent to which they provide content to their subscribers. A limitation of content for the VOD and OTT market would indirectly limit the market for our products which are used in connection with that market.

If we are not able to obtain necessary licenses, services or distribution rights for third-party technology at acceptable prices, or at all, our products could become obsolete or we may not be able to deliver certain product offerings.

We have incorporated third-party licensed technology into our current products and our product lines. From time to time, we may be required to license additional technology or obtain services from third-parties to develop new products or product enhancements or to provide specific solutions. Third-party providers may not be available or continue to be available to us on commercially reasonable terms. The inability to maintain or re-license any third-party products required in our current products or to obtain any new third-party licenses and services necessary to develop new products and product enhancements or provide specific solutions could require us to obtain substitute technology of lower quality or performance standards or at greater cost. Such inabilities could delay or prevent us from making these products or services, which could seriously harm the competitiveness of our solutions.

We may also incorporate open source software into our products. Although we monitor our use of open source closely, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. We could also be subject to similar conditions or restrictions should there be any changes in the licensing terms of the open source software incorporated into our products. In either event, we could be required to seek licenses from third-parties to continue offering our products, to re-engineer our products or to discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely or successful basis, any of which could adversely affect our business, operating results and financial condition.

If we are unable to successfully compete in our marketplace, our financial condition and operating results may be adversely affected.

We currently compete against companies offering video software solutions and have increasingly seen competition from integrated end-to-end solutions such as Comcast's X-1 platform and a large number of OTT players. To the extent the products developed are competitive with and not complementary to our products, they may be more cost effective than our solutions, which could result in cable television system operators and telecommunications companies discontinuing their purchases of our on-demand products. Due to the rapidly evolving markets in which we compete, additional competitors with significant market presence and financial resources, such as in-house solutions and online video platforms, may enter those markets, thereby further intensifying competition. Increased competition could result in price reductions, cancellations of purchase orders, losses of business with current customers to competitors, and loss of market share which would adversely affect our business, financial condition and results of operations. Many of our current and potential competitors have greater financial, selling and marketing, technical and other resources than we do. They may be in better position to withstand any significant reduction in capital spending by customers in our markets and may not be as susceptible to downturns in a particular market. Moreover, our competitors may also foresee the course of market developments more accurately than we do. Although we believe that we have certain technological and other advantages over our competitors, realizing and maintaining these advantages will require a continued high level of investment by us in research and product development, marketing and customer service and support. In the future, we may not have sufficient resources to continue to make these investments or to make the technological advances necessary to compete successfully with our existing competitors or with new competitors. If we are unable to compete effectively, our business, prospects, financial condition and operating results would be materially adversely affected because of the difference in our operating results from the assumptions on which our business model is based.

If we fail to respond to rapidly changing technologies related to multiscreen video, our business, financial condition and results of operations would be materially adversely affected because the competitive advantage of our products and services relative to those of our competitors would decrease.

The markets for our products are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions and enhancements. Future technological advances in the television and video industries may result in the availability of new products or services that could compete with the solutions provided by us or reduce the cost of existing products or services, any of which could enable our existing or potential customers to fulfill their video needs better and more cost efficiently than with our products. Our future success will depend on our ability to enhance our existing video products, including the development of new applications for our technology, and to develop and introduce new products to meet and adapt to changing customer requirements and emerging technologies such as the OTT market. In the future, we may not be successful in enhancing our video products or developing and marketing new products which satisfy customer needs or achieve market acceptance. In addition, there may be services, products or technologies developed by others that render our products or technologies uncompetitive, unmarketable or obsolete, or announcements of currently planned or other new product offerings either by us or our competitors that cause customers to defer or fail to purchase our existing solutions.

We may not fully realize the benefits of our completed acquisitions or it may take longer than we anticipate for us to achieve those benefits. Future acquisitions may be difficult to integrate, disrupt our business, dilute stockholder value or divert management attention.

As part of our business strategy, we have acquired and may in the future seek to acquire or invest in new businesses, products or technologies that we believe could complement or expand our business, augment our market coverage, enhance our technical capabilities or otherwise offer growth opportunities. Acquisitions could create risks for us, including:

- difficulties in assimilation of acquired personnel, operations, technologies or products which may affect our ability to develop new products and services and compete in our rapidly changing marketplace due to a resulting decrease in the quality of work and innovation of our employees upon which our business is dependent;
- delays in realizing, or failure to realize, the anticipated benefits of an acquisition. Even if we can integrate these businesses and operations successfully, it may not result in the realization of the full benefits we expect to achieve, within the anticipated timeframe, or at all. If a company we purchase does not perform as we expected, our investment could become impaired or we could discontinue the operations and our financial results could be negatively impacted, such as the Timeline Labs acquisition on February 2, 2015, for which we subsequently impaired substantially all acquired assets and certain liabilities as of January 2016;
- adverse effects on the business relationships with pre-existing suppliers and customers of both companies. This may be of importance to our business because we sell our products to a limited number of large customers, we purchase certain components used in manufacturing our products from sole suppliers and we use a limited number of third-party manufacturers to manufacture our product; and
- uncertainty among current and prospective employees regarding their future roles with our company, which might adversely affect our ability to retain, recruit and motivate key personnel.

Acquisitions or divestitures may adversely affect our financial condition.

We could acquire additional products, technologies or businesses, or enter joint venture arrangements, to complement or expand our business. Negotiation of potential acquisitions, divestitures or joint ventures and our integration or transfer of acquired or divested products, technologies or businesses, could divert management's time and resources.

As part of our strategy for growth, we may continue to explore acquisitions, divestitures, or strategic alliances, which may not be completed or may not be ultimately beneficial to us.

Acquisitions or divestitures may pose risks to our operations, including:

- problems and increased costs in connection with the integration or divestiture of the personnel, operations, technologies, or products of the acquired or divested businesses;
- unanticipated costs;
- potential disruption of our business and the diversion of management's attention from our core business during the acquisition process;
- inability to make planned divestitures of businesses on favorable terms in a timely manner or at all;
- acquired assets becoming impaired because of technical advancements or worse-than-expected performance by the acquired company, which was the basis for the impairment charge of $21.5 million taken in January 2016 related to the assets acquired in the February 2015 Timeline Labs acquisition; and
- entering markets in which we have no, or limited, prior experience.

Additionally, in connection with any acquisitions or investments we could:

- issue stock that would dilute our existing stockholders' ownership percentages;
- incur debt and assume liabilities;
- record contingent liabilities estimated for potential earnouts based on achieving financial targets;
- obtain financing on unfavorable terms;
- incur amortization expenses related to acquired intangible assets or incur large and immediate write-offs;
- incur large expenditures related to office closures of the acquired companies, including costs relating to the termination of employees and facility and leasehold improvement charges resulting from our having to vacate the acquired companies' premises; and
- reduce the cash that would otherwise be available to fund operations or for other purposes.

We face the risk that capital needed for our business will not be available when we need it or that it would result in substantial dilution to our stockholders.

To the extent that our existing cash and cash equivalents are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financings. If unfavorable capital market conditions exist and we were to seek additional funding, we may not be able to raise sufficient capital on favorable terms and on a timely basis, if at all. Failure to obtain capital when required by our business circumstances would have a material adverse effect on our business, financial condition and results of operations. In addition, our stockholders may incur substantial dilution from any financing that we undertake given our current stock price.

We may not have access in the future to sufficient funding to finance desired growth and operations.

If we cannot secure future funds or financing on acceptable terms, we may be unable to support our future operations or growth strategy. We use cash for acquisitions and other investments, both of which are elements of our growth strategy, and the timing and size of our acquisition or investment efforts cannot be readily predicted. If we continue to experience deficits in our cash flows from operating activities or we are unable to obtain new financing, then there could be limitations on the availability of funds resulting in limitations in our financial flexibility, thereby inhibiting our future operations or growth strategy and may result in our need to seek capital through additional debt financing arrangements, debt offerings, or equity offerings, which either may not be available to us or may not be available to us on favorable terms, including resulting in significant dilution of our stockholders.

The performance of the companies in which we have made and may in the future make equity investments could have a material adverse effect on our financial condition and results of operations.

We have made non-controlling equity investments in complementary companies and we may in the future make additional investments. These investments may require additional capital and may not generate the expected rate of return that we believed possible at the time of making the investment. This may adversely affect our financial condition or results of operations. Also, investments in development-stage companies may generate other than temporary declines in fair value of our investment that would result in impairment charges.

If our indefinite-lived or other intangible assets become impaired, we may be required to record a significant charge to earnings.

Under accounting principles generally accepted in the United States ("U.S. GAAP"), we review our intangible assets, including goodwill, for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Indefinite-lived assets are required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our indefinite-lived assets or other intangible assets may not be recoverable include declines in our stock price and market capitalization, or decreased future cash flows projections. For example, in the second quarter of fiscal 2017, we determined there to be triggering events that might possibly indicate that the carrying amount of our long-lived assets may not be recoverable. These triggering events included a sustained decrease in share price during the period and our current-period operating loss combined with a history of operating losses. As a result, we were required to test for the recoverability of our long-lived assets to determine whether an impairment loss should have been recognized as mentioned above. We determined that the estimated undiscounted future cash flows over the remaining useful life of the long-lived assets exceeded the carrying value. Therefore, the assets were deemed recoverable and no impairment loss was recognized on long-lived assets as of July 31, 2016.

In the third quarter of fiscal 2017, in conjunction with the annual impairment analysis of goodwill, we determined that there were indications that the carrying amount of our long-lived assets may not be recoverable. As a result, we were required to test for the recoverability of our long-lived assets to determine whether an impairment loss should be recognized. The Company compared its forecasted undiscounted cash flows over the remaining useful life of the principal long-lived asset to the carrying value. We determined that the fair value of our long-lived asset group exceeds its carrying value at October 31, 2016 and, accordingly, did not recognize an impairment loss on the long-lived assets.

In the third quarter of fiscal 2017, we finalized our step-one analysis of the goodwill impairment test. Our forecast indicated that the estimated fair value of net assets may be less than the carrying value which is a potential indicator of impairment. As such, we performed step two of the impairment test during which we compared the implied fair value of our goodwill to its carrying value. As a result of step two, it was determined that the carrying value of the reporting unit's goodwill exceeded the fair value by $23.5 million. Accordingly, we recognized an impairment loss for $23.5 million in the quarter ended January 31, 2017.

Our valuation methodology for assessing impairment requires management to make judgments and assumptions based on projections of future operating performance. We operate in highly competitive environments and projections of future operating results and cash flows may vary significantly from actual results. We may be required to record a significant noncash charge to earnings in our financial statements during the period in which any impairment of our indefinite-lived assets or other intangible assets is determined such as the $23.5 million impairment charge we recorded in fiscal 2017 to our consolidated statements of operations and comprehensive loss as a result of our annual testing of our goodwill.

We may experience risks in our investments due to changes in the market, which could adversely affect the value or liquidity of our investments.

We maintain a portfolio of marketable securities in a variety of instruments which may include commercial paper, certificates of deposit, money market funds and government debt securities. These investments are subject to general credit, liquidity, market, and interest rate risks. As a result, we may experience a reduction in value or loss of liquidity of our investments. These market risks associated with our investment portfolio may have a negative adverse effect on our results of operations, liquidity and financial condition.

The success of our business model could be influenced by changes in the regulatory environment, such as changes that either would limit capital expenditures by television, cable or telecommunications operators or reverse the trend towards deregulation in the industries in which we compete.

The telecommunications and television industries are subject to extensive regulation which may limit the growth of our business, both in the United States and other countries. The growth of our business internationally is dependent in part on deregulation of the telecommunications industry abroad, like that which has occurred in the United States, and the timing and magnitude of this growth, which is uncertain. Video service providers are subject to extensive government regulation by the Federal Communications Commission and other federal, state and international regulatory agencies. These regulations could have the effect of limiting capital expenditures by video service providers and thus could have a material adverse effect on our business, financial condition and results of operations. The enactment by federal, state or international governments of new laws or regulations, changes in the interpretation of existing regulations or a reversal of the trend toward deregulation in these industries could adversely affect our customers, and thereby materially adversely affect our business, financial condition and results of operations.

We may not be able to hire and retain highly skilled employees, which could affect our ability to compete effectively because our business is technology-based.

Our success depends to a significant degree upon the continued contributions of our key personnel, many of whom would be difficult to replace. We believe that our future success will also depend in large part upon our ability to attract and retain highly skilled managerial, engineering, customer service, selling and marketing, finance, administrative and manufacturing personnel, as our business is technology-based. Because competition for these personnel is intense, we may not be able to attract and retain qualified personnel in the future. The loss of the services of any of the key personnel, the integration of new personnel, the inability to attract or retain qualified personnel in the future or delays in hiring required personnel, particularly software engineers and sales personnel could have a material adverse effect on our business, financial condition and results of operations because our business is technology-based.

If in the future we do not have enough shares available to issue to our employees, the limited number of shares we could issue may impact our ability to attract, retain and motivate key personnel.

We historically have used stock options, restricted stock and other equity awards as a significant component of our employee compensation program to align our employees' interests with the interests of our stockholders, encourage employee retention and provide competitive compensation packages. In 2011, our stockholders approved our 2011 Compensation and Incentive Plan (the "2011 Plan"), which included a limited number of shares to be granted under such 2011 Plan. Our stockholders approved amendments to the 2011 Plan in July 2013 and July 2016. At our 2013 annual meeting of stockholders, our stockholders approved an amendment and restatement of the 2011 Plan that, among other things, increased the aggregate number of shares of our common stock authorized for issuance under the 2011 Plan, as amended, by 2,500,000 new shares, from 2,800,000 shares to 5,300,000 shares.

As of January 31, 2017, there are 393,403 shares available for issuance under the 2011 Plan. Unless another amendment to the 2011 Plan is approved, we may not have sufficient shares for our needs in the near future. If our stockholders do not approve any other future amendments that we determine are needed to the 2011 Plan, the limited number of shares available for use as equity incentives to employees may make it more difficult for us to attract, retain and motivate key personnel.

We face significant risks to our business when we engage in the outsourcing of engineering work, including outsourcing of software work overseas, which, if not properly managed, could result in the loss of valuable intellectual property and increased costs due to inefficient and poor work product, which could harm our business, including our financial results, reputation, and brand.

We may, from time-to-time, outsource engineering work related to the design and development of our products, typically to save money and gain access to additional engineering resources. We have worked, and expect to work in the future, with companies located in jurisdictions outside of the United States, including, but not limited to India, Poland and the Philippines. We have limited experience in the outsourcing of engineering and other work to third-parties located internationally that operate under different laws and regulations than those in the United States. If we are unable to properly manage and oversee the outsourcing of this engineering and other work related to our products, we could suffer the loss of valuable intellectual property, or the loss of the ability to claim such intellectual property, including patents and trade names. Additionally, instead of saving money, we could in fact incur significant additional costs because of inefficient engineering services and poor work product. As a result, our business would be harmed, including our financial results, reputation, and brand.

We may have additional tax liabilities.

We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by various tax jurisdictions. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our income tax provision, net income, or cash flows in the period or periods for which that determination is made. In addition, we are subject to sales, use and similar taxes in many countries, jurisdictions and provinces, including those states in the United States where we maintain a physical presence or have a substantial nexus. These taxing regimes are complex. For example, in the United States, each state and local taxing authority has its own interpretation of what constitutes a sufficient physical presence or nexus to require the collection and remittance of these taxes. Similarly, each state and local taxing authority has its own rules regarding the applicability of sales tax by customer or product type.

Our foreign subsidiaries generate earnings that are not subject to U.S. income taxes so long as they are permanently reinvested in our operations outside of the U.S. Pursuant to Accounting Standard Codification Topic No. 740-30, *"Income Taxes—Other Considerations or Special Areas,"* undistributed earnings of foreign subsidiaries that are no longer permanently reinvested would become subject to deferred income taxes under U.S. tax law. Prior to the second quarter of fiscal 2017, we asserted that the undistributed earnings of all our foreign subsidiaries were permanently reinvested.

In the second quarter of fiscal 2017, following a review of our operations, liquidity and funding, and investment in our product roadmap, we determined that the ability to access certain amounts of foreign earnings would provide greater flexibility to meet the Company's working capital needs. Accordingly, in the second quarter of fiscal 2017, we withdrew the permanent reinvestment assertion on $58.6 million of earnings generated by our Irish operations through July 2016. We recorded a deferred tax liability of $14.7 million related to the foreign income taxes on $58.6 million of undistributed earnings. While we are undertaking efforts to manage the amount of the undistributed earnings we use and thereby reduce our actual tax liability, there can be no assurance that we will be successful in these efforts.

If our security measures are breached and unauthorized access is obtained to a customer's data or our data on our systems, our service may be perceived as not being secure, customers may curtail or stop using our service and we may incur significant legal and financial exposure and liabilities.

Our service involves the transmission of customers' proprietary information and security breaches could expose us to a risk of loss of this information or a network disruption, which may result in litigation and possible liability. These security measures may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error, malfeasance or otherwise and result in unauthorized publication of our confidential business or proprietary information, cause an interruption in our operations, result in the unauthorized release of customer or employee data, result in a violation of privacy or other laws, expose us to a risk of litigation or damage our reputation, which could harm our business and operating results. Additionally, third-parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information to gain access to our customers' data or our data or IT systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, our customers may authorize third-party technology providers to access their customer data. Because we do not control our customers and third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the integrity or security of such transmissions or processing. Malicious third-parties may also conduct attacks designed to temporarily deny customers access to our services. Any security breach could result in a loss of confidence in the security of our service, damage our reputation, negatively impact our future sales, disrupt our business and lead to legal liability. While we believe that we have taken appropriate security measures to minimize these risks to our data and information systems, there can be no assurance that our efforts will prevent breakdowns or breaches in our systems that could adversely affect our business.

Recently reported hacking attacks on government and commercial computer systems raise the risks that such an attack may compromise, in a material respect, one or more of our computer systems and permit hackers access to our proprietary information and data. If such an attack does, in fact, allow access to or theft of our proprietary information or data, our business, operating results and reputation could be materially and adversely affected.

Interruptions or delays in service from our third-party data center hosting facilities could impair the delivery of our service and harm our business.

For our customers buying our SaaS product offering, we use third-party data center hosting facilities located in the United States and the United Kingdom. Any damage to, or failure of, our systems generally could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and adversely affect our attrition rates and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our service is unreliable. We do not control the operation of any of these facilities, and they are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements, our service could be interrupted.

A disruption to our information technology systems could significantly impact our operations and impact our revenue and profitability.

Our data processing and financial reporting systems are cloud-based and hosted by a third-party. An interruption to the third-party systems or in the infrastructure which allows us to connect to the third-party systems for an extended period may impact our ability to operate the business and process transactions which could result in a decline in sales and affect our ability to achieve or maintain profitability. It may also result in our inability to comply with SEC regulations in a timely manner.

Uncertainties of regulation of the Internet and data traveling over the Internet could have a material and adverse impact on our financial condition and results of operations.

Currently, few laws or regulations apply directly to access to or commerce on the Internet. With more business being conducted over the Internet, there have been calls for more stringent copyright protection, tax, consumer protection, cybersecurity, data localization and content restriction laws, both in the United States and abroad. We could be materially, adversely affected by regulation of the Internet and Internet commerce in any country where we operate. Such regulations could include matters such as net neutrality. Further, governments may regulate or restrict the sales, licensing, distribution, and export or import of certain technologies to certain countries. The adoption of regulation of Internet and Internet commerce could decrease demand for our products and, at the same time, increase the cost of selling our products and services, which could have a material and adverse effect on our financial condition and results of operations. In addition, the enactment of new federal, state, or foreign data privacy laws and regulations could cause customers not to be able to take advantage of all the features or capabilities of our products and services, which in turn could reduce demand for certain of our products and services.

Our stock price may be volatile and an investment in our stock may decline.

Historically, the market for technology stocks has been extremely volatile. Our common stock has experienced, and may continue to experience, substantial price volatility. The occurrence of any one or more of the factors noted above could cause the market price of our common stock to fluctuate. The stock market in general, and The NASDAQ Global Select Market ("NASDAQ") and technology companies have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. These broad market and industry factors may materially adversely affect the market price of our common stock, regardless of our actual operating performance. In these circumstances, investors may be unable to sell their shares of our common stock at or above their purchase price over the short-term, or at all. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against such companies.

Actions that may be taken by significant stockholders may divert the time and attention of our Board of Directors and management from our business operations.

Campaigns by significant investors to effect changes at publicly-traded companies continue to be prevalent. There can be no assurance that one or more current or future stockholders will not pursue actions to effect changes in our management and strategic direction, including through the solicitation of proxies from our stockholders. If a proxy contest were to be pursued by a stockholder, it could result in substantial expense to us, consume significant attention of our management and Board of Directors, and disrupt our business.

Securities analysts may not publish favorable research or reports about our business or may publish no information which could cause our stock price or trading volume to decline.

The trading market for our common stock is influenced by the research and reports industry or financial analysts publish about us and our business. We do not control these analysts. If any of the analysts who cover us issue an adverse opinion regarding our stock price, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports covering us, we could lose visibility in the market, which in turn could cause our stock price or trade volume to decline.

We utilize non-GAAP reporting in our quarterly earnings press releases.

We publish non-GAAP financial measures in our quarterly earnings press releases along with a reconciliation of non-GAAP financial measures to those measures determined in accordance with U.S. GAAP. The reconciling items have adjusted U.S. GAAP net (loss) income and U.S. GAAP (loss) earnings per share for certain non-cash, non-operating or non-recurring items and are described in detail in each such quarterly earnings press release. We believe that this presentation may be more meaningful to investors in analyzing the results of operations and income generation as this is how our business is managed. The market price of our stock may fluctuate based on future non-GAAP results if investors base their investment decisions upon such non-GAAP financial measures. If we decide to curtail use of non-GAAP financial measures in our quarterly earnings press releases, the market price of our stock could be affected if investors analyze our performance in a different manner.

During fiscal 2017, we identified material weaknesses in certain internal controls over financial reporting. If we fail to remediate the identified material weaknesses, our reputation, business or stock price could be adversely affected.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that companies evaluate and report on their systems of internal control over financial reporting. In addition, our independent registered public accounting firm must report on its evaluation of those controls. As described in Part II, Item 9A, "Controls and Procedures," of this Form 10-K, our management identified material weaknesses in certain internal controls related to:

- insufficient review procedures around a) professional service revenue on projects with revenue below $25,000 monthly, and b) deferred revenue related to undelivered products reconciled the month prior to quarter end and rolled forward;

- lack of evidence of management review over the preparation of journal entries under $50,000 at an international subsidiary; and
- ineffective design of controls around the identification of currency translation adjustments resulting from revaluation of a Euro denominated non-recurring intercompany note payable to an international subsidiary with a U.S. dollar functional currency.

As a result, management reported that internal controls over financial reporting were not effective as of January 31, 2017 due to the existence of the material weaknesses.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We have developed and are implementing a plan to remediate the isolated material weaknesses identified and believe, based on our evaluation to date, that they will be remediated during fiscal 2018.

Notwithstanding the material weaknesses discussed above, our management, including the Chief Executive Officer and Chief Financial Officer, believes that the consolidated financial statements contained in this Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP. The material weaknesses did not result in any adjustments or restatements of our audited and unaudited consolidated financial statements or disclosures for any prior period previously reported by the Company.

We use estimates in accounting for our contracts. Changes in our estimates could adversely affect our future financial results.

Contract accounting requires judgment relative to assessing risks, estimating revenues and costs and making assumptions including, in the case of our professional services contracts, the total amount of labor required to complete a project and the complexity of the development and other technical work to be completed. Due to the size and nature of many of our contracts, the estimation of total revenues and cost at completion is complicated and subject to many variables. Assumptions must be made regarding the length of time to complete the contract because costs also include estimated third-party vendor and contract labor costs. Penalties related to performance on contracts are considered in estimating sales and profit, and are recorded when there is sufficient information for us to assess anticipated performance. Third-party vendors' assertions are also assessed and considered in estimating costs and margin.

Because of the significance of the judgments and estimation processes described above, it is likely that materially different sales and profit amounts could be recorded if we used different assumptions or if the underlying circumstances were to change, such as occurred in fiscal 2016 when we recorded a $9.2 million provision for loss contract as a result of delays of customer acceptance relating to a fixed-price customer contract on a multi-year arrangement which included multiple vendors. In fiscal 2017, we recorded a $4.1 million reduction in that provision after amending our contract with the fixed-price customer, thus eliminating the second phase of the project and calculating a better estimate of the remaining costs to complete the project. Changes in underlying assumptions, circumstances or estimates may adversely affect future period financial performance.

Our ability to deliver products and services that satisfy customer requirements is heavily dependent on the performance of our third-party vendors.

We rely on other companies to provide products and to perform some of the services that we provide to our customers. If one or more of our third-party vendors experience delivery delays or other performance problems, we may be unable to meet commitments to our customers. In addition, if one or more of the products which we depend on becomes unavailable or is available only at very high prices, we may be unable to deliver one or more of our products in a timely fashion or at budgeted costs. In some instances, we depend upon a single source of supply. Any service disruption from one of these third-party vendors, either due to circumstances beyond the supplier's control or because of performance problems or financial difficulties, could have a material adverse effect on our ability to meet commitments to our customers or increase our operating costs.

We enter fixed-price contracts, which could subject us to losses if we have cost overruns.

While firm fixed-price contracts enable us to benefit from performance improvements, cost reductions and efficiencies, they also subject us to the risk of reduced margins or incurring losses if we are unable to achieve estimated costs and revenues. If our estimated costs exceed our estimated price, we will recognize a loss which can significantly affect our reported results. The long-term nature of many of our contracts makes the process of estimating costs and revenues on fixed-price contracts inherently risky. Fixed-price development contracts are generally subject to more uncertainty than fixed-price production contracts. Many of these development programs have highly complex designs. If we fail to meet the terms specified in those contracts, our margin could be reduced. In addition, technical or quality issues that arise during development could lead to schedule delays and higher costs to complete, which could result in a material charge or otherwise adversely affect our financial condition.

Because we purchase certain components used in assembling some of our products from sole suppliers, our business, financial condition and results of operations could be materially adversely affected by a failure of these suppliers to provide these components.

We rely on a limited number of third-parties who provide certain components used in our products. We may experience quality control problems, where products did not meet specifications or were damaged in shipping, and delays in the receipt of these components. These risks could be heightened during a substantial economic slowdown or if a sole supplier were adversely affected by a natural disaster because our suppliers are more likely to experience adverse changes in their financial condition and operations during such a period. While we believe that there are alternative suppliers available for these components, we believe that the procurement of these components from alternative suppliers could take a significant amount of time. In addition, these alternative components may not be functionally equivalent or may not be available on a timely basis or on similar terms. The inability to obtain sufficient key components as required, or to develop alternative sources if and as required in the future, could result in delays or reductions in product shipments which, in turn, could have a material adverse effect on our business, financial condition and results of operations. While to date there has been suitable component capacity readily available at acceptable quality levels, in the future there may not be suppliers that can meet our future volume or quality requirements at a price that is favorable to us. Any financial, operational, production or quality assurance difficulties experienced by these suppliers that result in a reduction or interruption in supply to us could have a material adverse effect on our business, financial condition and results of operations.

Regulations related to conflict minerals could adversely impact our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals. As a result, the SEC adopted annual disclosure and reporting requirements for those companies who use conflict minerals mined from the DRC and adjoining countries in their products. These regulations may require due diligence efforts by the Company each year with disclosure requirements due annually on May 31st. There are costs associated with complying with these disclosure requirements, including due diligence to determine the sources of conflict minerals used in our products and other potential changes to products, processes or sources of supply because of such verification activities. Even though we are not aware of any conflict minerals in our products, the implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in our products in the future. As there may be only a limited number of suppliers offering "conflict free" conflict minerals, we cannot be sure that we will be able to obtain necessary materials from such suppliers in sufficient quantities or at competitive prices. Also, we may face adverse effects to our reputation if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we may implement.

Terrorist acts, conflicts, wars and geopolitical uncertainties may seriously harm our business and revenue, costs and expenses and financial condition and stock price.

Terrorist acts, conflicts, wars (wherever located around the world) or geopolitical uncertainties may cause damage or disruption to our business, our employees, facilities, partners, suppliers, distributors, resellers or customers, or adversely affect our ability to manage logistics, operate our transportation and communication systems or conduct certain other critical business operations. The potential for future attacks, the national and international responses to attacks or perceived threats to national security, and other actual or potential conflicts or wars, have created many economic and political uncertainties. In addition, as a multinational company with headquarters and significant operations located in the United States, actions against or by the United States may impact our business or employees. Although it is impossible to predict the occurrences or consequences of any such events, if they occur, they could result in a decrease in demand for our products, make it difficult or impossible to provide services or deliver products to our customers or to receive components from our suppliers, create delays and inefficiencies in our supply chain and result in the need to impose employee travel restrictions. We are predominately uninsured for losses and interruptions caused by terrorist acts, conflicts and wars.

As a Delaware corporation, we are subject to certain Delaware anti-takeover provisions.

As a Delaware corporation, we are subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which may, unless certain criteria are met, prohibit large stockholders, those owning 15% or more of the voting rights of our common stock, from merging or combining with us for a practical period of time. Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control of SeaChange could limit the opportunity of our stockholders to receive a premium for their shares of SeaChange common stock and could affect the price that some investors are willing to pay for our common stock.

Changes in financial accounting standards may cause adverse unexpected revenue fluctuations and affect our reported results of operations.

We prepare our consolidated financial statements in accordance with U.S. GAAP. These principles are subject to interpretations by the SEC and various bodies formed to interpret and create appropriate accounting principles. A change in these principles can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. The adoption of new or revised accounting principles may require that we make significant changes to our systems, processes and controls.

For example, the Financial Accounting Standards Board ("FASB") has issued new accounting standards for revenue recognition and leasing and while we know they will have an impact, we are still evaluating the extent that these new accounting standards will have on our consolidated financial statements and related disclosures. Changes resulting from these new standards may result in materially different financial results and may require that we change how we process, analyze and report financial information and that we change financial reporting controls. See Part II. Item 8, Note 2. *"Summary of Significant Accounting Policies—Recent Accounting Pronouncements,"* of this Form 10-K for additional information.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Location	Principal Use	Square Feet
Owned Facilities		
Acton, Massachusetts	Corporate Headquarters, Engineering, Customer Services, Sales and Marketing	123,384
Greenville, New Hampshire(1)	Vacant	28,411
Leased Facilities		
Eindhoven, The Netherlands	Engineering, Sales and Customer Services	20,553
Milpitas, California	Engineering	20,155
Warsaw, Poland	Engineering and Customer Services	14,242
Manila, Philippines	Engineering and Customer Services	14,175

(1) We are currently actively marketing this building to be sold. However, due to the location of the building and the market conditions in the area, we believe it will take longer than first expected. Therefore, until we find a buyer, we are exploring other possibilities of utilizing the building such as leasing. We had a lessee occupying a portion of the building prior to February 28, 2017, but this lessee has since moved out. The building is currently vacant.

In addition, we lease or sublease offices in Santa Monica and San Francisco, California, Ft. Washington, Pennsylvania, Ireland and Turkey. We believe that existing facilities are adequate to meet our foreseeable requirements.

In fiscal 2017, we incurred restructuring charges of $0.4 million to exit our facilities in California and Oregon as part of our cost savings actions related to the impairment of the Timeline Labs business and to the acquisition of DCC Labs. Currently, we are subleasing the facilities in Santa Monica and San Francisco, California until the end of their respective lease terms in fiscal 2019.

ITEM 3. LEGAL PROCEEDINGS

We enter 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.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market for Registrant's Common Equity

Our common stock is traded on NASDAQ under the symbol "SEAC".

The following table sets forth the quarterly high and low closing sales prices per share reported on NASDAQ for our last two fiscal years ended January 31, 2017 and 2016:

	Fiscal Year 2017		Fiscal Year 2016	
	High	Low	High	Low
Three Month Period Ended:				
First Quarter	$6.25	$3.73	$8.35	$6.35
Second Quarter	3.77	3.19	7.86	6.71
Third Quarter	3.32	2.62	7.15	5.80
Fourth Quarter	2.80	2.30	7.04	5.96

On April 10, 2017, there were 120 holders of record.

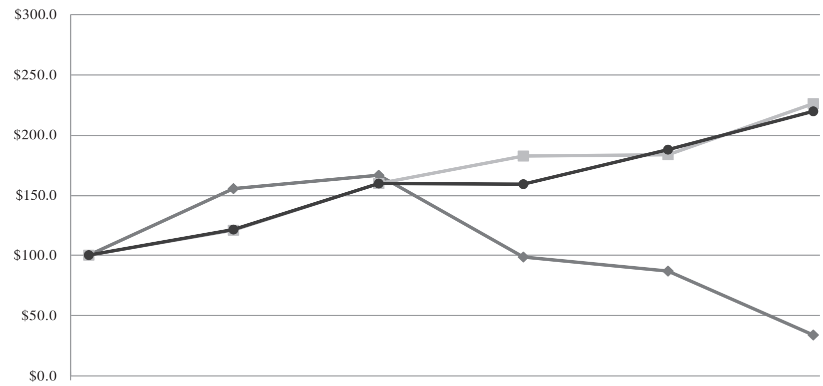
We have never declared or paid any cash dividends on our common stock, since inception, and do not expect to pay cash dividends on our common stock in the foreseeable future. We currently intend to retain all our future earnings for use in operations and to finance the expansion of our business.

Issuer Purchases of Equity Securities

Stock Performance Graph

The following graph compares the change in the cumulative total stockholder return on SeaChange's common stock during the period from the close of trading on January 31, 2012 through January 31, 2017, with the cumulative total return on the Center for Research in Securities Prices ("CRSP") Index for NASDAQ (U.S. Companies) and a Standard Industrial Classification ("SIC") Code Index based on SeaChange's SIC Code. The comparison assumes $100 was invested on January 31, 2012 in SeaChange's common stock at the $7.18 closing price on January 31, 2012 and in each of the foregoing indices and assumes reinvestment of dividends, if any.

The following graph is not “soliciting material,” is not deemed filed with the SEC and is not to be incorporated by reference in any filing of SeaChange under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing. The stock price performance shown on the following graph is not necessarily indicative of future price performance. Information used on the graph was obtained from a third-party provider, a source believed to be reliable, but SeaChange is not responsible for any errors or omissions in such information.



	Jan-31-2012	Jan-31-2013	Jan-31-2014	Jan-30-2015	Jan-29-2016	Jan-31-2017
SeaChange International, Inc. (SEAC)	$100.0	$154.9	$166.1	$98.1	$86.4	$33.6
NASDAQ Composite Index Total Return	$100.0	$120.2	$159.1	$181.8	$183.1	$225.7
S&P Composite 1500 Software & Services Index Value	$100.0	$121.0	$159.1	$158.8	$187.3	$218.9

Notes:

(1) The lines represent monthly index levels derived from compounded daily returns that include all dividends.

(2) If the monthly interval, based on the fiscal year end, is not a trading day, the preceding trading day is used.

(3) The index level for all series was set to 100 on January 31, 2012.

ITEM 6. SELECTED FINANCIAL DATA

Our selected financial data below should be read in conjunction with our audited, consolidated financial statements and related notes contained in Part II, Item 8., *"Financial Statements and Supplementary Data,"* of this Form 10-K. For all periods presented, these selected financial data have been adjusted to reflect the businesses divested as discontinued operations.

CONSOLIDATED STATEMENTS OF OPERATIONS DATA

	For the Fiscal Years Ended January 31,				
	2017	2016	2015	2014	2013
	(Amounts in thousands, except per share data)				
Product revenue	$ 18,205	$ 21,896	$ 31,507	$ 54,749	$ 64,274
Service revenue	65,590	85,096	83,928	91,570	92,914
Total revenues	83,795	106,992	115,435	146,319	157,188
Total operating costs and expenses	(137,941)	(155,191)	(141,888)	(147,948)	(162,534)
Other expenses, net	(1,972)	(523)	(2,161)	(224)	(86)
(Loss) gain on investment in affiliates	(500)	(31)	—	(363)	885
Loss from continuing operations before income taxes and equity income in earnings of affiliates	(56,618)	(48,753)	(28,614)	(2,216)	(4,547)
Income tax provision (benefit)	14,631	(1,029)	(1,106)	55	(1,555)
Equity income in earnings of affiliates, net of tax	—	27	19	44	193
Loss from continuing operations	(71,249)	(47,697)	(27,489)	(2,227)	(2,799)
Loss on sale of discontinued operations	—	—	—	—	(14,073)
Income (loss) from discontinued operations, net	—	—	5	(803)	(2,293)
Net loss	$ (71,249)	$ (47,697)	$ (27,484)	$ (3,030)	$ (19,165)
Loss per share:					
Basic	$ (2.04)	$ (1.42)	$ (0.84)	$ (0.09)	$ (0.59)
Diluted	$ (2.04)	$ (1.42)	$ (0.84)	$ (0.09)	$ (0.59)
Loss per share from continuing operations:					
Basic	$ (2.04)	$ (1.42)	$ (0.84)	$ (0.07)	$ (0.09)
Diluted	$ (2.04)	$ (1.42)	$ (0.84)	$ (0.07)	$ (0.09)
Income (loss) per share from discontinued operations:					
Basic	$ —	$ —	$ 0.00	$ (0.02)	$ (0.50)
Diluted	$ —	$ —	$ 0.00	$ (0.02)	$ (0.50)

CONSOLIDATED BALANCE SHEET DATA

	As of January 31,				
	2017	2016	2015	2014	2013
	(Amounts in thousands)				
Working capital	$ 41,942	$ 59,887	$ 101,014	$ 125,875	$ 116,922
Total assets	116,067	177,669	212,351	254,113	264,676
Deferred revenue	14,936	17,410	19,088	25,628	30,603
Long-term liabilities	19,108	3,699	6,266	6,670	7,815
Total liabilities	46,531	46,651	41,300	49,672	62,475
Total stockholders' equity	69,536	131,018	171,051	204,441	202,201

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

The following discussion should be read in conjunction with our consolidated financial statements and accompanying notes included in this Form 10-K. When reviewing the discussion, you should keep in mind the substantial risks and uncertainties that characterize our business. In particular, we encourage you to review the risk and uncertainties described under Item 1A., *"Risk Factors,"* of this Form 10-K. These risks and uncertainties could cause actual results to differ materially from those forecasted in forward-looking statements or implied by past results and trends. Forward-looking statements are statements that attempt to project or anticipate future developments in our business; we encourage you to review the discussion of forward-looking statements under *"Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995,"* at the beginning of this report. These statements, like all statements in this report, speak only as of the date of this report (unless another date is indicated), and we undertake no obligation to update or revise the statements considering future developments. Unless otherwise specified, any reference to a "year" is to a fiscal year ended January 31st.

Business Overview

We are an industry leader in the delivery of multiscreen video, advertising and premium over-the-top ("OTT") headquartered in Acton, Massachusetts. Our products and services facilitate the aggregation, licensing, management and distribution of video and advertising content for cable television system operators, telecommunications companies, satellite operators and media companies. We currently operate under one reporting segment.

We continue to address what we see as the continuing rise of OTT services by such companies as Netflix, Hulu and Amazon and by media companies such as HBO, CBS and BBC. This rise of OTT video services in the United States has increased the demand for multiscreen capabilities on a range of consumer devices operating on cloud-based platforms. We have been increasing our strategic investments in research and development related to our cloud-based offerings, as well as in sales and marketing as we work to increase our go-to-market efforts in this area.

We continue to invest in our Rave premium OTT video platform ("Rave") which is our cloud-based software-as-a-service ("SaaS") offering that permits service providers and media companies to offer features and functions through a service hosted and managed by SeaChange, reducing cost and increasing speed and ease of use for end users. We believe that by delivering innovative solutions to both our existing customer base and to content owners that are looking to provide OTT services, we can meet their growing needs and help them get to market faster, which will help them drive new revenue growth. Recognizing the importance of OTT, we have architected our cloud solutions and products to make integrating with existing networks simple and a core competency of our platform. We have optimized our software solutions to serve a wide range of consumer devices.

We expect to increase software sales in North America and EMEA through an increase in sales efforts in those regions. In addition, we believe that we have the opportunity for continued revenue growth by expanding our selling efforts in new geographic areas such as Asia Pacific and Latin America. We also believe that our existing service operator customers will continue upgrading to new features that enable the capacity to increase average revenue per subscriber, reduce operating and capital expenses, and lower customer churn.

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

- Changes to estimated times to complete long-term projects;
- The time required to deliver and install the product and for the customer to accept the product and services;

- Timing of customer in selecting programs to launch our services to their end users;
- The ability of our customers to process the purchase order within their organization in a timely manner;
- Budgetary approvals by our customers for capital purchases;
- Uncertainty caused by potential consolidation in the industry; and
- Changes in foreign exchange rates.

These, 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, changes in cost estimates on long-term contracts which could result in a loss provision, gross margin deterioration, slower adoption of new technologies, the transition to SaaS, and increased price competition.

On February 2, 2015, we acquired TLL, LLC ("Timeline Labs"), a California-based SaaS company. In January 2016, our Board of Directors authorized a restructuring plan, as previously reported in a Form 8-K filed with the SEC on February 17, 2016. Based on the decision to enter the restructuring plan and the plan's impact on the projected future cash flows of the Timeline Labs operations, we determined that the carrying amount of all long-term assets that resulted from the February 2015 acquisition, had exceeded their fair value as of January 31, 2016. As a result, these long-term assets were deemed fully impaired and we recorded the $21.9 million net book value of these long-term assets as a component of loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss for the fiscal year ended January 31, 2016. Additionally, we reduced the contingent consideration liability associated with the Timeline Labs acquisition to zero, as we determined that the defined performance criteria would not be achieved, and credited the reversal of the liability of $0.4 million to loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss for the fiscal year ended January 31, 2016. In February 2016, we implemented cost-saving actions related to the restructuring plan resulting in charges of $0.7 million related to severance paid to former Timeline Labs employees and facility closings. See Part II. Item 8, Note 4, *"Acquisitions and Loss on Impairment of TLL, LLC,"* to this Form 10-K for more information.

On May 5, 2016, we acquired a 100% share of DCC Labs in exchange for an aggregate of $2.7 million in newly issued shares of SeaChange common stock and $5.2 million in cash, net of cash acquired, resulting in a total net purchase price of $7.9 million. DCC Labs is a developer of set-top and multiscreen device software. Under the purchase agreement, $0.5 million in cash and all the stock was initially held in escrow as security for the indemnification obligations of the sellers to SeaChange. The stock consideration was determined by dividing the total value of $2.6 million by the volume weighted average closing price of our common stock for the twenty trading days preceding the closing.

The acquisition of DCC Labs enables us to optimize the operations of our In-Home business, which develops home video gateway software including SeaChange's Nucleus and NitroX products. In addition, the acquisition brings market-ready products, including an optimized television software stack for Europe's Digital Video Broadcasting community, and an HTML5 framework for building additional user experience client applications across a variety of CPE devices, including Android TV STBs, tablets, mobile and compute devices.

In conjunction with the DCC Labs acquisition, SeaChange commenced a workforce reduction within its In-Home engineering and services organization, which allowed us to achieve approximately $8 million in annualized cost savings. This reduction in workforce resulted in aggregate charges of $1.9 million in severance and other restructuring costs during fiscal 2017.

In addition to the reduction in workforce due to the acquisition of DCC Labs, we implemented additional company-wide cost savings during the second half of fiscal 2017, which includes a worldwide reduction in workforce, to help improve operations and optimize our cost structure with the goal of assisting in restoring SeaChange to profitability and positive cash flow. During fiscal 2017, we recognized $3.1 million of restructuring costs related to these cost-saving initiatives.

We recorded an income tax provision of $14.6 million in fiscal 2017, primarily relating to deferred income tax expense of $14.7 million related to the undistributed foreign earnings of certain of our foreign subsidiaries. Prior to the end of the second quarter of fiscal 2017, we asserted that the undistributed earnings of all our foreign subsidiaries were permanently reinvested and, accordingly were not subject to U.S. income taxes. In the second quarter of fiscal 2017, following a review of our operations, liquidity and funding, and investment in our product roadmap, we determined that the ability to access certain amounts of foreign earnings would provide greater flexibility to meet the Company's working capital needs. Accordingly, in the second quarter of fiscal 2017, we withdrew the permanent reinvestment assertion on $58.6 million of earnings generated by our Irish operations through July 2016, and recorded a deferred tax liability of $14.7 million related to the foreign income on the $58.6 million of undistributed earnings. There is no certainty as to the timing of when such foreign earnings will be distributed via dividend to the United States in whole or in part. In addition, when the foreign earnings are distributed to the United States, we anticipate that a substantial portion of the resulting U.S. income taxes would be reduced by existing tax attributes.

Leadership Changes

Effective April 6, 2016, Edward Terino, who previously served as our Chief Operating Officer, was appointed Chief Executive Officer ("CEO") of SeaChange, following the termination without cause of Jay Samit as CEO and Director, as previously reported in a Form 8-K filed with the SEC on April 7, 2016.

Effective July 6, 2016, Peter Faubert was appointed Chief Financial Officer ("CFO") of SeaChange, following the resignation of Anthony Dias as CFO, as previously reported in a Current Report on Form 8-K filed with the SEC on July 7, 2016.

Effective January 31, 2017, Jonathan Rider, who previously served as our Chief Information Officer, was appointed Chief Operating Officer of SeaChange.

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 components of our total revenues are described in the following table:

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Revenues:							
Products	$18,205	$ 21,896	$ 31,507	$ (3,691)	(16.9%)	$ (9,611)	(30.5%)
Services	65,590	85,096	83,928	(19,506)	(22.9%)	1,168	1.4%
Total revenues	83,795	106,992	115,435	(23,197)	(21.7%)	(8,443)	(7.3%)
Cost of product revenues	6,779	6,752	9,915	27	0.4%	(3,163)	(31.9%)
Cost of service revenues	38,954	44,239	48,413	(5,285)	(11.9%)	(4,174)	(8.6%)
Provision for loss contract	(4,118)	9,162	—	(13,280)	100.0%	9,162	N/A
Total cost of revenues	41,615	60,153	58,328	(18,538)	(30.8%)	1,825	3.1%
Gross profit	$42,180	$ 46,839	$ 57,107	$ (4,659)	(9.9%)	$(10,268)	(18.0%)
Gross product profit margin	62.8%	69.2%	68.5%		(6.4%)		0.7%
Gross service profit margin	46.9%	37.2%	42.3%		9.7%		5.7%
Gross profit margin	50.3%	43.8%	49.5%		6.5%		(5.7%)

Fiscal 2017 As Compared to Fiscal 2016

Product Revenue. The decrease in product revenue for fiscal 2017 of $3.7 million, as compared to fiscal 2016, was primarily due to a $6.3 million decrease in hardware and advertising revenue offset by a $2.6 million increase in our video platform, user experience and third-party product revenues.

Service Revenue. Service revenue decreased $19.5 million in fiscal 2017, as compared to fiscal 2016. The decline was primarily due to less revenue recognized for professional services provided on our video platform during the period. Additionally, there was a decrease in maintenance and support revenue provided on post-warranty contracts.

In fiscal 2017, one customer accounted for more than 10% of our total revenue. Two customers accounted for more than 10% of our total revenue in fiscal 2016. See Part II. Item 8, Note 11, *"Segment Information, Significant Customers and Geographic Information,"* to this Form 10-K for more information.

International sales accounted for 64% and 56% of total revenues in fiscal 2017 and fiscal 2016, respectively. The increase in the international sales as a percentage of total revenue for fiscal 2017, as compared to the same prior period is primarily due to the decrease in domestic revenue at a higher rate than the decrease in international revenue.

Gross Profit and Margin. Cost of revenues consists primarily of the cost of resold third-party products and services, purchased components and subassemblies, labor and overhead relating to the assembly and testing of complete systems and costs related to customized software development contracts.

Our gross profit margin increased seven percentage points in fiscal 2017, as compared to fiscal 2016. However, excluding the provision for loss contract recorded in the third quarter of fiscal 2016 and adjusted in the fourth quarter of fiscal 2017, our gross profit margin decreased seven percentage points for fiscal 2017, as compared to last fiscal year. Product gross margin decreased six percentage points for fiscal 2017, as compared to fiscal 2016 due to lower software and license revenue. Service profit margins increased 10 percentage points in fiscal 2017, as compared to fiscal 2016. However, excluding the provision for loss contract, service profit margin decreased seven percentage points for fiscal 2017, as compared to fiscal 2016. This is due to the lower service revenue to absorb our fixed costs of the professional services organization.

Provision for loss contract

Contract accounting requires judgment relative to assessing risks, estimating the revenue and costs and making assumptions for the length of time to complete the contract. Since the financial reporting of these contracts depends on estimates, which are assessed continually during the term of the contract, recognized revenues and costs are subject to revisions as the contract progresses towards completion. Any changes to these assumptions and estimates could result in gains or losses in the future. During fiscal 2016, delays of customer acceptance relating to fixed-price customer contracts on a multi-year arrangement that included multiple vendors occurred. As a result, we recorded an €8.3 million (approximately $9.2 million at October 31, 2015) provision for loss contract in our consolidated statements of operations and comprehensive loss. We agreed with the customer on the replacement of certain third-party vendors and a change in the timeline of this project, which was estimated to be completed in June 2017. As the system integrator on the project, we are subject to any costs overruns or increases with these vendors resulting in delays of acceptance by our customer. Any further delays of acceptance by the customer will result in incremental expenditures and increase the loss.

As of October 31, 2016, we had incurred net costs of €5.2 million (approximately $5.7 million) relating to this fixed-price customer contract. Since we established the accrued provision for loss contract on our consolidated balance sheets in the third quarter of fiscal 2016, the balance in the accrual was €3.1 million (approximately $3.5 million) as of October 31, 2016. Subsequently, during the fourth quarter of fiscal 2017, due to the execution of an amendment to the Master License and Services Agreement with this fixed-price customer, there were changes in scope of the project which, among other things, eliminated the second phase of this project. Costs and revenues related to the second phase had been considered in the total project costs and total project revenues of the original provision for loss contract. The elimination of the second phase resulted in a net reduction of the accrued provision for loss contract of €1.3 million (approximately $1.4 million as of January 31, 2017). Despite the elimination of the second phase from this project with the fixed-price customer, we are actively negotiating additional contracts to deliver enhanced capabilities for its end-to-end video delivery solution in the future. Other changes in the scope of the project in the fourth quarter of fiscal 2017 helped define the remaining costs to complete this project and resulted in an additional net reduction of the accrued provision for loss contract of €2.6 million (approximately $2.7 million as of January 31, 2017). These scope changes were primarily a result of work being moved to DCC Labs, which we acquired in May 2016. Total adjustments to the accrued provision for loss contract were €3.9 million (approximately $4.1 million as of January 31, 2017) which we recorded as a reduction to the provision for loss contract in our consolidated statements of operations and comprehensive loss in the fourth quarter of fiscal 2017.

Fiscal 2016 As Compared to Fiscal 2015

Product Revenue. Product revenue in fiscal 2016 decreased $9.6 million, or 31%, as compared to fiscal 2015, due primarily to a $9.9 million decrease in our legacy advertising insertion products, a decrease in our video-on-demand ("VOD") streamer products, and lower Adrenalin products in Europe due to several large and non-recurring orders delivered in fiscal 2015. The decline in legacy products was consistent with our expectations for this fiscal year.

Service Revenue. Service revenue increased $1.2 million, or 1%, for fiscal 2016, when compared to fiscal 2015, primarily due to higher gateway service revenues offset by lower VOD streamer support revenue.

For fiscal 2016, two customers each accounted for more than 10%, and collectively accounted for 38% of our total revenues. For fiscal 2015, two customers each accounted for more than 10%, and collectively accounted for 34% of our total revenues. We believe that a significant amount of our revenues will continue to be derived from a limited number of customers.

International revenues accounted for approximately 56%, or $60.0 million, and 48%, or $55.6 million, of total revenues in fiscal 2016 and 2015, respectively. Our fiscal 2016 revenues were approximately $5.3 million lower resulting from the strengthening of the U.S. dollar compared to the Euro if converted at last fiscal year's applicable exchange rates.

Gross Profit and Margin. Our gross profit margin increased approximately three percentage points for fiscal 2016, as compared to fiscal 2015, excluding the provision for loss contract recorded in fiscal 2016. This increase in gross profit margin was primarily due to a six-percentage point increase in gross service profit margin relating to our ability to recognize higher gateway service revenues compared to fiscal 2015, excluding the provision for loss contract. Including the provision for loss contract, service margins decreased six percentage points. Gross product profit margin remained relatively flat year over year.

Operating Expenses

Research and Development

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

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Research and development expenses	$ 30,093	$ 33,696	$ 42,169	$ (3,603)	(10.7%)	$ (8,473)	(20.1%)
% of total revenue	35.9%	31.5%	36.5%				

Fiscal 2017 As Compared to Fiscal 2016. 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. Research and development costs decreased $3.6 million in fiscal 2017 as compared to fiscal 2016, primarily due to lower labor costs associated with the decreased headcount from the Timeline Labs restructuring in February 2016, to the restructuring of the research and development group after our acquisition of DCC Labs in May 2016 and to cost-savings efforts implemented in the second half of fiscal 2017. These restructuring efforts would have resulted in a larger decrease in our research and development costs period over period than would have been achieved if we did not capitalize $3.0 million of costs related to the development of our internal-use software in fiscal 2016. This software was placed in service at the beginning of fiscal 2017 and no further costs were capitalized.

Fiscal 2016 As Compared to Fiscal 2015. Research and development costs decreased $8.5 million in fiscal 2016 as compared to fiscal 2015, primarily due to lower employee-related costs resulting from the reduction of workforce in January 2015, and a decrease in the use of contract labor, partially offset by the inclusion of costs associated with Timeline Labs, which was acquired in February 2015.

Selling and Marketing

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

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Selling and marketing expenses	$ 14,033	$ 15,197	$ 13,920	$ (1,164)	(7.7%)	$ 1,277	9.2%
% of total revenue	16.7%	14.2%	12.1%				

Fiscal 2017 As Compared to Fiscal 2016. 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 $1.2 million in fiscal 2017 primarily due to lower employee-related costs. These lower costs were a result of the cost-savings initiative implemented during the second half of fiscal 2017. The restructuring resulted in the termination of eight sales and marketing employees, including two senior vice presidents. In addition, commission expense was lower in fiscal 2017, as compared to fiscal 2016, due to lower revenues. Partially offsetting the decrease during the period is an increase in marketing payroll costs resulting from the addition of DCC Labs in May 2016 and to the hiring of a new senior vice president of marketing in February 2016.

Fiscal 2016 As Compared to Fiscal 2015. Selling and marketing expenses increased $1.3 million, or 9%, in fiscal 2016 when compared to fiscal 2015 as we began incurring selling and marketing expenses from our Timeline Labs acquisition in February 2015, offset by lower commissions resulting from a decline in revenues.

General and Administrative

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

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
General and administrative expenses	$ 16,173	$ 15,470	$ 16,014	$ 703	4.5%	$ (544)	(3.4%)
% of total revenue	19.3%	14.5%	13.9%				

Fiscal 2017 As Compared to Fiscal 2016. 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 increased $0.7 million in fiscal 2017 as compared to fiscal 2016. The change does not reflect the full benefit that we anticipate to realize from our restructuring efforts because we had an increase in professional fees in fiscal 2017, including audit, tax and legal fees and an increase in bad debt expense.

Fiscal 2016 As Compared to Fiscal 2015. General and administrative expenses decreased $0.5 million, or 3%, in fiscal 2016, as compared to fiscal 2015, primarily due to a decrease in employee costs from a lower headcount year over year.

Amortization of Intangible Assets

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

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Amortization of intangible assets	$ 3,302	$ 4,780	$ 5,154	$ (1,478)	(30.9%)	$ (374)	(7.3%)
% of total revenue	3.9%	4.5%	4.5%				

Amortization expense is primarily related to the costs of acquired intangible assets. Amortization expense on certain intangible assets is based on the future economic value of the related intangible assets which is generally higher in the earlier years of the assets' lives. The decrease in amortization expense in fiscal 2017, as compared to fiscal 2016, is primarily due to the impairment of intangible assets related to our acquisition of Timeline Labs recorded in fiscal 2016 as well as fully amortized intangible assets from prior acquisitions. The decreases were partially offset by the addition of amortization of intangible assets related to our acquisition of DCC Labs in May 2016.

Stock-based Compensation Expense

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

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Stock-based compensation expenses	$ 2,621	$ 3,552	$ 3,220	$ (931)	(26.2%)	$ 332	10.3%
% of total revenue	3.1%	3.3%	2.8%				

Fiscal 2017 As Compared to Fiscal 2016. Stock-based compensation expense is related to the issuance of stock awards to our employees, executives and members of our Board of Directors. Stock-based compensation expense decreased $0.9 million in fiscal 2017, as compared to fiscal 2016 primarily due to modifications of certain stock awards for terminated employees, as well as a decrease in stock compensation recorded on non-performance-based equity after the departure of our former CEO in the first quarter of fiscal 2017. Also, because of the departure of our former CEO, we reversed $0.8 million of previously recognized stock-based compensation expense on his market-based stock options. Finally, certain employees elected a discounted cash payment in lieu of restricted stock units for their fiscal 2016 incentive compensation, resulting in a $0.4 million decrease in stock-based compensation expense in fiscal 2017. Partially offsetting these decreases is an increase in stock options granted during fiscal 2017 and expense recognized on performance stock units which were granted at the end of fiscal 2016.

Fiscal 2016 As Compared to Fiscal 2015. Stock-based compensation expense increased $0.3 million during fiscal 2016 as compared to fiscal 2015 due to stock compensation expense recorded on market-based stock options

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:

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Professional fees—other	$ 347	$ 637	$ 671	$ (290)	(45.5%)	$ (34)	(5.1%)
% of total revenue	0.4%	0.6%	0.6%				

Professional fees in fiscal 2017 decreased $0.3 million, as compared to fiscal 2016 due to costs related to strategic alternatives incurred in fiscal 2016 partially offset by costs in fiscal 2017 for the acquisition of DCC Labs. Professional fees in fiscal 2016 remained relatively flat when compared to fiscal 2015.

Severance and Other Restructuring Expenses

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

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Severance and other restructuring expenses	$ 7,151	$ 1,061	$ 3,623	$ 6,090	>100%	$ (2,562)	(70.7%)
% of total revenue	8.5%	1.0%	3.1%				

Fiscal 2017 As Compared to Fiscal 2016. Severance and other restructuring costs increased $6.1 million in fiscal 2017, as compared to fiscal 2016 due to cost savings initiatives implemented during the second half of fiscal 2017, which resulted in charges of $3.1 million. We expect to be completed with these cost savings initiatives during the first half of fiscal 2018. Restructuring charges related to our Timeline Labs operation and DCC Labs acquisition resulted in charges totaling $2.6 million recorded during fiscal 2017. In addition, severance charges of $1.5 million not related to a restructuring plan included $1.0 million of severance to our former CEO and $0.2 million of severance to our former CFO along with severance paid to 13 other former employees. Severance and other restructuring costs in fiscal 2016 included severance for a former General Manager of our EMEA operations and 17 other former employees.

Fiscal 2016 As Compared to Fiscal 2015. Severance and other restructuring costs decreased $2.6 million in fiscal 2016, as compared to fiscal 2015, primarily due costs related to the reduction in force incurred in January of fiscal 2015.

Earn-outs and Change in Fair Value of Earn-outs

The following table provides information regarding the change in earn-outs and change in fair value of earn-outs during the periods presented:

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Earn-outs and change in fair value of earn-outs	$ 249	$ —	$ —	$ 249	N/A	$ —	N/A
% of total revenue	0.3%	0.0%	0.0%				

The $0.2 million in earn-outs costs for fiscal 2017 is due to a charge recorded that represents the fair value (at the issuance date) of additional shares issued to the former holders of Timeline Labs pursuant to the terms of the Timeline Labs purchase agreement based on our stock price at the time of deferred stock consideration issuances.

Loss on Impairment of Long-lived Assets

The following table provides information regarding the change in loss on impairment of long-lived assets during the periods presented:

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Loss on impairment of long-lived assets	$ 23,772	$ 21,464	$ —	$ 2,308	10.8%	$ 21,464	N/A
% of total revenue	28.4%	20.1%	0.0%				

In fiscal 2017, we recorded a loss on impairment of long-lived assets of $23.8 million which included a charge related to the impairment of our goodwill resulting from our annual goodwill impairment test which concluded in the fourth quarter of fiscal 2017. We finalized “Step 1” of this impairment test in the third quarter and determined that the fair value of our reporting unit was less than its carrying value and needed to perform “Step 2” which we performed in the fourth quarter of fiscal 2017. We compared the implied fair value of our goodwill to its carrying value as required by “Step 2” and determined that the implied fair value of our goodwill was less than its carrying value and that it was not recoverable, resulting in an impairment charge of $23.5 million being recorded in our consolidated statements of operations and comprehensive loss in January 2017. In addition, we recorded an impairment charge on our Greenville, New Hampshire building in the fourth quarter of fiscal 2017 to write off its remaining book value. We have been actively trying to sell this building since fiscal 2012, writing down its carrying value several times. However, due to the location of the property and the overall market conditions in the area, we have not been able to find a buyer. Therefore, we recorded a $0.3 million impairment charge in our consolidated statements of operations and comprehensive loss in January 2017 to write down the carrying value to zero.

In January 2016, our Board of Directors authorized a restructuring plan, as previously reported in a Form 8-K filed with the SEC on February 17, 2016. Based on the decision to enter into the restructuring plan and the plan’s impact on the projected future cash flows of the Timeline Labs operations, we determined that the carrying amount of all long-term assets that resulted from the February 2015 acquisition had exceeded the fair value as of January 31, 2016. As a result, these long-term assets were deemed fully impaired and we recorded the $21.9 million net book value of these long-term assets as a component of loss on impairment of TLL, LLC net assets in our consolidated statements of operations and comprehensive loss for the fiscal year ending January 31, 2016. Additionally, we reduced the contingent consideration liability associated with the Timeline Labs acquisition to zero, as we determined that the defined performance criteria would not be achieved, and recorded the reversal of the liability of $0.4 million to loss on impairment of TLL, LLC net assets in our consolidated statements of operations and comprehensive loss for the fiscal year ended January 31, 2016. In February 2016, we implemented cost-saving actions related to the restructuring plan. See Part II. Item 8, Note 4, *“Acquisitions and Loss on Impairment of TLL, LLC,”* to this Form 10-K for more information.

Other Expenses, Net

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

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Interest income, net	$ 129	$ 165	$ 211	$ (36)	(21.8%)	$ (46)	(21.8%)
Foreign exchange loss	(2,093)	(723)	(2,348)	(1,370)	>100%	1,625	(69.2%)
Miscellaneous (expense) income	(508)	4	(24)	(512)	>(100%)	28	>(100%)
	$(2,472)	$(554)	$(2,161)	$(1,918)		$1,607	

Foreign exchange loss

We established an intercompany loan between our U.S. and Netherlands entities in fiscal 2010, which was settled in the fourth quarter of fiscal 2017. The loan was established in Euros, our Netherland subsidiary's functional currency, and therefore generated a realized foreign exchange loss of $1.8 million upon settlement of the loan. This realized foreign exchange loss was recorded in other expenses, net in January 2017. This increase was partially offset by a decrease in foreign exchange loss in fiscal 2017, as compared to fiscal 2016, due to the strengthening of the U.S. dollar compared to other foreign currencies, primarily the Euro, during the period.

Miscellaneous (expense) income

We recorded an impairment charge of $0.5 million to write down a cost-method investment in January 2017 since we determined that the fair value of the investment was less than its carrying value and that the carrying value was not expected to be recoverable within a reasonable period.

Income Tax Provision (Benefit)

	For the Fiscal Years Ended January 31,			FY17 vs. FY16		FY16 vs. FY15	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Amounts in thousands, except for percentage data)						
Income tax provision (benefit)	$ 14,631	$ (1,029)	$ (1,106)	$ 15,660	>(100%)	$77	(7.0%)
% of total revenue	17.4%	(1.0%)	(1.0%)				

Fiscal 2017 As Compared to Fiscal 2016

We recorded an income tax provision of $14.6 million in fiscal 2017 which was due to deferred income tax expense of $14.7 million related to the change in assertion regarding the undistributed foreign earnings of certain of our foreign subsidiaries.

Our foreign subsidiaries generate earnings that are not subject to U.S. income taxes so long as they are permanently reinvested in our operations outside of the U.S. Pursuant to Accounting Standard Codification Topic No. 740-30, *"Income Taxes—Other Considerations or Special Areas,"* undistributed earnings of foreign subsidiaries that are no longer permanently reinvested would become subject to deferred income taxes under U.S. tax law. Prior to the second quarter of fiscal 2017, we asserted that the undistributed earnings of all our foreign subsidiaries were permanently reinvested.

In the second quarter of fiscal 2017, following a review of our operations, liquidity and funding, and investment in our product roadmap, we determined that the ability to access certain amounts of foreign earnings would provide greater flexibility to meet the Company's working capital needs. Accordingly, in the second quarter of fiscal 2017, we withdrew the permanent reinvestment assertion on $58.6 million of earnings generated by our Irish operations through July 2016. We recorded a deferred tax liability of $14.7 million related to the foreign income taxes on $58.6 million of undistributed earnings.

There is no certainty as to the timing of when such foreign earnings will be distributed to the United States in whole or in part. Further, when the foreign earnings are distributed via dividend to the United States, we anticipate that a substantial portion of the resulting U.S. income taxes would be reduced by existing tax attributes.

We have not provided for U.S. federal or foreign income taxes on $6.0 million of our non-U.S. subsidiaries' undistributed earnings as of January 31, 2017. The $6.0 million of undistributed foreign earnings have been reinvested in our foreign operations, as we have determined that these earnings are necessary to support our planned ongoing investments in our foreign operations, and as a result, these earnings remain indefinitely reinvested in those operations. In making this decision, we considered cash needs for investing in our existing businesses, potential acquisitions and capital transactions.

The Company reviews all available evidence to evaluate the recovery of deferred tax assets, including the recent history of losses in all tax jurisdictions, as well as its ability to generate income in future periods. As of January 31, 2017, due to the uncertainty related to the ultimate use of certain deferred income tax assets, the Company has recorded a valuation allowance on substantially all of its deferred assets.

We file income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and various foreign jurisdictions. We have closed out an audit with the Internal Revenue Service ("IRS") through fiscal 2013, however, the taxing authorities can still review the propriety of certain tax attributes created in closed years if such tax attributes are utilized in an open tax year, such as our federal research and development credit carryovers. During fiscal 2017, we closed an audit with the Dutch tax authorities for fiscal years 2010 through 2015.

Fiscal 2016 As Compared to Fiscal 2015

We recorded an income tax benefit from continuing operations of $1.0 million in fiscal 2016. 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 the United States and the Netherlands, where we maintain a full valuation allowance against deferred tax assets. The tax benefit is primarily due to a reduction of uncertain tax positions relating to the expiration of the statute of limitations. 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.

The Company reviews all available evidence to evaluate the recovery of deferred tax assets, including the recent history of losses in all tax jurisdictions, as well as its ability to generate income in future periods. As of January 31, 2016, due to the uncertainty related to the ultimate realization of certain deferred income tax assets, the Company has recorded a valuation allowance on certain of its deferred tax assets.

Our effective tax rate in fiscal 2017 and in future periods may fluctuate on a quarterly basis because of changes in our jurisdictional forecasts where losses cannot be benefitted due to the existence of valuation allowances on our deferred tax assets, changes in actual results versus our estimates, or changes in tax laws, regulations, accounting principles, or interpretations thereof.

We file income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and various foreign jurisdictions. We have closed out an audit with the Internal Revenue Service ("IRS") through fiscal 2013, however, the taxing authorities can still review the propriety of certain tax attributes created in closed years if such tax attributes are utilized in an open tax year, such as our federal research and development credit carryovers.

In the fourth quarter of fiscal 2016, we effectively settled our IRS audit for fiscal years 2010 through 2013. The closing of the audit resulted in a $2.3 million reduction to our federal net operating loss ("NOL") carryforward, a corresponding $2.3 million increase in our federal capital loss carryforward and a $0.1 million reduction in our federal research and development credits.

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 plus stock-based compensation expenses, amortization of intangible assets, provision for loss contract, earn-outs and change in fair value of earn-outs, professional fees—other, loss on impairment of long-lived assets, 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 is an important measure that is not calculated according to U.S. GAAP. We use non-GAAP (loss) income from operations 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 financial measure assists 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 is a non-GAAP financial measure 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 like the financial adjustments described above in arriving at non-GAAP (loss) income from operations and investors should not infer from our presentation of this non-GAAP financial measure that these costs are unusual, infrequent or non-recurring.

The following table includes the reconciliations of our U.S. GAAP loss from operations, the most directly comparable U.S. GAAP financial measure, to our non-GAAP loss from operations for fiscal 2017, 2016 and 2015 (amounts in thousands, except per share and percentage data):

	For the Fiscal Year Ended January 31, 2017			For the Fiscal Year Ended January 31, 2016			For the Fiscal Year Ended January 31, 2015		
	GAAP As Reported	Adjustments	Non-GAAP	GAAP As Reported	Adjustments	Non-GAAP	GAAP As Reported	Adjustments	Non-GAAP
Revenues:									
Products	$ 18,205	$ —	$ 18,205	$ 21,896	$ —	$ 21,896	$ 31,507	$ —	$ 31,507
Services	65,590	—	65,590	85,096	—	85,096	83,928	—	83,928
Total revenues	83,795	—	83,795	106,992	—	106,992	115,435	—	115,435
Cost of revenues:									
Products	6,453	—	6,453	6,013	—	6,013	8,845	—	8,845
Services	37,865	—	37,865	44,159	—	44,159	48,272	—	48,272
Provision for loss contract	(4,118)	4,118	—	9,162	(9,162)	—	—	—	—
Amortization of intangible assets	1,283	(1,283)	—	739	(739)	—	1,070	(1,070)	—
Stock-based compensation	132	(132)	—	80	(80)	—	141	(141)	—
Total cost of revenues	41,615	2,703	44,318	60,153	(9,981)	50,172	58,328	(1,211)	57,117
Gross profit	42,180	(2,703)	39,477	46,839	9,981	56,820	57,107	1,211	58,318
Gross profit percentage	50.3%	(3.2%)	47.1%	43.8%	9.3%	53.1%	49.5%	1.0%	50.5%
Operating expenses:									
Research and development	30,093	—	30,093	33,696	—	33,696	42,169	—	42,169
Selling and marketing	14,033	—	14,033	15,197	—	15,197	13,920	—	13,920
General and administrative	16,173	—	16,173	15,470	—	15,470	16,014	—	16,014
Amortization of intangible assets	2,019	(2,019)	—	4,041	(4,041)	—	4,084	(4,084)	—
Stock-based compensation expense	2,489	(2,489)	—	3,472	(3,472)	—	3,079	(3,079)	—
Earn-outs and change in fair value of earn-outs	249	(249)	—	—	—	—	—	—	—
Professional fees—other	347	(347)	—	637	(637)	—	671	(671)	—
Severance and other restructuring costs	7,151	(7,151)	—	1,061	(1,061)	—	3,623	(3,623)	—
Loss on impairment of long-lived assets	23,772	(23,772)	—	21,464	(21,464)	—	—	—	—
Total operating expenses	96,326	(36,027)	60,299	95,038	(30,675)	64,363	83,560	(11,457)	72,103
(Loss) income from operations	$(54,146)	$ 33,324	$ (20,822)	$ (48,199)	$ 40,656	$ (7,543)	$ (26,453)	$ 12,668	$ (13,785)
(Loss) income from operations percentage	(64.6%)	39.8%	(24.8%)	(45.0%)	38.0%	(7.0%)	(22.9%)	11.0%	(11.9%)
Weighted average common shares outstanding:									
Basic	34,970	34,970	34,970	33,506	33,506	33,506	32,772	32,772	32,772
Diluted	34,970	35,057	34,970	33,506	33,663	33,506	32,772	33,004	32,772
Non-GAAP operating (loss) income per share:									
Basic	$ (1.55)	$ 0.95	$ (0.60)	$ (1.44)	$ 1.21	$ (0.23)	$ (0.81)	$ 0.39	$ (0.42)
Diluted	$ (1.55)	$ 0.95	$ (0.60)	$ (1.44)	$ 1.21	$ (0.23)	$ (0.81)	$ 0.39	$ (0.42)

The changes in the table above during fiscal 2017, compared to fiscal 2016 and during fiscal 2016 compared to fiscal 2015, were a result of the factors described in connection with revenues and operating expenses under

Item 7. *"Management's Discussion and Analysis of Financial Conditions and Results of Operations—Results of Operations,"* of this Form 10-K.

In managing and reviewing our business performance, we exclude several 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 to assist the investment community to see SeaChange through the "eyes of management," and therefore enhance the understanding of our 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:

Provision for Loss Contract. We entered a fixed-price customer contract on a multi-year arrangement, which included multiple vendors. As the system integrator on the project, we are subject to any cost overruns or increases with these vendors resulting in delays of acceptance by our customer. Delays of customer acceptance on this project result in incremental expenditures and require us to recognize a loss on this project in the period the determination is made. As a result, we recorded an estimated charge of $9.2 million in fiscal 2016. Subsequently, because of changes in the scope of the project and negotiations with the fixed-price customer, we recorded an adjustment to reduce this provision in fiscal 2017 by $4.1 million. We believe that the exclusion of this expense allows a comparison of operating results that would otherwise impair comparability between periods.

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.

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 expense 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 significant non-recurring 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.

Loss on Impairment of Long-lived Assets. In fiscal 2017, we incurred a loss on impairment of long-lived assets related to the results of our goodwill impairment testing and the write down of the fair value of our Greenville, New Hampshire facility. We incurred impairment charges in fiscal 2016 relating to our February 2015 acquisition of Timeline Labs, based on our decision to undertake a restructuring. These charges are considered non-recurring.

Liquidity and Capital Resources

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

	For the Fiscal Years Ended January 31,			FY17 vs FY16	FY16 vs FY15
	2017	2016	2015	$ Change	$ Change
	(Amounts in thousands)				
Total cash used in operating activities	$(28,521)	$(18,663)	$(13,339)	$(9,858)	$(5,324)
Total cash used in investing activities	(3,899)	(13,128)	(8,156)	9,229	(4,972)
Total cash provided by (used in) financing activities	60	193	(5,504)	(133)	5,697
Effect of exchange rate changes on cash	1,929	312	1,284	1,617	(972)
Net decrease in cash	$(30,431)	$(31,286)	$(25,715)	$ 855	$(5,571)

Historically, we have financed our operations and capital expenditures primarily with cash on-hand. Cash, cash equivalents, restricted cash and marketable securities decreased from $71.1 million at January 31, 2016 to $38.7 million at January 31, 2017.

We had a 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, which expired on August 31, 2016 with no outstanding balance. This line of credit and Demand Promissory Note was not renewed.

We believe that existing funds 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 twelve 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 the future, we may enter other arrangements for potential investments in, or acquisitions of, complementary businesses, services or technologies, which could require us to seek additional equity or debt financing. Additional funds may not be available on favorable terms.

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.

In the second quarter of fiscal 2017, following a review of our operations, liquidity and funding, and investment in our product roadmap, we determined that the ability to access cash resulting from earnings in prior fiscal years that had previously been deemed permanently restricted for foreign investment would provide greater flexibility to meet the Company's working capital needs. Accordingly, in the second quarter of fiscal 2017, we withdrew the permanent reinvestment assertion on $58.6 million of earnings generated by our Irish operations through July 2016. We recorded a deferred tax liability of $14.7 million related to the foreign income taxes on $58.6 million of undistributed earnings.

Operating Activities

Below are key line items affecting cash from operating activities:

	For the Fiscal Years Ended January 31,			FY17 vs FY16	FY16 vs FY15
	2017	2016	2015	$ Change	$ Change
	(Amounts in thousands)				
Net loss from continuing operations	$(71,249)	$(47,697)	$(27,489)	$(23,552)	$(20,208)
Adjustments to reconcile net loss to cash used in by operating activities	44,924	41,550	12,197	3,374	29,353
Net loss including adjustments	(26,325)	(6,147)	(15,292)	(20,178)	9,145
Decrease (increase) in accounts receivable and unbilled receivables	4,736	(6,080)	1,574	10,816	(7,654)
Decrease (increase) in prepaid expenses and other current assets	1,378	(1,097)	1,570	2,475	(2,667)
(Decrease) increase in accounts payable	(1,674)	874	(1,619)	(2,548)	2,493
(Decrease) increase in accrued expenses	(5,055)	(2,713)	1,650	(2,342)	(4,363)
Decrease in deferred revenues	(2,417)	(1,431)	(5,699)	(986)	4,268
All other—net	(836)	(2,069)	4,472	2,905	(6,541)
Net cash used in operating activities from continuing operations	(28,521)	(18,663)	(13,344)	(9,858)	(5,319)
Net cash provided by operating activities from discontinued operations	—	—	5	—	(5)
Net cash used in operating activities	$(28,521)	$(18,663)	$(13,339)	$ (9,858)	$ (5,324)

For fiscal 2017, we used net cash in operating activities of $28.5 million. This cash used in operating activities was primarily the result of our net loss including adjustments of $26.3 million offset by changes in working capital, which include a decrease in receivables of $4.7 million due to the timing of customer payments, offset by a decrease in accrued expenses of $5.1 million related to the payment of severance and bonuses, a $2.4 million decrease in deferred revenue and a $1.7 million decrease in accounts payable due to the timing of payments to vendors.

For fiscal 2016, we used total net cash of $18.7 million primarily due to a net loss from continuing operations of $47.7 million and a $6.1 million increase in accounts receivable due to the timing of collections, a $2.7 million decrease in accrued expenses primarily related to payment of severance during the year and a $1.4 million decrease in annual support contracts for legacy products. This decrease in cash was offset by a net increase of $41.6 million in noncash items which primarily consist of stock-based compensation, depreciation and amortization expense, changes in deferred income taxes, a provision for loss contracts and loss on impairment of Timeline Labs net assets.

Investing Activities

Cash flows from investing activities are as follows:

	For the Fiscal Years Ended January 31, 2017	2016	2015	FY17 vs FY16 $ Change	FY16 vs FY15 $ Change
	(Amounts in thousands)				
Purchases of property and equipment	$ (683)	$ (1,397)	$(1,873)	$ 714	$ 476
Investment in capitalized software	—	(2,440)	—	2,440	(2,440)
Purchases of marketable securities	(2,008)	(9,033)	(9,193)	7,025	160
Proceeds from sale and maturity of marketable securities	4,005	11,043	7,181	(7,038)	3,862
Proceeds from (purchase of) cost method investments, net	—	464	(2,000)	(464)	2,464
Cash paid for acquisition of business, net of cash acquired	(5,243)	(11,686)	—	6,443	(11,686)
Advance for TLL, LLC acquisition	—	—	(2,500)	—	2,500
Other investing activities	30	(79)	229	109	(308)
Net cash used in investing activities	$(3,899)	$(13,128)	$(8,156)	$ 9,229	$ (4,972)

In fiscal 2017, we used $3.9 million in cash related to investing activities. Specifically, we used cash of $5.2 million for the acquisition of DCC Labs and $0.7 million for the purchase of capital assets offset by $2.0 million of proceeds from the net sale of marketable securities.

In fiscal 2016, we used cash of $13.1 million related to investing activities primarily due to the use of $11.7 million for the acquisition of Timeline Labs, the purchase of capital assets of $1.4 million and the capitalization of costs related to our internal-use software of $2.4 million, offset by $2.0 million cash provided by the proceeds from the sale of marketable securities, net of purchases.

Financing Activities

Cash flows from financing activities are as follows:

	For the Fiscal Years Ended January 31, 2017	2016	2015	FY17 vs FY16 $ Change	FY16 vs FY15 $ Change
	(Amounts in thousands)				
Proceeds from issuance of common stock relating to stock option exercises	$ 60	$ 193	$ —	$(133)	$ 193
Repurchases of our common stock	—	—	(5,504)	—	5,504
Net cash provided by (used in) financing activities	$ 60	$ 193	$(5,504)	$(133)	$ 5,697

For fiscal 2017, cash provided by financing activities is from proceeds received from the issuance of common stock for the exercise of employee stock options.

For fiscal 2016, we received cash of $0.2 million from the issuance of common stock for the exercise of employee stock options. We used $5.5 million in cash from our financing activities in fiscal 2015 for the purchase of stock under a stock repurchase plan during the fiscal year.

Effect of exchange rate changes increased cash and cash equivalents by $1.9 million for fiscal 2017, primarily due to a realized loss resulting from the settlement of an intercompany loan between two of our subsidiaries in January 2017 and the translation of European subsidiaries' cash balances, which use the Euro as their functional currency, to U.S. dollars.

Contractual Obligations

The following table reflects our current and contingent contractual obligations to make potential future payments as of January 31, 2017:

	Total	Less than one year	One to three years	Three to five years	Over five years
		(Amounts in thousands)			
Purchase obligations(1)	$3,275	$3,275	$ —	$ —	$—
Non-cancelable lease obligations(2)	5,988	1,826	2,838	1,324	—
Total	$9,263	$5,101	$2,838	$1,324	$—

(1) Represents obligations under agreements with non-cancelable terms to purchase goods or services. The agreements are enforceable and legally binding, and specify terms, including quantities to be purchased and the timing of the purchase.
(2) Represents the minimum lease cash payments for operating lease obligations. Excludes aggregate related sublease rental receipts of $0.4 million on operating lease obligations.

We have excluded from the table above uncertain tax liabilities as defined by authoritative guidance due to the uncertainty of the amount and period of payment. As of January 31, 2017, we have gross unrecognized tax benefits of $5.1 million.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies and Significant Judgments and Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP, which requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosure of contingent assets and liabilities. Our actual results could differ from these estimates under different assumptions and conditions.

The significant accounting policies and methods used in the preparation of our consolidated financial statements are described in Note 2., *"Summary of Significant Accounting Policies,"* to our consolidated financial statements set forth in Part II, Item 8, of this Form 10-K. We believe the following critical accounting policies reflect the significant estimates, judgments and assumptions used in the preparation of our consolidated financial statements.

Principles of Consolidation

We consolidate the financial statements of our wholly-owned subsidiaries and all intercompany accounts are eliminated in consolidation. We also hold minority investments in the capital stock of certain private companies having product offerings or customer relationships that have strategic importance. We evaluate our equity and debt investments and other contractual relationships with affiliate companies to determine whether the guidelines regarding the consolidation of variable interest entities ("VIEs") should be applied in the financial statements. Consolidation guidelines address consolidation by business enterprises of variable interest entities that possess certain characteristics. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The primary beneficiary is required to consolidate the financial position and results of the VIE. We have concluded that we are not the primary beneficiary for any VIEs as of January 31, 2017.

Our investments in affiliates include investments accounted for under the cost method of accounting as the investments represent less than a 20% ownership interest of the common shares of the affiliate.

We periodically review indicators of the fair value of our investments in affiliates to assess whether available facts or circumstances, both internally and externally, may suggest an other-than-temporary decline in the value of the investment. The carrying value of an investment in an affiliate accounted for under the cost methed of accounting may be affected by the affiliate's ability to obtain adequate funding and execute its business plans, general market conditions, its current cash position, earnings and cash flow forecasts, recent operational performance, and any other readily available data. We record an impairment charge when we believe an investment has experienced a decline in value that is other-than-temporary.

Revenue Recognition

Our transactions frequently involve the sales of hardware, software, systems and services in multiple-element arrangements. Revenues from sales of hardware, software and systems that do not require significant modification or customization of the underlying software are recognized when:

- persuasive evidence of an arrangement exists;
- delivery has occurred, and title and risk of loss have passed to the customer;
- fees are fixed or determinable; and
- collection of the related receivable is considered probable.

Customers are billed for installation, training, project management and at least one year of product maintenance and technical support at the time of the product sale. Revenue from these activities is deferred at the time of the product sale and recognized ratably over the period these services are performed. Revenue from ongoing product maintenance and technical support agreements is recognized ratably over the period of the related agreements. Revenue from software development contracts that include significant modification or customization, including software product enhancements, is recognized based on the percentage of completion contract accounting method using labor efforts expended in relation to estimates of total labor efforts to complete the contract. The percentage of completion method requires that adjustments or re-evaluations to estimated project revenues and costs be recognized on a project-to-date cumulative basis, as changes to the estimates are identified. Revisions to project estimates are made as additional information becomes known, including information that becomes available after the date of the consolidated financial statements up through the date such consolidated financial statements are filed with the SEC. If the final estimated profit to complete a long-term contract indicates a loss, a provision is recorded immediately for the total loss anticipated. Accounting for contract amendments and customer change orders are included in contract accounting when executed. Revenue from shipping and handling costs and other out-of-pocket expenses reimbursed by customers are included in revenues and cost of revenues. Our share of intercompany profits associated with sales and services provided to affiliated companies are eliminated in consolidation in proportion to our equity ownership.

Contract accounting requires judgment relative to assessing risks, estimating revenues and costs and making assumptions including, in the case of our professional services contracts, the total amount of labor required to complete a project and the complexity of the development and other technical work to be completed. Due to the size and nature of many of our contracts, the estimation of total revenues and cost at completion is complicated and subject to many variables. Assumptions must be made regarding the length of time to complete the contract because costs also include estimated third-party vendor and contract labor costs. Penalties related to performance on contracts are considered in estimating sales and profit, and are recorded when there is sufficient information for us to assess anticipated performance. Third-party vendors' assertions are also assessed and considered in estimating costs and margin.

Revenue from the sale of software-only products remains within the scope of the software revenue recognition rules. Maintenance and support, training, consulting, and installation services no longer fall within the scope of the software revenue recognition rules, except when they are sold with and relate to a software-only product. Revenue recognition for products that no longer fall under the scope of the software revenue recognition rules is like that for other tangible products and Accounting Standard Update No. ("ASU") 2009-13, *"Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements,"* amended ASC 605 and is applicable for multiple-deliverable revenue arrangements. ASU 2009-13 allows companies to allocate revenue in a multiple-deliverable arrangement in a manner that better reflects the transaction's economics.

Under the software revenue recognition rules, the fee is allocated to the various elements based on vendor-specific objective evidence ("VSOE") of fair value. Under this method, the total arrangement value is allocated first to undelivered elements based on their fair values, with the remainder being allocated to the delivered elements. Where fair value of undelivered service elements has not been established, the total arrangement value is recognized over the period during which the services are performed. The amounts allocated to undelivered elements, which may include project management, training, installation, maintenance and technical support and certain hardware and software components, are based upon the price charged when these elements are sold separately and unaccompanied by the other elements. The amount allocated to installation, training and project management revenue is based upon standard hourly billing rates and the estimated time necessary to complete the service. These services are not essential to the functionality of systems as these services do not alter the equipment's capabilities, are available from other vendors and the systems are standard products. For multiple-element arrangements that include software development with significant modification or customization and systems sales where VSOE of the fair value does not exist for the undelivered elements of the arrangement (other than maintenance and technical support), percentage of completion accounting is applied for revenue recognition purposes to the entire arrangement except for maintenance and technical support.

Under the revenue recognition rules for tangible products as amended by ASU 2009-13, the fee from a multiple-deliverable arrangement is allocated to each of the deliverables based upon their relative selling prices as determined by a selling-price hierarchy. A deliverable in an arrangement qualifies as a separate unit of accounting if the delivered item has value to the customer on a stand-alone basis. A delivered item that does not qualify as a separate unit of accounting is combined with the other undelivered items in the arrangement and revenue is recognized for those combined deliverables as a single unit of accounting. The selling price used for each deliverable is based upon VSOE if available, third-party evidence ("TPE") if VSOE is not available, and best estimate of selling price ("BESP") if neither VSOE nor TPE are available. TPE is the price of the Company's, or any competitor's, largely interchangeable products or services in stand-alone sales to similarly situated customers. BESP is the price at which we would sell the deliverable if it were sold regularly on a stand-alone basis, considering market conditions and entity-specific factors.

The selling prices used in the relative selling price allocation method for certain of our services are based upon VSOE. The selling prices used in the relative selling price allocation method for third-party products from other vendors are based upon TPE. The selling prices used in the relative selling price allocation method for our hardware products, software, subscriptions, and customized services for which VSOE does not exist are based upon BESP. We do not believe TPE exists for these products and services because they are differentiated from competing products and services in terms of functionality and performance and there are no competing products or services that are largely interchangeable. Management establishes BESP with consideration for market conditions, such as the impact of competition and geographic considerations, and entity-specific factors, such as the cost of the product, discounts provided and profit objectives. Management believes that BESP is reflective of reasonable pricing of that deliverable as if priced on a stand-alone basis.

For our cloud and managed service revenues, we generate revenue from two sources: (1) subscription and support services; and (2) professional services and other. Subscription and support revenue includes subscription fees from customers accessing our cloud-based software platform and support fees. Our arrangements with customers do not provide the customer with the right to take possession of the software supporting the cloud-based software platform at any time. Professional services and other revenue include fees from implementation and customization to support customer requirements. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. For the most part, subscription and support agreements are entered into for 12 to 36 months. Generally, most of the professional services components of the arrangements with customers are performed within a year of entering a contract with the customer.

In most instances, revenue from a new customer acquisition is generated under sales agreements with multiple elements, comprised of subscription and support and other professional services. We evaluate each element in a multiple-element arrangement to determine whether it represents a separate unit of accounting. An element constitutes a separate unit of accounting when the delivered item has standalone value and delivery of the undelivered element is probable and within our control.

In determining when to recognize revenue from a customer arrangement, we are often required to exercise judgment regarding the application of our accounting policies to a particular arrangement. The primary judgments used in evaluating revenue recognized in each period involve: determining whether collection is probable, assessing whether the fee is fixed or determinable, and determining the fair value of the maintenance and service elements included in multiple-element software arrangements. Such judgments can materially impact the amount of revenue that we record in a given period. While we follow specific and detailed rules and guidelines related to revenue recognition, we make and use significant management judgments and estimates in connection with the revenue recognized in any reporting period, particularly in the areas described above. If management made different estimates or judgments, material differences in the timing of the recognition of revenue could occur.

Allowance for Doubtful Accounts

We recognize revenue for products and services only in those situations where collection from the customer is probable. We perform ongoing credit evaluations of customers' financial condition but generally do not require collateral. For some international customers, we may require an irrevocable letter of credit to be issued by the customer before the purchase order is accepted. We monitor payments from customers and assess any collection issues. We maintain allowances for specific doubtful accounts and other risk categories of accounts based on estimates of losses resulting from the inability of our customers to make required payments and record these allowances as a charge to general and administrative expenses in our consolidated statements of operations and comprehensive loss. We base our allowances for doubtful accounts on historical collections and write-off experience, current trends, credit assessments, and other analysis of specific customer situations. While such credit losses have historically been within our expectations and the allowances established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. If the financial condition of our customers were to change, additional allowances may be required or established allowances may be considered unnecessary. Judgment is required in making these determinations and our failure to accurately estimate the losses for doubtful accounts and ensure that payments are received on a timely basis could have a material adverse effect on our business, financial condition and results of operations.

Fair Value Measurements

We measure certain financial assets and liabilities at fair value based on valuation techniques using the best information available, which may include quoted market prices, market comparables and discounted cash flow projections. Financial instruments include money market funds, corporate debt investments, asset-backed securities, government-sponsored enterprises and state municipal obligations.

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.

Inventories and Reserves

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Inventories consist primarily of components and subassemblies and finished products held for sale. All our hardware components are purchased from outside vendors. The value of inventories is reviewed quarterly to determine that the carrying value is stated at the lower of cost or net realizable value. We record charges to reduce inventory to its net realizable value when impairment is identified through the quarterly review process. The obsolescence evaluation is based upon assumptions and estimates about future demand and possible alternative uses and involves significant judgments.

Accounting for Business Combinations

We apply the acquisition method of accounting for business combinations, including our acquisitions of Timeline Labs on February 2, 2015 and DCC Labs on May 5, 2016. Under this method of accounting, we are required to record the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. Determining these fair values and completing the purchase price allocation process requires management to make significant estimates and assumptions, especially at acquisition date with respect to intangible assets, estimated contingent consideration payments and pre-acquisition contingencies. Any excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Although we believe the assumptions and estimates we have made have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired company and are inherently uncertain. Examples of critical estimates in accounting for acquisitions include but are not limited to:

- the estimated fair value of acquisition-related contingent consideration, which is calculated using a probability-weighted discounted cash flow model based upon the forecasted achievement of post-acquisition bookings targets;
- the future expected cash flows from product sales, support agreements, consulting contracts, other customer contracts and acquired developed technologies and patents; and
- the relevant discount rates.

Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Additionally, any change in the fair value of the acquisition-related contingent consideration once determined, including changes from events after the acquisition date, such as changes in our estimate of the bookings that are expected to be achieved, will be recognized in earnings in the period of the estimated fair value change. A change in fair value of the acquisition-related contingent consideration could have a material effect on the consolidated statements of operations and comprehensive loss and statement of financial position in the period of the change in estimate.

Acquired Intangible Assets and Goodwill

Acquired Intangible Assets

We use significant judgment in determining the fair value of acquired intangible assets, whether the assets are amortizable or non-amortizable and the period and method by which the intangible asset will be amortized. Intangible assets include customer contracts, completed technology, non-compete agreements, trademarks, backlogs and patents. We engage third-party valuation specialists to assist us with the initial measurement of the fair value of acquired intangible assets. Acquired intangible assets, other than goodwill, are amortized on a straight-line basis over their estimated useful lives during the period the economic benefits of the intangible asset are consumed or otherwise used up. We review definite-lived intangible assets for impairment when indication of a potential impairment exists. As of January 31, 2016, we impaired $5.2 million of intangible assets relating to our February 2015 acquisition of Timeline Labs as the result of our decision to enter a restructuring plan relating to the Timeline Labs operations that included the winding down of the operations.

Goodwill

In connection with acquisitions of businesses, we recognize the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired as goodwill. Goodwill is not amortized, but is evaluated for impairment at least annually, in our third quarter beginning August 1st, or more frequently if indicators are present or changes in circumstances suggest that an impairment exists. The process of evaluating goodwill for impairment requires several judgments and assumptions to be made to determine the fair value, 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 the 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 situation depends on the facts and circumstances.

In evaluating goodwill for impairment, we chose to use the market approach and the income approach to determine the fair value. 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 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 expenses through the end of fiscal 2017. We estimated the operating expenses based on a rate consistent with the current experience and estimated revenue growth over the next five years. Future adverse changes in market conditions or poor operating results could result in losses, thereby possibly requiring an impairment charge in the future.

In the second quarter of fiscal 2017, triggering events prompted us to perform “Step 1” of the goodwill impairment test. The triggering events included a sustained decrease in our stock price during the period, the withdrawal of the permanent reinvestment assertion on earnings generated by our Irish operations (see Note 12, *“Income Taxes”* to this Form 10-K for more information) and a decline in actual revenue for the quarter compared to projected amounts, which was previously reported in a Current Report on Form 8-K furnished to the SEC on August 23, 2016. The outcome of that preliminary “Step 1” analysis revealed that as of July 31, 2016, the fair value of the net assets exceeded its carrying value by a range of $15.4 million to $25.0 million, or 15.0% to 24.4% of the carrying value of the reporting unit’s net assets.

During our fiscal 2017 annual impairment test, we determined based on “Step 1” that the fair value of our reporting unit was less than its carrying value, which was $102.5 million at August 1, 2016. The comparison of estimated fair value to the carrying value of our reporting unit ranged from a shortfall of approximately $23.0 million to $14.5 million. Since the estimated fair value of our reporting unit was less than its carrying value, we determined that it was necessary to perform “Step 2” of the impairment test. In “Step 2” of the impairment test we compared the implied fair value of our goodwill to its carrying value. After adjusting the carrying value of all assets, liabilities and equity to fair value at August 1, 2016, the estimated implied fair value of goodwill was calculated to be $22.3 million. Since the implied fair value of goodwill of $22.3 million is less than the carrying value of $45.8 million as of August 1, 2016, we recorded an impairment charge of $23.5 million to loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss, consistent with the estimated range for impairment loss we previously reported in our Form 10-Q for the period ended July 31, 2016.

As of January 31, 2016, we impaired $15.8 million of goodwill relating to our February 2015 acquisition of Timeline Labs as the result of our decision to enter a restructuring plan relating to the Timeline Labs operations that may include a winding down of the operations. The amount of goodwill impaired represented all the goodwill that resulted from this acquisition due to the short duration of time between the acquisition and the event causing us to impair the asset. Because of this decision, which we consider to be a triggering event, we were required to perform an analysis of our remaining goodwill. The results of this analysis determined that there was no further impairment to our goodwill during the fourth quarter of fiscal 2016.

Long-Lived Assets

We review property and equipment, investments and other long-lived assets on a regular basis for impairment when indication of potential impairment exists. If such circumstances exist, we evaluate the carrying value of long-lived assets to determine if impairment exists based upon estimated undiscounted future cash flows over the remaining useful life of the assets and compare that value to the carrying value of the assets. Our cash flow estimates contain management's best estimates, using appropriate and customary assumptions and projections at the time.

Internal Use Software

Certain costs incurred in the application development phase of software development for internal use are capitalized and amortized over the product's estimated useful life, which is three years. The Company expenses all costs incurred that relate to planning and post implementation phases of development. Capitalized costs related to internally developed software under development are treated as construction in progress until the technology is available for intended use, at which time the amortization commences. Capitalized internally developed software costs were $2.7 million as of January 31, 2017. Maintenance and training costs are expensed as incurred. As of January 31, 2016, because of our decision to enter a restructuring plan relating to the Timeline Labs operations, which we consider to be a triggering event for impairment testing of long-lived assets, we impaired $0.9 million of internal use software.

Software Development Costs

We also purchase software for resale and capitalize those costs associated with projects that meet technological feasibility. Amortization expense of capitalized software is recorded over the period of economic consumption or the life of the agreement, whichever results in the higher expense, starting with the first shipment of the product to a customer. Amortization expense of capitalized software was $1.0 million and $0.1 million in fiscal 2017 and fiscal 2016, respectively, and immaterial for fiscal 2015.

Accounting for Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized directly within equity or in other comprehensive loss. Income taxes payable, which is included in other accrued expenses in our consolidated balance sheets, is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially-enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized, using the balance sheet method, for the expected tax consequences of temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially-enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the countries where the deferred tax assets originated and during the periods when the deferred tax assets become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

We operate in multiple jurisdictions with complex tax policy and regulatory environments. In certain of these jurisdictions, we may take tax positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority. These interpretational differences with the respective governmental taxing authorities can be impacted by the local economic and fiscal environment. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. We review these tax uncertainties in light of changing facts and circumstances, such as the progress of tax audits, and adjust them accordingly.

Because there are several estimates and assumptions inherent in calculating the various components of our tax provision, certain changes or future events such as changes in tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans could have an impact on those estimates and our effective tax rate.

Stock-based Compensation

We account for all employee and non-employee director stock-based compensation awards using the authoritative guidance regarding share-based payments. We continue to use the Black-Scholes pricing model as we feel it is the most appropriate method for determining the estimated fair value of the non-market-based awards. We also use the Monte Carlo pricing model for our market-based option awards and performance stock units ("PSUs"). Determining the appropriate fair value model and calculating the fair value of share-based payment awards requires the input of highly subjective assumptions, including the expected life of the share-based payment awards and stock price volatility. Management estimates the volatility based on the historical volatility of our stock. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if circumstances change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period. The estimated fair value of our market-based awards, less expected forfeitures, is amortized over the awards' vesting period on a graded vesting basis, whereas the fair value of non-market-based awards and employee stock purchase plan ("ESPP") stock units, less estimated forfeitures, are amortized on a straight-line basis.

Foreign Currency Translation

For subsidiaries where the U.S. dollar is designated as the functional currency of the entity, we translate that entity's monetary assets and liabilities denominated in local currencies into U.S. dollars (the functional and reporting currency) at current exchange rates, as of each balance sheet date. Non-monetary assets (e.g., inventories, property and equipment and intangible assets) and related income statement accounts (e.g., cost of sales, depreciation, amortization of intangible assets) are translated at historical exchange rates between the functional currency (the U.S. dollar) and the local currency. Revenue and other expense items are translated using average exchange rates during the fiscal period. Translation adjustments resulting from translation of the subsidiaries' accounts are included in accumulated other comprehensive loss, a separate component of stockholders' equity. Gains and losses resulting from foreign currency transactions, and any unrealized gains and losses on short-term intercompany transactions are included in other expenses, net on our consolidated statements of operations and comprehensive loss.

For subsidiaries where the local currency is designated as the functional currency, we translate the subsidiaries' assets and liabilities into U.S. dollars (the reporting currency) at current exchange rates as of each balance sheet date. Revenue and expense items are translated using average exchange rates during the period. Cumulative translation adjustments are presented as a separate component of stockholders' equity. Exchange gains and losses on foreign currency transactions and unrealized gains and losses on short-term intercompany transactions are included in other expenses, net on our consolidated statements of operations and comprehensive loss.

The aggregate foreign exchange transaction losses included as other expenses, net, on our consolidated statements of operations and comprehensive loss was $2.1 million, $0.7 million and $2.3 million for the years ended January 31, 2017, 2016 and 2015, respectively.

Recent Accounting Pronouncements

Recently Issued Accounting Standards Updates—Not Yet Adopted

We consider the applicability and impact of all ASUs. 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.

Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board ("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. In July 2015, the FASB deferred the effective date of this guidance to annual reporting periods beginning after December 15, 2017, which would be our fiscal 2019 reporting period. Early adoption is permitted.

Subsequently, the FASB issued ASUs in 2016 containing implementation guidance related to ASU 2014-09. In March 2016, the FASB issued ASU 2016-08, *"Principal versus Agent Considerations (Reporting Revenue Gross versus Net),"* which finalizes its amendments to the guidance in the new revenue standard on assessing whether an entity is a principal or an agent in a revenue transaction. This conclusion impacts whether an entity reports revenue on a gross or net basis. In April 2016, the FASB issued ASU 2016-08 *"Identifying Performance Obligations and Licensing,"* which finalizes its amendments to the guidance in the new revenue standard regarding the identification of performance obligations and accounting for the license of intellectual property. And in May 2016, the FASB issued ASU 2016-12, *"Narrow-Scope Improvements and Practical Expedients"* which finalizes its amendments to the guidance in the new revenue standard on collectability, noncash consideration, presentation of sales tax, and transition. The amendments are intended to make the guidance more operable and lead to more consistent application. The amendments have the same effective date and transition requirements as the new revenue recognition standard. We are continuing to evaluate what impact future adoption of this guidance will have on our consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, *"Leases (Topic 842)."* ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability for operating leases with terms over twelve months, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. It also requires lessees to classify leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. ASU 2016-02 is effective for us in the first quarter of fiscal 2020. Early adoption is permitted. We are currently evaluating what impact the adoption of this update will have on our consolidated financial statements.

Stock Compensation

In March 2016, the FASB issued ASU 2016-09, *"Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting."* ASU 2016-09 is intended to simplify several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statements of cash flows. ASU 2016-09 is effective for us in the first quarter of fiscal 2018. Early adoption is permitted.

The new standard requires prospective recognition of excess tax benefits and deficiencies resulting from the vesting and exercise of stock awards in the income statement. Previously, these amounts were recognized in additional paid-in-capital. In addition, ASU 2016-09 requires excess tax benefits and deficiencies to be prospectively excluded from the assumed future proceeds in the calculation of diluted shares and to be reported as operating activities in the consolidated statements of cash flows where they were previously reported in financing activities. We have excess tax benefits of $1.8 million that will increase the deferred tax assets related to our various tax attribute carryforwards when the new guidance is adopted. We expect a corresponding increase to our valuation allowance, consistent with our existing valuation allowance assessment.

Once we adopt this guidance, we will elect to continue to estimate the number of stock-based awards expected to vest, as permitted by ASU 2016-09, rather than electing to account for forfeitures as they occur.

This ASU requires that employee taxes paid when an employer withholds shares for tax-withholding purposes be reported as financing activities in the consolidated statements of cash flows. Previously, these cash flows were included in operating activities. This change was required to be applied on a retrospective basis. We are currently evaluating this piece of the guidance and will plan to make the appropriate changes to the statements of cash flows on a retrospective basis in the first quarter of fiscal 2018.

Cash Flow Statement

In August 2016, the FASB issued ASU 2016-15, *"Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,"* ASU 2016-15 provides guidance on the classification of certain cash receipts and payments in the statement of cash flows where diversity in practice exists. The guidance is effective for interim and annual periods beginning in our first quarter of fiscal 2019, and early adoption is permitted. ASU 2016-15 must be applied retrospectively to all periods presented but may be applied prospectively if retrospective application would be impracticable. We are currently evaluating what impact the adoption of this update will have on our consolidated financial statements.

In November, 2016, the FASB issued ASU 2016-18, *"Statement of Cash Flows (Topic 230): Restricted Cash."* ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning and ending balances shown on the statement of cash flows. The guidance is effective for us in the first quarter of fiscal 2019 and early adoption is permitted. ASU 2016-18 must be applied retrospectively to all periods presented. We are currently evaluating what impact the adoption of this update will have on our consolidated financial statements.

Intangibles-Goodwill and Other

In January 2017, the FASB issued ASU 2017-04, *"Intangibles-Goodwill and Other (Topic 350),* which simplifies the subsequent measurement of goodwill by removing "Step 2" of the two-step impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance is effective for us beginning in the first quarter of fiscal 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating what impact the adoption of this update will have on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Rate 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 their respective 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.

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. For fiscal 2017 we recorded approximately $2.1 million in losses due to the international subsidiary translations and cash settlements of revenues and expenses.

A substantial portion of our earnings are generated by our foreign subsidiaries whose functional currency are other than the U.S. dollar. Therefore, our earnings could be materially impacted by movements in foreign currency exchange rates upon the translation of the subsidiary's earnings into the U.S. dollar. If the U.S. dollar had strengthened by 10% compared to the Euro, our total revenues would have decreased by $3.0 million and would not have a material impact on operations.

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. 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 securities prior to stated maturity. Given the short maturities and investment grade quality of the portfolio holdings at January 31, 2017, a hypothetical 10% adverse movement in interest rates should not have a material adverse impact on the fair value of our investment portfolio.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to the Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
SeaChange International, Inc.

We have audited the accompanying consolidated balance sheets of SeaChange International, Inc. (a Delaware corporation) and subsidiaries (the "Company") as of January 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, cash flows and changes in stockholders' equity for each of the three years in the period ended January 31, 2017. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). We also have audited the Company's internal control over financial reporting as of January 31, 2017, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

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

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

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

A material weakness is a deficiency, or combination of control deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment.

Management disclosed material weaknesses over the effectiveness of controls related to the design of controls around certain professional services revenue recognition and deferred revenue processes and the journal entry review process at an international subsidiary. In addition, management identified an ineffective control related to currency translation adjustments arising from intercompany notes.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SeaChange International, Inc. and subsidiaries as of January 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. The material weaknesses identified above were considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements, and does not affect this report which expresses an unqualified opinion on those financial statements. Also in our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of January 31, 2017, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

/s/ GRANT THORNTON LLP

Boston, Massachusetts
April 17, 2017

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

	January 31, 2017	January 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 28,302	$ 58,733
Restricted cash	109	82
Marketable securities	5,253	1,504
Accounts and other receivables, net of allowance for doubtful accounts of $876 and $415 at January 31, 2017 and January 31, 2016, respectively	25,985	26,331
Unbilled receivables	6,553	10,680
Inventories, net	770	1,682
Prepaid expenses and other current assets	2,393	3,827
Total current assets	69,365	102,839
Property and equipment, net	11,485	14,129
Marketable securities, long-term	4,991	10,764
Investments in affiliates	2,000	2,500
Intangible assets, net	2,603	4,126
Goodwill, net	23,287	40,175
Other assets	2,336	3,136
Total assets	$ 116,067	$177,669
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,978	$ 6,132
Deferred stock consideration	—	3,205
Deferred revenues	12,517	16,201
Other accrued expenses	9,928	17,414
Total current liabilities	27,423	42,952
Deferred revenues, long-term	2,419	1,209
Taxes payable, long-term	1,427	1,389
Deferred tax liabilities, long-term	14,732	—
Other liabilities, long-term	530	1,101
Total liabilities	46,531	46,651
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, $0.01 par value; 100,000,000 shares authorized; 35,339,232 shares issued and 35,298,742 outstanding at January 31, 2017, and 33,818,777 shares issued and 33,778,871 outstanding at January 31, 2016	353	338
Additional paid-in capital	236,677	228,164
Treasury stock, at cost; 40,490 and 39,906 common shares at January 31, 2017 and January 31, 2016, respectively	(5)	(2)
Accumulated loss	(162,118)	(90,869)
Accumulated other comprehensive loss	(5,371)	(6,613)
Total stockholders' equity	69,536	131,018
Total liabilities and stockholders' equity	$ 116,067	$177,669

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

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

	For the Fiscal Years Ended January 31,		
	2017	2016	2015
Revenues:			
Products	$ 18,205	$ 21,896	$ 31,507
Services	65,590	85,096	83,928
Total revenues	83,795	106,992	115,435
Cost of revenues:			
Products	6,453	6,013	8,845
Services	37,865	44,159	48,272
Provision for loss contract	(4,118)	9,162	—
Amortization of intangible assets	1,283	739	1,070
Stock-based compensation expense	132	80	141
Total cost of revenues	41,615	60,153	58,328
Gross profit	42,180	46,839	57,107
Operating expenses:			
Research and development	30,093	33,696	42,169
Selling and marketing	14,033	15,197	13,920
General and administrative	16,173	15,470	16,014
Amortization of intangible assets	2,019	4,041	4,084
Stock-based compensation expense	2,489	3,472	3,079
Earn-outs and change in fair value of earn-outs	249	—	—
Professional fees—other	347	637	671
Severance and other restructuring costs	7,151	1,061	3,623
Loss on impairment of long-lived assets	23,772	21,464	—
Total operating expenses	96,326	95,038	83,560
Loss from operations	(54,146)	(48,199)	(26,453)
Other expenses, net	(1,972)	(523)	(2,161)
Loss on investment in affiliates	(500)	(31)	—
Loss from continuing operations before income taxes and equity income in earnings of affiliates	(56,618)	(48,753)	(28,614)
Income tax provision (benefit)	14,631	(1,029)	(1,106)
Equity income in earnings of affiliates, net of tax	—	27	19
Loss from continuing operations	(71,249)	(47,697)	(27,489)
Income from discontinued operations, net of tax	—	—	5
Net loss	$(71,249)	$ (47,697)	$ (27,484)
Net loss	$(71,249)	$ (47,697)	$ (27,484)
Other comprehensive loss, net of tax:			
Foreign currency translation adjustment	1,267	(847)	(3,647)
Unrealized (loss) gain on marketable securities(1)	(25)	(12)	25
Comprehensive loss	$(70,007)	$ (48,556)	$ (31,106)

	For the Fiscal Years Ended January 31,		
	2017	2016	2015
Net loss per share:			
Basic	$ (2.04)	$ (1.42)	$ (0.84)
Diluted	$ (2.04)	$ (1.42)	$ (0.84)
Net loss per share from continuing operations:			
Basic	$ (2.04)	$ (1.42)	$ (0.84)
Diluted	$ (2.04)	$ (1.42)	$ (0.84)
Net income (loss) per share from discontinued operations:			
Basic	$ —	$ —	$ 0.00
Diluted	$ —	$ —	$ 0.00
Weighted average common shares outstanding:			
Basic	34,970	33,506	32,772
Diluted	34,970	33,506	32,772

(1) Tax amounts for all periods were not significant

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

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

	For the Fiscal Years Ended January 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net loss	$(71,249)	$(47,697)	$ (27,484)
Net income from discontinued operations	—	—	(5)
Adjustments to reconcile net loss to net cash used in continuing operating activities:			
Depreciation and amortization of property and equipment	2,953	3,380	3,683
Provision for loss contract	(4,118)	9,162	—
Amortization of intangible assets	3,302	4,780	5,154
Provision for bad debts	597	58	80
Stock-based compensation expense	2,621	3,552	3,220
Deferred income taxes	14,676	(985)	(372)
Loss on impairment of long-lived assets	23,772	21,464	—
Other non-cash reconciling items, net	1,121	139	432
Changes in operating assets and liabilities, excluding impact of acquisitions:			
Accounts receivable	42	(1,721)	3,567
Unbilled receivables	4,694	(4,359)	(1,993)
Inventories	806	(937)	3,183
Prepaid expenses and other assets	1,378	(1,097)	1,570
Accounts payable	(1,674)	874	(1,619)
Accrued expenses	(5,055)	(2,713)	1,650
Deferred revenues	(2,417)	(1,431)	(5,699)
Other operating activities	30	(1,132)	1,289
Net cash used in operating activities from continuing operations	(28,521)	(18,663)	(13,344)
Net cash provided by operating activities from discontinued operations	—	—	5
Total cash used in operating activities	(28,521)	(18,663)	(13,339)
Cash flows from investing activities:			
Purchases of property and equipment	(683)	(1,397)	(1,873)
Investment in capitalized software	—	(2,440)	—
Purchases of marketable securities	(2,008)	(9,033)	(9,193)
Proceeds from sale and maturity of marketable securities	4,005	11,043	7,181
Proceeds from (purchase of) cost method investments, net	—	464	(2,000)
Acquisition of businesses and payment of contingent consideration, net of cash acquired	(5,243)	(11,686)	—
Advance for TLL, LLC acquisition	—	—	(2,500)
Other investing activities	30	(79)	229
Total cash used in investing activities	(3,899)	(13,128)	(8,156)
Cash flows from financing activities:			
Proceeds from issuance of common stock	60	193	—
Repurchase of our common stock	—	—	(5,504)
Total cash provided by (used in) financing activities	60	193	(5,504)

	For the Fiscal Years Ended January 31,		
	2017	2016	2015
Effect of exchange rate changes on cash	1,929	312	1,284
Net decrease in cash and cash equivalents	(30,431)	(31,286)	(25,715)
Cash and cash equivalents, beginning of period	58,733	90,019	115,734
Cash and cash equivalents, end of period	$ 28,302	$ 58,733	$ 90,019
Supplemental disclosure of cash flow information:			
Income taxes paid	$ 178	$ 640	$ 671
Interest paid	$ 6	$ 6	$ 6
Supplemental disclosure of non-cash investing and financing activities:			
Fair value of common stock issued for acquisition of DCC Labs	$ 2,640	$ —	$ —
Fair value of common stock issued for acquisition of TLL, LLC	$ —	$ 3,019	$ —
Fair value of common stock issued for deferred stock consideration obligation	$ 3,452	$ 1,754	$ —
Transfer of items originally classified as inventories to equipment	$ 24	$ 532	$ 474

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

SEACHANGE INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in thousands, except share amounts)

	Common Stock				Accumulated Other Comprehensive Income (Loss)		Treasury Stock		
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Cumulative Translation Adjustment	Unrealized Gain/Loss on Investments	Number of Shares	Amount	Total Stockholders' Equity
Balance at January 31, 2014	33,037,671	$330	$221,932	$ (15,688)	$(2,150)	$ 18	(39,784)	$ (1)	$204,441
Issuance of common stock pursuant to vesting of restricted stock units	287,485	3	(3)	—	—	—	—	—	—
Purchase of treasury shares	—	—	(5,498)	—	—	—	(591,520)	—	(5,498)
Retirement of shares	(591,520)	(6)	—	—	—	—	591,520	—	(6)
Stock-based compensation expense	—	—	3,220	—	—	—	—	—	3,220
Change in fair value on marketable securities	—	—	—	—	—	25	—	—	25
Translation adjustment	—	—	—	—	(3,647)	—	—	—	(3,647)
Net loss	—	—	—	(27,484)	—	—	—	—	(27,484)
Balance at January 31, 2015	32,733,636	327	219,651	(43,172)	(5,797)	43	(39,784)	(1)	171,051
Issuance of common stock pursuant to exercise of stock options	28,740	—	193	—	—	—	—	—	193
Issuance of common stock pursuant to vesting of restricted stock units	278,544	3	(3)	—	—	—	—	—	—
Issuance of common stock pursuant to the TLL, LLC acquisition	777,857	8	4,771	—	—	—	—	—	4,779
Purchase of treasury shares	—	—	—	—	—	—	(122)	(1)	(1)
Stock-based compensation expense	—	—	3,552	—	—	—	—	—	3,552
Change in fair value on marketable securities	—	—	—	—	—	(12)	—	—	(12)
Translation adjustment	—	—	—	—	(847)	—	—	—	(847)
Net loss	—	—	—	(47,697)	—	—	—	—	(47,697)
Balance at January 31, 2016	33,818,777	338	228,164	(90,869)	(6,644)	31	(39,906)	(2)	131,018
Issuance of common stock pursuant to vesting of restricted stock units	208,474	2	—	—	—	—	—	—	2
Issuance of common stock pursuant to the TLL, LLC acquisition	542,274	5	3,198	—	—	—	—	—	3,203
Issuance of common stock pursuant to TLL purchase adjustment mechanism	70,473	1	248	—	—	—	—	—	249
Issuance of commons stock pursuant to the acquisition of DCC Labs	681,278	7	2,633	—	—	—	—	—	2,640
Issuance of common stock pursuant to ESPP purchases	17,956	—	61	—	—	—	—	—	61
Purchase of treasury shares	—	—	—	—	—	—	(584)	(3)	(3)
Stock-based compensation expense	—	—	2,621	—	—	—	—	—	2,621
Fiscal 2016 compensation paid in restricted stock units	—	—	(248)	—	—	—	—	—	(248)
Change in fair value on marketable securities	—	—	—	—	—	(25)	—	—	(25)
Translation adjustment	—	—	—	—	1,267	—	—	—	1,267
Net loss	—	—	—	(71,249)	—	—	—	—	(71,249)
Balance at January 31, 2017	35,339,232	$353	$236,677	$(162,118)	$(5,377)	$ 6	(40,490)	$ (5)	$ 69,536

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

SEACHANGE INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

We are an industry leader in the delivery of multiscreen video, advertising and premium over-the-top ("OTT") video. Our products and services facilitate the aggregation, licensing, management and distribution of video and advertising content to cable television system operators, telecommunications companies, satellite operators and media companies.

2. Summary of Significant Accounting Policies

Significant accounting policies followed in the preparation of the accompanying consolidated financial statements are as follows:

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). We consolidate the financial statements of our wholly-owned subsidiaries and all intercompany transactions and account balances have been eliminated in consolidation. We have reclassified certain prior period data to conform to our current fiscal year presentation.

We also hold minority investments in the capital stock of certain private companies having product offerings or customer relationships that have strategic importance. We evaluate our equity and debt investments and other contractual relationships with affiliate companies to determine whether the guidelines regarding the consolidation of variable interest entities ("VIEs") should be applied in the financial statements. We use qualitative analysis to determine whether or not we are the primary beneficiary of a VIE. We consider the rights and obligations conveyed by the implicit and explicit variable interest in each VIE and the relationship of these with the variable interests held by other parties to determine whether its variable interests will absorb most of a VIEs expected losses, receive most of its expected residual returns, or both. If we determine that our variable interests will absorb most of the VIEs expected losses, receive most of their expected residual returns, or both, we consolidate the VIE as the primary beneficiary, and if not, it is not consolidated. We have concluded that we are not the primary beneficiary for any VIEs during fiscal 2016.

The Company believes that existing funds 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 the future, we may enter into other arrangements for potential investments in, or acquisitions of, complementary businesses, services or technologies, which could require us to seek additional equity or debt financing. Additional funds may not be available on terms that are favorable.

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.

In the second quarter of fiscal 2017, following a review of our operations, liquidity and funding, and investment in our product roadmap, we determined that the ability to access cash resulting from earnings in prior fiscal years that had previously been deemed permanently restricted for foreign investment would provide greater flexibility to meet the Company's working capital needs. Accordingly, in the second quarter of fiscal 2017, we withdrew the permanent reinvestment assertion on $58.6 million of earnings generated by our Irish operations through July 2016. We recorded a deferred tax liability of $14.7 million related to the foreign income taxes on $58.6 million of undistributed earnings.

Use of Estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates and judgments, including those related to the timing and amounts of revenue recognition, valuation of inventory, collectability of accounts receivable, valuation of investments and income taxes, assumptions used to determine stock-based compensation, valuation of goodwill and intangible assets and related amortization. Management bases these estimates on historical and anticipated results and trends and on various other assumptions that management believes are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from management's estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and on deposit and highly liquid investments in money market mutual funds, government sponsored enterprise obligations, treasury bills, commercial paper and other money market securities with remaining maturities at date of purchase of 90 days or less. All cash equivalents are carried at cost, which approximates fair value.

Marketable Securities

We account for investments in accordance with authoritative guidance that defines investment classifications. We determine the appropriate classification of debt securities at the time of purchase and reevaluate such designation as of each balance sheet date. Our investment portfolio consists primarily of money market funds, U.S. treasury notes or bonds and U.S. government agency bonds at January 31, 2017 and 2016, but can consist of corporate debt investments, asset-backed securities and government-sponsored enterprises. 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. 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 in other expenses, net.

We evaluate our investments on a regular basis to determine whether an other-than-temporary decline in fair value has occurred. This evaluation consists of a review of several factors, including, but not limited to: the length of time and extent that an investment has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; and our intent and ability to hold an investment for a period of time sufficient to allow for any anticipated recovery in fair value. Declines in value below cost for investments where it is considered probable that all contractual terms of the investment will be satisfied, are due primarily to changes in interest rates, and where the company has the intent and ability to hold the investment for a period sufficient to allow a market recovery, are not assumed to be other-than-temporary. Any other-than-temporary declines in fair value are recorded in earnings and a new cost basis for the investment is established.

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 after 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. The fair value measurements of the contingent consideration obligations related to our business acquisitions are valued using Level 3 inputs.

Valuation Techniques

Inputs to valuation techniques are observable and unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. 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 assets 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.

Concentration of Credit Risk

Financial instruments which potentially expose us to concentrations of credit risk include cash equivalents, investments in treasury bills, certificates of deposits and commercial paper, trade accounts receivable, accounts payable and accrued liabilities. We have cash investment policies which, among other things, limit investments to investment-grade securities. We restrict our cash equivalents and investments in marketable securities to repurchase agreements with major banks and U.S. government and corporate securities which are subject to minimal credit and market risk. We perform ongoing credit evaluations of our customers. As of January 31, 2017, two customers represented more than 10% of consolidated accounts receivable while as of January 31, 2016, one customer did. For fiscal 2017, one customer accounted for more than 10% of our total revenue compared to two customers accounting for more than 10% of our total revenue in fiscal 2016 and 2015.

Accounts Receivable and Allowances for Doubtful Accounts

For trade accounts receivable, we evaluate customers' financial condition, require advance payments from certain of our customers and maintain reserves for potential credit losses. We perform ongoing credit evaluations of customers' financial condition but generally do not require collateral. For some international customers, we may require an irrevocable letter of credit to be issued by the customer before the purchase order is accepted. We monitor payments from customers and assess any collection issues. We maintain an allowance for specific doubtful accounts for estimated losses resulting from the inability of our customers to make required payments and record these allowances as a charge to general and administrative expenses in our consolidated statements of operations and comprehensive loss. We base our allowances for doubtful accounts on historical collections and write-off experience, current trends, credit assessments, and other analysis of specific customer situations. At January 31, 2017, we had an allowance for doubtful accounts of $0.9 to provide for potential credit losses. Our allowance for doubtful accounts was $0.4 million at January 31, 2016. We charge off trade accounts receivables against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Recoveries of trade receivables previously charged off are recorded when received.

Inventory Valuation

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Inventories consist primarily of components and subassemblies and finished products held for sale. The values of inventories are reviewed quarterly to determine that the carrying value is stated at the lower of cost or net realizable value. We record charges to reduce inventory to its net realizable value when impairment is identified through a quarterly review process. The obsolescence evaluation is based upon assumptions and estimates about future demand, or possible alternative uses and involves significant judgments.

Property and Equipment

Property and equipment consists of land and buildings, office and computer equipment, leasehold improvements, demonstration equipment, deployed assets and spare components and assemblies used to service our installed base. Property and equipment are recorded at cost, net of accumulated depreciation and amortization, and are depreciated over their estimated useful lives. Determining the useful lives of property and equipment requires us to make significant judgments that can materially impact our operating results. If our estimates require adjustment, it could have a material impact on our reported results.

Demonstration equipment consists of systems manufactured by us for use in marketing and selling activities. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the respective leases using the straight-line method. Deployed assets consist of movie systems owned and manufactured by us that are installed in a hotel environment. Deployed assets are depreciated over the life of the related service agreements. Capitalized service and spare components are depreciated over the estimated useful lives using the straight-line method. Maintenance and repair costs are expensed as incurred.

Generally, property and equipment include assets in service. Fully depreciated assets remaining in service along with related accumulated depreciation are not removed from the balance sheet until the corresponding asset is removed from service either through a retirement or sale. Upon retirement or sale of an asset or asset group, the cost of the assets disposed of and the related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is recognized in other expenses, net in our consolidated statements of operations and comprehensive loss.

Investments in Affiliates

Our investments in affiliates include investments accounted for under the cost method of accounting as the investments represent less than a 20% ownership interest of the common shares of the affiliate.

We periodically review indicators of the fair value of our investments in affiliates to assess whether available facts or circumstances, both internally and externally, may suggest an other-than-temporary decline in the value of the investment. If we determine that an other-than-temporary impairment has occurred, we will write-down the investment to its fair value. The carrying value of an investment in an affiliate accounted for under the cost method of accounting may be affected by the affiliate's ability to obtain adequate funding and execute its business plans, general market conditions, its current cash position, earnings and cash flow forecasts, recent operational performance, and any other readily available data. We record an impairment charge when we believe an investment has experienced a decline in value that is other-than-temporary. In January 2017, we recorded a $0.5 million impairment charge to loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss for one of our cost-method investments as we determined that the fair value of the investment was below its carrying value and that the carrying value was not expected to be recoverable within a reasonable amount of time (see Note 3, *"Fair Value Measurements"* to this Form 10-K for more information).

Intangible Assets and Goodwill

Intangible assets consist of customer contracts, completed technology, non-compete agreements, trademarks, backlogs and patents. The intangible assets are amortized to cost of sales and operating expenses, as appropriate, on a straight-line or accelerated basis, using the economic consumption life basis, to reflect the period that the assets will be consumed, which are:

Intangible assets with finite useful lives:	
Customer contracts	1 - 8 years
Non-compete agreements	2 - 3 years
Completed technology	4 - 6 years
Trademarks, patents and other	5 - 7 years

Certain costs incurred in the application development phase of software development for internal use are capitalized and amortized over the product's estimated useful life, which is three years. The Company expenses all costs incurred that relate to planning and post implementation phases of development. Capitalized costs related to internally developed software under development are treated as construction in progress until the technology is available for intended use, at which time the amortization commences. Capitalized internally developed software costs were $2.7 million as of January 31, 2017. Maintenance and training costs are expensed as incurred.

Goodwill is recorded when the consideration for an acquisition exceeds the fair value of net tangible and identifiable intangible assets acquired.

Impairment of Assets

Indefinite-lived intangible assets, such as goodwill, are not amortized but are evaluated for impairment at the reporting unit level annually, in our third quarter beginning August 1st. Indefinite-lived intangible assets may be tested for impairment on an interim basis in addition to the annual evaluation if an event occurs or circumstances change such as declines in sales, earnings or cash flows, decline in the Company's stock price, or material adverse changes in the business climate, which would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The process of evaluating indefinite-lived intangible assets for impairment requires several judgments and assumptions to be made to determine the fair value, 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 the 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 also evaluate property and equipment, intangible assets with finite useful lives and other long-lived assets on a regular basis for the existence of facts or circumstances, both internal and external that may suggest an asset is not recoverable. If such circumstances exist, we evaluate the carrying value of long-lived assets to determine if impairment exists based upon estimated undiscounted future cash flows over the remaining useful life of the assets and compare that value to the carrying value of the assets. Our cash flow estimates contain management's best estimates, using appropriate and customary assumptions and projections at the time.

In the third quarter of fiscal 2017, we finalized our "Step 1" analysis of our annual goodwill impairment test. Our forecast indicated that the estimated fair value of net assets may be less than its carrying value which is a potential indicator of impairment. As such, we were required to perform "Step 2" of the impairment test during which we compared the implied fair value of our goodwill to its carrying value. We completed the goodwill impairment testing of our reporting unit during the fourth quarter of fiscal 2017. Since the implied fair value of goodwill was determined to be lower than its carrying value, we recorded an impairment charge of $23.5 million to loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss (see Note 6, *"Goodwill and Intangible Assets"* to this Form 10-K for more information).

In January 2017, after a potential buyer declined to purchase our facility in Greenville, New Hampshire, we determined that the sale of this facility was not imminent due to the location of the building and the overall market conditions in the area. Consequently, we decided to fully impair the facility since we felt the carrying amount was greater than the fair value. As a result, we recorded a $0.3 million loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss.

In the fourth quarter of fiscal 2017, a certain cost-method investment was determined to be impaired and written off. Accordingly, we recorded a $0.5 million impairment charge in January 2017 which is included in loss on investment in affiliates in our consolidated statements of operations and comprehensive loss. The cost-method investment is a privately-held entity without quoted market prices and therefore, falls within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine its fair value. In determining the fair value of this cost-method investment, we considered many factors including, but not limited to, operating performance of the investee, the amount of cash that the investee has on hand and the overall market conditions in which the investee operates.

As of January 31, 2016, the Company reviewed the projected future cash flows of the Timeline Labs operations and determined that the carrying amount was greater than the fair value. As a result, all long-term assets related to Timeline Labs were fully impaired and reflected as a $21.9 million loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss for the fiscal year ended January 31, 2016 which included: i) $15.8 million relating to the Timeline Labs acquired goodwill, ii) $5.2 million of acquired intangible assets, and iii) $0.9 million of capitalized internal use software. Additionally, we reduced the contingent consideration liability associated with the Timeline Labs acquisition to zero, as we determined the defined performance criteria would not be achieved. Therefore, we recorded the reversal of the liability of $0.4 million to the loss on impairment of long-lived assets. The amount of goodwill impaired represented all the goodwill that resulted from this acquisition due to the short duration of time between the acquisition and the event causing us to impair the assets.

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized directly within equity or in other comprehensive loss. Income taxes payable, which is included in other accrued expenses in our consolidated balance sheets, is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially-enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized, using the balance sheet method, for the expected tax consequences of temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially-enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the countries where the deferred tax assets originated and during the periods when the deferred tax assets become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

We operate in multiple jurisdictions with complex tax policy and regulatory environments. In certain of these jurisdictions, we may take tax positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority. These interpretational differences with the respective governmental taxing authorities can be impacted by the local economic and fiscal environment. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. We review these tax uncertainties in light of changing facts and circumstances, such as the progress of tax audits, and adjust them accordingly.

Because there are several estimates and assumptions inherent in calculating the various components of our tax provision, certain changes or future events such as changes in tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans could have an impact on those estimates and our effective tax rate.

Restructuring

Restructuring charges that we record consist of employee-related severance charges, termination costs and the disposal of related equipment. Restructuring charges represent our best estimate of the associated liability at the date the charges are recognized. Adjustments for changes in assumptions are recorded as a component of operating expenses in the period they become known. Differences between actual and expected charges and changes in assumptions could have a material effect on our restructuring accrual as well as our consolidated results of operations. See Note 7, *"Severance and Other Restructuring Costs,"* to this Form 10-K for more information on the current restructuring plan.

Foreign Currency Translation

For subsidiaries where the U.S. dollar is designated as the functional currency of the entity, we translate that entity's monetary assets and liabilities denominated in local currencies into U.S. dollars (the functional and reporting currency) at current exchange rates, as of each balance sheet date. Non-monetary assets (e.g., inventories, property and equipment and intangible assets) and related income statement accounts (e.g., cost of sales, depreciation, amortization of intangible assets) are translated at historical exchange rates between the functional currency (the U.S. dollar) and the local currency. Revenue and other expense items are translated using average exchange rates during the fiscal period. Translation adjustments resulting from translation of the subsidiaries' accounts are included in accumulated other comprehensive loss, a separate component of stockholders' equity. Gains and losses on foreign currency transactions, and any unrealized gains and losses on short-term intercompany transactions are included in other expenses, net.

For subsidiaries where the local currency is designated as the functional currency, we translate their assets and liabilities into U.S. dollars (the reporting currency) at current exchange rates as of each balance sheet date. Revenue and expense items are translated using average exchange rates during the period. Cumulative translation adjustments are presented as a separate component of stockholders' equity. Exchange gains and losses on foreign currency transactions and unrealized gains and losses on short-term inter-company transactions are included in other expenses, net.

The aggregate foreign exchange transaction losses included in other expenses, net, on the consolidated statements of operations and comprehensive loss, were $2.1 million, $0.7 million and approximately $2.3 million for fiscal 2017, 2016 and 2015, respectively.

Comprehensive Loss

We present accumulated other comprehensive loss in our consolidated balance sheets and comprehensive loss in the consolidated statement of operations and comprehensive loss. At the end of fiscal 2017, 2016 and 2015, our comprehensive loss of $70.0 million, $48.6 million and $31.1 million consists of net loss, cumulative translation adjustments and unrealized gains and losses on marketable securities.

Revenue Recognition

Our transactions frequently involve the sales of hardware, software, systems and services in multiple-element arrangements. Revenues from sales of hardware, software and systems that do not require significant modification or customization of the underlying software are recognized when:

- persuasive evidence of an arrangement exists;
- delivery has occurred, and title and risk of loss have passed to the customer;
- fees are fixed or determinable; and
- collection of the related receivable is considered probable.

Customers are billed for installation, training, project management and at least one year of product maintenance and technical support at the time of the product sale. Revenue from these activities is deferred at the time of the product sale and recognized ratably over the period these services are performed. Revenue from ongoing product maintenance and technical support agreements is recognized ratably over the period of the related agreements. Revenue from software development contracts that include significant modification or customization, including software product enhancements, is recognized based on the percentage of completion contract accounting method using labor efforts expended in relation to estimates of total labor efforts to complete the contract. The percentage of completion method requires that adjustments or re-evaluations to estimated project revenues and costs be recognized on a project-to-date cumulative basis, as changes to the estimates are identified. Revisions to project estimates are made as additional information becomes known, including information that becomes available after the date of the consolidated financial statements up through the date such consolidated financial statements are filed with the SEC. If the final estimated profit to complete a long-term contract indicates a loss, a provision is recorded immediately for the total loss anticipated. Accounting for contract amendments and customer change orders are included in contract accounting when executed. Revenue from shipping and handling costs and other out-of-pocket expenses reimbursed by customers are included in revenues and cost of revenues. Our share of intercompany profits associated with sales and services provided to affiliated companies are eliminated in consolidation in proportion to our equity ownership.

Contract accounting requires judgment relative to assessing risks, estimating revenues and costs and making assumptions including, in the case of our professional services contracts, the total amount of labor required to complete a project and the complexity of the development and other technical work to be completed. Due to the size and nature of many of our contracts, the estimation of total revenues and cost at completion is complicated and subject to many variables. Assumptions must be made regarding the length of time to complete the contract because costs also include estimated third-party vendor and contract labor costs. Penalties related to performance on contracts are considered in estimating sales and profit, and are recorded when there is sufficient information for us to assess anticipated performance. Third-party vendors' assertions are also assessed and considered in estimating costs and margin.

Revenue from the sale of software-only products remains within the scope of the software revenue recognition rules. Maintenance and support, training, consulting, and installation services no longer fall within the scope of the software revenue recognition rules, except when they are sold with and relate to a software-only product. Revenue recognition for products that no longer fall under the scope of the software revenue recognition rules is like that for other tangible products and Accounting Standard Update No. ("ASU") 2009-13, *"Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements,"* amended ASC 605 and is applicable for multiple-deliverable revenue arrangements. ASU 2009-13 allows companies to allocate revenue in a multiple-deliverable arrangement in a manner that better reflects the transaction's economics.

Under the software revenue recognition rules, the fee is allocated to the various elements based on vendor-specific objective evidence ("VSOE") of fair value. Under this method, the total arrangement value is allocated first to undelivered elements based on their fair values, with the remainder being allocated to the delivered elements. Where fair value of undelivered service elements has not been established, the total arrangement value is recognized over the period during which the services are performed. The amounts allocated to undelivered elements, which may include project management, training, installation, maintenance and technical support and certain hardware and software components, are based upon the price charged when these elements are sold separately and unaccompanied by the other elements. The amount allocated to installation, training and project management revenue is based upon standard hourly billing rates and the estimated time necessary to complete the service. These services are not essential to the functionality of systems as these services do not alter the equipment's capabilities, are available from other vendors and the systems are standard products. For multiple-element arrangements that include software development with significant modification or customization and systems sales where VSOE of the fair value does not exist for the undelivered elements of the arrangement (other than maintenance and technical support), percentage of completion accounting is applied for revenue recognition purposes to the entire arrangement except for maintenance and technical support.

Under the revenue recognition rules for tangible products as amended by ASU 2009-13, the fee from a multiple-deliverable arrangement is allocated to each of the deliverables based upon their relative selling prices as determined by a selling-price hierarchy. A deliverable in an arrangement qualifies as a separate unit of accounting if the delivered item has value to the customer on a stand-alone basis. A delivered item that does not qualify as a separate unit of accounting is combined with the other undelivered items in the arrangement and revenue is recognized for those combined deliverables as a single unit of accounting. The selling price used for each deliverable is based upon VSOE if available, third-party evidence ("TPE") if VSOE is not available, and best estimate of selling price ("BESP") if neither VSOE nor TPE are available. TPE is the price of the Company's, or any competitor's, largely interchangeable products or services in stand-alone sales to similarly situated customers. BESP is the price at which we would sell the deliverable if it were sold regularly on a stand-alone basis, considering market conditions and entity-specific factors.

The selling prices used in the relative selling price allocation method for certain of our services are based upon VSOE. The selling prices used in the relative selling price allocation method for third-party products from other vendors are based upon TPE. The selling prices used in the relative selling price allocation method for our hardware products, software, subscriptions, and customized services for which VSOE does not exist are based upon BESP. We do not believe TPE exists for these products and services because they are differentiated from competing products and services in terms of functionality and performance and there are no competing products or services that are largely interchangeable. Management establishes BESP with consideration for market conditions, such as the impact of competition and geographic considerations, and entity-specific factors, such as the cost of the product, discounts provided and profit objectives. Management believes that BESP is reflective of reasonable pricing of that deliverable as if priced on a stand-alone basis.

For our cloud and managed service revenues, we generate revenue from two sources: (1) subscription and support services; and (2) professional services and other. Subscription and support revenue includes subscription fees from customers accessing our cloud-based software platform and support fees. Our arrangements with customers do not provide the customer with the right to take possession of the software supporting the cloud-based software platform at any time. Professional services and other revenue include fees from implementation and customization to support customer requirements. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. For the most part, subscription and support agreements are entered into for 12 to 36 months. Generally, most of the professional services components of the arrangements with customers are performed within a year of entering a contract with the customer.

In most instances, revenue from a new customer acquisition is generated under sales agreements with multiple elements, comprised of subscription and support and other professional services. We evaluate each element in a multiple-element arrangement to determine whether it represents a separate unit of accounting. An element constitutes a separate unit of accounting when the delivered item has standalone value and delivery of the undelivered element is probable and within our control.

In determining when to recognize revenue from a customer arrangement, we are often required to exercise judgment regarding the application of our accounting policies to an arrangement. The primary judgments used in evaluating revenue recognized in each period involve: determining whether collection is probable, assessing whether the fee is fixed or determinable, and determining the fair value of the maintenance and service elements included in multiple-element software arrangements. Such judgments can materially impact the amount of revenue that we record in a given period. While we follow specific and detailed rules and guidelines related to revenue recognition, we make and use significant management judgments and estimates about the revenue recognized in any reporting period, particularly in the areas described above. If management made different estimates or judgments, material differences in the timing of the recognition of revenue could occur.

Stock-based Compensation

We account for all employee and non-employee director stock-based compensation awards using the authoritative guidance regarding share-based payments. We continue to use the Black-Scholes pricing model as we feel it is the most appropriate method for determining the estimated fair value of the non-market-based awards. We also use the Monte Carlo pricing model for our market-based option awards and performance stock units (“PSUs”). Determining the appropriate fair value model and calculating the fair value of share-based payment awards requires the input of highly subjective assumptions, including the expected life of the share-based payment awards and stock price volatility. Management estimates the volatility based on the historical volatility of our stock. The assumptions used in calculating the fair value of share-based payment awards represent management’s best estimates, but these estimates involve inherent uncertainties and the application of management’s judgment. As a result, if circumstances change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period. The estimated fair value of our market-based awards, less expected forfeitures, is amortized over the awards’ vesting period on a graded vesting basis, whereas the fair value of non-market-based awards and employee stock purchase plan (“ESPP”) stock units, less estimated forfeitures, are amortized on a straight-line basis.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs were $0.1 million for fiscal 2017, 2016 and 2015, respectively.

Earnings Per Share

Earnings per share are presented in accordance with authoritative guidance which requires the presentation of "basic" earnings per share and "diluted" earnings per share. Basic earnings 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 potential shares of common stock, such as stock options and restricted stock, calculated using the treasury stock method. For calculating diluted loss per share, we do not include these shares in the denominator because these shares would have an anti-dilutive effect on periods in which we incur a net loss. Certain shares of our common stock have exercise prices in excess of the average market price. These shares are anti-dilutive and are omitted from the calculation of earnings per share. For more information on this see Note 14., *"Net Loss Per Share,"* to this Form 10-K.

Recent Accounting Pronouncements

Recently Issued Accounting Standards Updates—Not Yet Adopted

We consider the applicability and impact of all ASUs. 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.

Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board ("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. In July 2015, the FASB deferred the effective date of this guidance to annual reporting periods beginning after December 15, 2017, which would be our fiscal 2019 reporting period. Early adoption is permitted.

Subsequently, the FASB issued ASUs in 2016 containing implementation guidance related to ASU 2014-09. In March 2016, the FASB issued ASU 2016-08, *"Principal versus Agent Considerations (Reporting Revenue Gross versus Net),"* which finalizes its amendments to the guidance in the new revenue standard on assessing whether an entity is a principal or an agent in a revenue transaction. This conclusion impacts whether an entity reports revenue on a gross or net basis. In April 2016, the FASB issued ASU 2016-08 *"Identifying Performance Obligations and Licensing,"* which finalizes its amendments to the guidance in the new revenue standard regarding the identification of performance obligations and accounting for the license of intellectual property. And in May 2016, the FASB issued ASU 2016-12, *"Narrow-Scope Improvements and Practical Expedients"* which finalizes its amendments to the guidance in the new revenue standard on collectability, noncash consideration, presentation of sales tax, and transition. The amendments are intended to make the guidance more operable and lead to more consistent application. The amendments have the same effective date and transition requirements as the new revenue recognition standard. We are continuing to evaluate what impact future adoption of this guidance will have on our consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, *"Leases (Topic 842)."* ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability for operating leases with terms over twelve months, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. It also requires lessees to classify leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. ASU 2016-02 is effective for us in the first quarter of fiscal 2020. Early adoption is permitted. We are currently evaluating what impact the adoption of this update will have on our consolidated financial statements.

Stock Compensation

In March 2016, the FASB issued ASU 2016-09, *"Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting."* ASU 2016-09 intended to simplify several aspects of the accounting for share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statements of cash flows. ASU 2016-09 is effective for us in the first quarter of fiscal 2018. Early adoption is permitted.

The new standard requires prospective recognition of excess tax benefits and deficiencies resulting from the vesting and exercise of stock awards in the income statement. Previously, these amounts were recognized in additional paid-in-capital. In addition, ASU 2016-09 requires excess tax benefits and deficiencies to be prospectively excluded from the assumed future proceeds in the calculation of diluted shares and to be reported as operating activities in the consolidated statements of cash flows where they were previously reported in financing activities. We have excess tax benefits of $1.8 million that will increase the deferred tax assets related to our various tax attribute carryforwards when the new guidance is adopted. We expect a corresponding increase to our valuation allowance, consistent with our existing valuation allowance assessment.

Once we adopt this guidance, we will elect to continue to estimate the number of stock-based awards expected to vest, as permitted by ASU 2016-09, rather than electing to account for forfeitures as they occur.

This ASU requires that employee taxes paid when an employer withholds shares for tax-withholding purposes be reported as financing activities in the consolidated statements of cash flows. Previously, these cash flows were included in operating activities. This change was required to be applied on a retrospective basis. We are currently evaluating this piece of the guidance and will plan to make the appropriate changes to the statements of cash flows on a retrospective basis in the first quarter of fiscal 2018.

Cash Flow Statement

In August 2016, the FASB issued ASU 2016-15, *"Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,"* ASU 2016-15 provides guidance on the classification of certain cash receipts and payments in the statement of cash flows where diversity in practice exists. The guidance is effective for interim and annual periods beginning in our first quarter of fiscal 2019, and early adoption is permitted. ASU 2016-15 must be applied retrospectively to all periods presented but may be applied prospectively if retrospective application would be impracticable. We are currently evaluating what impact the adoption of this update will have on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *"Statement of Cash Flows (Topic 230): Restricted Cash."* ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning and ending balances shown on the statement of cash flows. The guidance is effective for us in the first quarter of fiscal 2019 and early adoption is permitted. ASU 2016-18 must be applied retrospectively to all periods presented. We are currently evaluating what impact the adoption of this update will have on our consolidated financial statements.

Intangibles-Goodwill and Other

In January 2017, the FASB issued ASU 2017-04, *"Intangibles-Goodwill and Other (Topic 350),* which simplifies the subsequent measurement of goodwill by removing "Step 2" of the two-step impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. A goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance is effective for us beginning in the first quarter of fiscal 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating what impact the adoption of this update will have on our consolidated financial statements.

3. Fair Value Measurements

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

The following tables set forth our financial assets and liabilities that were accounted for at fair value on a recurring basis as of January 31, 2017 and January 31, 2016. There were no fair value measurements of our financial assets and liabilities using significant level 3 inputs for the periods presented:

		Fair Value at January 31, 2017 Using	
	January 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	(Amounts in thousands)		
Financial assets:			
Money market accounts (a)	$ 2,726	$2,726	$ —
Available-for-sale marketable securities:			
Current marketable securities:			
U.S. treasury notes and bonds—conventional	4,253	4,253	—
U.S. government agency issues	1,000	—	1,000
Non-current marketable securities:			
U.S. treasury notes and bonds—conventional	1,997	1,997	—
U.S. government agency issues	2,994	—	2,994
Total	$12,970	$8,976	$3,994

	January 31, 2016	Fair Value at January 31, 2016 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
		(Amounts in thousands)	
Financial assets:			
Money market accounts (a)	$ 3,654	$ 3,654	$ —
Available-for-sale marketable securities:			
Current marketable securities:			
U.S. treasury notes and bonds—conventional	502	502	—
U.S. government agency issues	1,002	—	1,002
Non-current marketable securities:			
U.S. treasury notes and bonds—conventional	7,762	7,762	—
U.S. government agency issues	3,002	—	3,002
Total	$15,922	$11,918	$4,004

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

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to our tangible property and equipment, goodwill, and other intangible assets, which are re-measured when the derived fair value is below carrying value on our consolidated balance sheets. For these assets and liabilities, we do not periodically adjust carrying value to fair value except in the event of impairment. When we determine that impairment has occurred, the carrying value of the asset is reduced to fair value and the difference is recorded to loss from impairment of long-lived assets in our consolidated statements of operations and comprehensive loss.

In the third quarter of fiscal 2017, we finalized our "Step 1" analysis of our annual goodwill impairment test. Our forecast indicated that the estimated fair value of our reporting unit's net assets may be less than its carrying value which is a potential indicator of impairment. As such, we were required to perform "Step 2" of the impairment test during which we compared the implied fair value of our goodwill to its carrying value. We completed the goodwill impairment testing of our reporting unit during the fourth quarter of fiscal 2017 and recorded an impairment charge of $23.5 million to loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss (see Note 6, *"Goodwill and Intangible Assets"* to this Form 10-K for more information). This impairment was determined based on Level 2 inputs, as we used a third-party valuation firm to assist in the calculation of fair value.

In January 2017, after a potential buyer declined to purchase our facility in Greenville, New Hampshire, we determined that the sale of this facility was not imminent due to the location of the building and the overall market conditions in the area and decided to fully impair the facility because the carrying amount was greater than the fair value. As a result, we recorded a $0.3 million loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss.

We also have direct investments in privately-held companies accounted for under the cost-method of accounting, of which we do not have significant influence over their operating and financial activities. Management periodically assesses these investments for other-than-temporary impairment considering available information provided by the investees and any other readily available market data. If we determine that an other-than-temporary impairment has occurred, we write-down the investment to its fair value. This impairment was determined based on Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine fair value.

In the fourth quarter of fiscal 2017, we determined that the fair value of a certain cost-method investments was less than its carrying value. Accordingly, we recorded a $0.5 million impairment charge in January 2017 which is included in loss on investment in affiliates in our consolidated statements of operations and comprehensive loss. The cost-method investment is a privately-held entity without quoted market prices and therefore, falls within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs to determine its fair value. In determining the fair value of this cost-method investment, we considered many factors including, but not limited to, operating performance of the investee, the amount of cash that the investee has on hand and the overall market conditions in which the investee operates.

As of January 31, 2016, the Company reviewed the projected future cash flows of the Timeline Labs operations and determined that the carrying amount was greater than the fair value. As a result, all long-term assets related to Timeline Labs were fully impaired and reflected as a $21.9 million loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss for the fiscal year ended January 31, 2016 which included: i) $15.8 million relating to the Timeline Labs acquired goodwill, ii) $5.2 million of acquired intangible assets, and iii) $0.9 million of capitalized internal use software. Additionally, we reduced the contingent consideration liability associated with the Timeline Labs acquisition to zero, as we determined the defined performance criteria would not be achieved. Therefore, we recorded the reversal of the liability of $0.4 million to the loss on impairment of assets.

Available-for-Sale Securities

We determine the appropriate classification of debt investment securities at the time of purchase and reevaluate 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 January 31, 2017 and 2016. All highly liquid investments with an original maturity of three months or less when purchased are 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 accretions of discounts to maturity are computed under the effective interest method and is included in other expenses, net, in our consolidated statements of operations and comprehensive loss. 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 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 unrealized gains and losses, for short-and long-term marketable securities portfolio as of January 31, 2017 and 2016:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Amounts in thousands)			
January 31, 2017:				
Cash	$25,576	$ —	$ —	$25,576
Cash equivalents	2,726	—	—	2,726
Cash and cash equivalents	28,302	—	—	28,302
U.S. treasury notes and bonds—short-term	4,248	5	—	4,253
U.S. treasury notes and bonds—long-term	2,003	—	(6)	1,997
U.S. government agency issues—short-term	991	9	—	1,000
U.S. government agency issues—long-term	2,996	—	(2)	2,994
Total cash, cash equivalents and marketable securities	$38,540	$ 14	$ (8)	$38,546
January 31, 2016:				
Cash	$55,079	$ —	$ —	$55,079
Cash equivalents	3,654	—	—	3,654
Cash and cash equivalents	58,733	—	—	58,733
U.S. treasury notes and bonds—short-term	503	—	(1)	502
U.S. treasury notes and bonds—long-term	7,756	6	—	7,762
U.S. government agency issues—short-term	1,001	1	—	1,002
U.S. government agency issues—long-term	2,977	25	—	3,002
Total cash, cash equivalents and marketable securities	$70,970	$ 32	$ (1)	$71,001

The gross realized gains and losses on sale of available-for-sale securities for fiscal 2017, 2016 and 2015 were immaterial. For purposes of determining gross realized gains and losses, the cost of securities sold is based on specific identification.

Contractual maturities of available-for-sale debt securities at January 31, 2017 are as follows (amounts in thousands):

	Estimated Fair Value
Maturity of one year or less	$ 5,253
Maturity between one and five years	4,991
Total	$10,244

We concluded that there were no other-than-temporary declines of available-for-sale securities as of January 31, 2017, 2016 and 2015. The unrealized holding losses, net of tax, on available-for-sale securities, which are not material for the periods presented, have been included in stockholders' equity as a component of accumulated other comprehensive loss.

Cash, Cash Equivalents and Marketable Securities

Cash and cash equivalents consist primarily of highly liquid investments in money market mutual funds, government sponsored enterprise obligations, treasury bills, commercial paper and other money market securities with remaining maturities at date of purchase of 90 days or less.

The fair value of cash, cash equivalents, restricted cash and marketable securities at January 31, 2017 and 2016 was $38.7 million and $71.1 million, respectively.

Restricted Cash

At times, we may be required to maintain cash held as collateral for performance obligations with our customers which we classify as restricted cash on our consolidated balance sheets. As of January 31, 2017 and 2016, we had $0.1 million in restricted cash related to performance obligations.

4. Acquisitions and Loss on Impairment of TLL, LLC

DCC Labs

On May 5, 2016, we acquired a 100% share of DCC Labs in exchange for an aggregate of $2.7 million in newly issued shares of SeaChange common stock and $5.2 million in cash, net of cash acquired, resulting in a total net purchase price of $7.9 million. DCC Labs is a developer of set-top and multiscreen device software. Under the purchase agreement, $0.5 million in cash and all the stock was initially held in escrow as security for the indemnification obligations of the sellers to SeaChange. The stock consideration was determined by dividing the total value of $2.6 million by the volume weighted average closing price of our common stock for the twenty trading days preceding the closing.

The acquisition of DCC Labs enables us to optimize the operations of our In-Home business, which develops home video gateway software including SeaChange's Nucleus and NitroX products. In addition, the acquisition brings market-ready products, including an optimized television software stack for Europe's Digital Video Broadcasting community and an HTML5 framework for building additional user experience client applications across a variety of CPE devices, including Android TV STBs, tablets, mobile and compute devices.

We accounted for the acquisition of DCC Labs as a business combination, which requires us to record the assets acquired and liabilities assumed at fair value. The amount by which the purchase price exceeds the fair value of the net assets acquired is recorded as goodwill. We engaged an independent appraiser to assist management in assessing the fair values of the tangible and intangible assets acquired and liabilities assumed and the amount of goodwill to be recognized as of the acquisition date. Assets acquired in the acquisition include receivables, prepaid expenses and property and equipment while liabilities assumed include accounts payable, other accrued expenses, deferred taxes and income taxes payable. The amounts recorded for these assets and liabilities are final based on information obtained about the facts and circumstances that existed as of the acquisition date.

The allocation of purchase price was as follows (amounts in thousands):

Estimated Fair value of consideration:	
Cash, net of cash acquired	$5,243
Stock consideration	2,640
Total purchase price	**$7,883**
Estimated Fair value of assets acquired and liabilities assumed:	
Current assets	826
Other long-term assets	116
Finite-life intangible assets	810
Goodwill	7,255
Current liabilities	(618)
Other long-term liabilities	(506)
Allocated purchase price	**$7,883**

Acquired Goodwill

We finalized the purchase price allocation in January 2017 after we received additional information from the independent appraiser related to the fair value of identifiable intangible assets and deferred tax liabilities. As a result, we recorded measurement period adjustments during the fourth quarter of fiscal 2017 that resulted in a $1.9 million net increase in goodwill. We recorded the $7.3 million excess of the purchase price over the fair value of the identified tangible and intangible assets as goodwill, primarily due to expected synergies between the combined companies and expanded market opportunities. The goodwill is not deductible for tax purposes.

Intangible Assets

In determining the fair value of the intangible assets, the Company considered, among other factors, the intended use of the assets and the estimates of future performance of DCC Labs, based on analyses of historical financial performance. The fair values of identified intangible assets were calculated using an income-based approach based on estimates and assumptions provided by DCC Labs' and the Company's management.

The following table sets forth the components of the identified intangible assets associated with the DCC Labs acquisition and their estimated useful lives:

	Useful life	Fair Value
		(Amounts in thousands)
Tradename	4 years	$ 60
Customer contracts	2 years	230
Non-compete agreements	2 years	30
Existing technology	3 years	490
		$810

Impact to Fiscal 2017 Financial Results

DCC Labs' financial results have been included in our consolidated financial results only for the period from the May 5, 2016 acquisition date through January 31, 2017. As a result, our consolidated financial results for fiscal 2017 do not reflect a full year of DCC Labs' results. From the May 5, 2016 acquisition date through January 31, 2017, DCC Labs generated revenue of $0.7 million and an operating loss of $4.7 million, which includes a loss on impairment of long-lived assets of $3.4 million which was recorded in January 2017 as a result of our annual goodwill impairment test at August 1, 2016.

Acquisition-related Costs

In connection with the acquisition, we incurred approximately $0.2 million in acquisition-related costs, including legal, accounting and other professional services for fiscal 2017. The acquisition costs were expensed as incurred and included in professional fees—other, in our consolidated statements of operations and comprehensive loss for the fiscal year ended January 31, 2017.

TLL, LLC

On February 2, 2015, pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), dated as of December 22, 2014, we acquired 100% of the member interests in Timeline Labs, a privately-owned California-based software-as-a-service ("SaaS") company.

We accounted for the acquisition of Timeline Labs as a business combination and the financial results of Timeline Labs have been included in our consolidated financial statements as of the date of acquisition. Under the acquisition method of accounting, the purchase price was allocated to SeaChange's net tangible and intangible assets based upon their fair values as of February 2, 2015.

The allocation of the purchase price was as follows (amounts in thousands):

Fair value of consideration:	
Cash, net of cash acquired	$14,186
Closing stock consideration	3,019
Deferred stock consideration	4,959
Contingent consideration	475
Total purchase price	$22,639
Fair value of assets acquired and liabilities assumed:	
Current assets	95
Other long-term assets	108
Finite-life intangible assets	6,720
Goodwill	15,787
Current liabilities	(71)
Allocated purchase price	$22,639

Fair Value of Consideration Transferred

Upon completion of the acquisition, the Company made cash consideration payments to the former members of Timeline Labs in the amount of $14.2 million ("Closing Cash Consideration"). The Closing Cash Consideration included $1.4 million deposited in escrow to secure certain indemnification obligations of the former members of Timeline Labs under the Merger Agreement. Also upon completion of the acquisition, the Company issued 344,055 shares of common stock to the former members of Timeline Labs and deposited 173,265 shares of common stock into the indemnification escrow.

On August 3, 2015, we issued 260,537 shares of our common stock with a value of $1.8 million to the former members of Timeline Labs, in satisfaction of the six-month deferred stock consideration obligation pursuant to the Merger Agreement. In satisfaction of the twelve-month deferred stock consideration obligation pursuant to the Merger Agreement, on February 2, 2016, we issued 542,274 shares of our common stock with a value of $3.2 million and in May 2016, pursuant to an adjustment mechanism based on the stock price provided for in the Merger Agreement with respect to deferred stock consideration issuances, we issued an additional 70,473 shares of our common stock with a value of $0.2 million.

Contingent Consideration

The former interest holders of Timeline Labs were eligible to receive earn-out compensation, consisting of shares of our common stock, if defined performance criteria were achieved for fiscal 2016 and 2017. We recorded a liability of $3.2 million in February 2015 in our consolidated balance sheets that represented the fair value of the estimated shares at full achievement of the defined performance criteria on the date of acquisition. As of January 31, 2016, the Company determined that the defined performance criteria would not be achieved and the liability was reduced to zero with a $0.4 million reversal of liability credited to loss on impairment of TLL, LLC net assets in our consolidated statements of operations and comprehensive loss for the fiscal year ended January 31, 2016.

Intangible Assets

In determining the fair value of the intangible assets, the Company considered, among other factors, the intended use of the assets, the estimates of future performance of Timeline Lab's products and analyses of historical financial performance. The fair values of identified intangible assets were calculated using an income-based approach based on estimates and assumptions provided by Timeline Labs' and the Company's management.

The following table sets forth the components of the identified intangible assets associated with the Timeline Labs acquisition and their estimated useful lives:

	Useful life	Fair Value
		(Amounts in thousands)
Tradename	7 years	$ 620
Customer contracts	7 years	4,760
Non-compete agreements	2 years	170
Existing technology	5 years	1,170
		$6,720

Acquired Goodwill

We finalized the purchase price allocation in January 2016. We recorded the $15.8 million excess of the purchase price over the fair value of the identified tangible and intangible assets as goodwill, primarily due to expected synergies between the combined companies and expanded market opportunities. The goodwill was considered deductible for tax purposes.

Acquisition-related Costs

In connection with the acquisition, we incurred approximately $0.1 million in acquisition-related costs, including legal, accounting and other professional services for fiscal 2016. The acquisition costs were expensed as incurred and included in professional fees—other, in our consolidated statements of operations and comprehensive loss.

Loss on Impairment of TLL, LLC

In January 2016, our Board of Directors authorized a restructuring plan, as previously reported in a Form 8-K filed with the SEC on February 17, 2016. Based on the decision to enter the restructuring plan and the plan's impact on the projected future cash flows of the Timeline Labs operations, we determined that the carrying amount of all long-term assets that resulted from the February 2015 acquisition had exceeded the fair value as of January 31, 2016. As a result, these long-term assets were deemed fully impaired and we recorded the $21.9 million net book value of these long-term assets as a component of loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss for the fiscal year ended January 31, 2016. Additionally, we reduced the contingent consideration liability associated with the Timeline Labs acquisition to zero, as we determined that the defined performance criteria would not be achieved, and credited the reversal of the liability of $0.4 million to loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss for the fiscal year ended January 31, 2016. In addition, we incurred $0.7 million in severance and restructuring charges in February 2016 related to the cost-saving actions taken with respect to the Timeline Labs business.

5. Consolidated Balance Sheet Detail

Inventories, net

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:

	January 31, 2017	January 31, 2016
	(Amounts in thousands)	
Components and assemblies	$500	$1,223
Finished products	270	459
Total inventories, net	$770	$1,682

Property and equipment, net

Property and equipment, net consists of the following:

	Estimated Useful Life (Years)	January 31, 2017	January 31, 2016
		(Amounts in thousands)	
Land		$ 2,780	$ 2,880
Buildings	20	11,726	11,908
Office furniture and equipment	5	1,091	1,099
Computer equipment, software and demonstration equipment	3	18,194	18,639
Service and spare components	5	1,158	1,158
Leasehold improvements	1-7	1,064	1,087
		36,013	36,771
Less—Accumulated depreciation and amortization		(24,528)	(22,642)
Total property and equipment, net		$ 11,485	$ 14,129

Depreciation and amortization expense of property and equipment was $3.0 million, $3.4 million and $3.7 million for the years ended January 31, 2017, 2016 and 2015, respectively.

Other accrued expenses

Other accrued expenses consist of the following:

	January 31, 2017	January 31, 2016
	(Amounts in thousands)	
Accrued compensation and commissions	$1,799	$ 1,676
Accrued bonuses	1,871	2,902
Accrued restructuring	1,023	—
Employee benefits	885	1,484
Accrued provision for contract loss(1)	168	6,497
Accrued other	4,182	4,855
Total other accrued expenses	$9,928	$17,414

(1) Includes a reduction to the provision for loss contract of $4.1 million recorded in the fourth quarter of fiscal 2017 resulting from an amendment to a contract with a fixed-price customer which changed the scope of the project and add the remaining costs and revenue to complete the project.

6. Goodwill and Intangible Assets

Goodwill, net

At January 31, 2017 and 2016, we had goodwill of $23.3 million and $40.2 million, respectively. The following table represents the changes in goodwill for the fiscal year ended January 31, 2017 (amounts in thousands):

Balance as of February 1, 2016:	
Goodwill, gross	$ 55,962
Accumulated impairment losses	(15,787)
Goodwill, net	40,175
Acquisition of DCC Labs	7,255
Goodwill impairment charge	(23,492)
Cumulative translation adjustment	(651)
Balance as of January 31, 2017	
Goodwill, gross	61,707
Accumulated impairment losses	(39,279)
Goodwill, net	$ 23,287

The valuation of goodwill related to the DCC Labs acquisition was finalized in the fourth quarter of fiscal 2017 based on the final allocation of the purchase price.

In the second quarter of fiscal 2017, triggering events prompted us to perform "Step 1" of the goodwill impairment test. The triggering events included; a sustained decrease in our stock price during the period, the withdrawal of the permanent reinvestment assertion on earnings generated by our Irish operations (see Note 12, *"Income Taxes"* to this Form 10-K for more information) and a decline in actual revenue for the quarter compared to projected amounts, which was previously reported in a Current Report on Form 8-K furnished to the SEC on August 23, 2016. The outcome of that preliminary "Step 1" analysis revealed that as of July 31, 2016, the fair value of the net assets exceeded its carrying value by a range of $15.4 million to $25.0 million, or 15.0% to 24.4% of the carrying value of our net assets.

We determined based on "Step 1" of our fiscal 2017 annual impairment test, that the fair value of our reporting unit was less than its carrying value, which was $102.5 million at August 1, 2016. Since the estimated fair value of our reporting unit was less than its carrying value, we determined that it was necessary to perform "Step 2" of the impairment test. In "Step 2" of the impairment test we compared the implied fair value of our goodwill to its carrying value. After adjusting the carrying value of all assets, liabilities and equity to fair value at August 1, 2016, the estimated implied fair value of goodwill was calculated to be $22.3 million. Since the implied fair value of goodwill of $22.3 million is less than the carrying value of $45.8 million as of August 1, 2016, we recorded an impairment charge of $23.5 million to loss on impairment of long-lived assets in our consolidated statements of operations and comprehensive loss.

Intangible assets, net

Intangible assets, net, consisted of the following at January 31, 2017 and 2016:

	Weighted average remaining life (Years)	January 31, 2017 Gross	January 31, 2017 Accumulated Amortization	January 31, 2017 Net	January 31, 2016 Gross	January 31, 2016 Accumulated Amortization	January 31, 2016 Net
		(Amounts in thousands)					
Finite-lived intangible assets:							
Customer contracts	2.4	$30,056	$(28,019)	$2,037	$29,956	$(26,284)	$3,672
Non-compete agreements	1.3	2,374	(2,356)	18	2,365	(2,365)	—
Completed technology	2.4	10,496	(9,997)	499	10,075	(9,621)	454
Trademarks, patents and other	3.3	7,125	(7,076)	49	7,068	(7,068)	—
Total finite-lived intangible assets	2.4	$50,051	$(47,448)	$2,603	$49,464	$(45,338)	$4,126

Amortization expense for intangible assets was $3.3 million, $4.8 million and $5.2 million for fiscal 2017, 2016 and 2015, respectively.

The total amortization expense for each of the next five fiscal years is as follows (amounts in thousands):

For the Fiscal Years Ended January 31,	Estimated Amortization Expense
2018	$1,412
2019	931
2020	257
2021	3
2022	—
2023 and thereafter	—
Total	$2,603

Actual amortization may differ from estimated amounts in the table above due to fluctuations in foreign currency exchange rates, additional intangible asset acquisitions, potential impairment, accelerated amortization, or other events.

7. Severance and Other Restructuring Costs

Restructuring Costs

During fiscal 2017, we incurred restructuring charges totaling $5.7 million primarily from employee-related benefits for terminated employees and costs to close facilities.

The following table shows the change in balances of our accrued restructuring reported as a component of other accrued expenses on the consolidated balance sheet as of January 31, 2017 (amounts in thousands):

	Employee-Related Benefits	Closure of Leased Facilities	Other Restructuring	Total
Accrual balance as of January 31, 2016	$ —	$ —	$ —	$ —
Restructuring charges incurred	4,543	509	603	5,655
Cash payments	(3,741)	(379)	(495)	(4,615)
Other charges	(17)	—	—	(17)
Accrual balance as of January 31, 2017	$ 785	$ 130	$ 108	$ 1,023

During the third quarter of fiscal 2017, we implemented a restructuring program ("Fiscal 2017 Restructuring Plan") with the purpose of reducing costs and assisting in restoring SeaChange to profitability and positive cash flow. The total estimated restructuring costs associated with the Fiscal 2017 Restructuring Plan are anticipated to be approximately $5.1 million and will be recorded in severance and other restructuring costs in our consolidated statements of operations and comprehensive loss as they are incurred. We recorded $3.1 million of restructuring expense in connection with this plan during fiscal 2017, which was primarily made up of employee-related costs, and we expect to incur most of the estimated remaining costs in the first half of fiscal 2018. Any changes to the estimate of executing the Fiscal 2017 Restructuring Plan will be reflected in our future results of operations.

During the second quarter of fiscal 2017, we restructured our operations in connection with the acquisition of DCC Labs. This restructuring resulted in a workforce reduction within our In-Home engineering and services organization and in the closing of our facility in Portland, Oregon. We incurred charges totaling $1.9 million in severance and other restructuring costs during fiscal 2017 related to the acquisition of DCC Labs. Once we complete our integration plan, any further reduction in workforce may result in additional restructuring charges.

Because of restructuring activities relating to our Timeline Labs operations in fiscal 2017, we incurred $0.7 million of charges, which include $0.4 million in severance to former Timeline Labs employees and $0.3 million in other restructuring charges relating to our remaining lease obligation of our Timeline Labs facilities in San Francisco and Santa Monica, California.

Severance Costs

During fiscal 2017, we incurred severance charges of $1.5 million primarily from the departure of our former Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") during the first half of fiscal 2017 as well as the termination of 13 other former employees.

Effective April 6, 2016, we terminated the employment of Jay Samit, our former CEO. In connection with his termination, Mr. Samit and SeaChange entered a Separation Agreement and Release of Claims (the "CEO Separation Agreement"). Under the terms of the CEO Separation Agreement and consistent with our pre-existing obligations to Mr. Samit in connection with a termination without cause, we incurred a charge of $1.0 million in the first quarter of fiscal 2017, which included $0.2 million for satisfaction of his remaining fiscal 2016 and 2017 annual bonuses and $0.8 million in severance payable in twelve equal monthly installments which will be completed in the first quarter of fiscal 2018. In addition, on July 6, 2016, Anthony Dias resigned as CFO of SeaChange, though he continued as an employee until July 31, 2016. In connection with his resignation, Mr. Dias and SeaChange entered an Employment Separation Agreement and Voluntary Release, dated July 6, 2016 (the "CFO Separation Agreement"). Under the terms of the CFO Separation Agreement, we incurred a charge of $0.2 million, which included his fiscal 2017 pro-rated bonus (paid in fiscal 2018) and six months' base salary as severance payable in twelve equal semi-monthly installments, which was completed as of January 31, 2017.

8. 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' governing documents. As a matter of practice, we have maintained directors' and officers' liability insurance including coverage for directors and officers of acquired companies.

We enter 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 not 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 had a 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, which expired on August 31, 2016 with no outstanding balance. This line of credit and Demand Promissory Note was not renewed.

Operating Leases

We lease certain of our operating facilities, automobiles and office equipment under non-cancelable operating leases, which expire at various dates through fiscal 2023. Leases for our facilities typically contain standard commercial lease provisions, including renewal options and rent escalation clauses. Rental expense under operating leases was $2.4 million, $2.7 million and $2.9 million for fiscal 2017, 2016 and 2015, respectively. Future commitments under minimum lease payments as of January 31, 2017 are as follows (amounts in thousands):

For the Fiscal Years Ended January 31,	Operating Leases
2018	$1,826
2019	1,604
2020	1,234
2021	747
2022	461
2023 and thereafter	116
Minimum operating lease payments	$5,988

9. Stockholders' Equity

Stock Authorization

The Board of Directors is authorized to issue from time to time up to an aggregate of 5,000,000 shares of preferred stock, in one or more series. Each such series of preferred stock shall have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges to be determined by the Board of Directors, including dividend rights, voting rights, redemption rights and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights. No preferred stock has been issued as of January 31, 2017.

Stock Option 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 shares of common stock authorized for grant is equal to 5,300,000 shares plus the number of shares that were expired, terminated, surrendered or forfeited 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 to officers, employees, consultants, and directors of the Company. On July 13, 2016, our stockholders approved an amendment to the 2011 Plan which:

- Approved the removal of minimum vesting periods for stock option, RSU and other stock-based awards, but excluding restricted stock, under the 2011 Plan; and
- Approved the material terms of the performance goals of the 2011 Plan under which tax-deductible compensation may be paid for purposes of rules under the Internal Revenue Code of 1986, as amended, including the business criteria on which performance goals may be based.

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. The number of units subject to the DSUs is determined as of the grant date and shall fully vest one year from the grant date. 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. Commencing with fiscal 2016, we changed the policy regarding the timing of the equity grant from the first day of the applicable fiscal year to the date of our annual meeting of stockholders. To facilitate the transition, a partial year grant was made to our non-employee directors, effective February 1, 2015, and a full year grant was made to our non-employee directors, effective July 15, 2015.

We may satisfy awards upon the exercise of stock options or the vesting of stock units 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. As of January 31, 2017, there were 393,403 shares available for future grant under the 2011 Plan.

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. Stock units 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 one to four years and expire ten years from the date of the grant.

In fiscal 2016, the Board of Directors developed a new Long-Term Incentive ("LTI") Program under which the named executive officers and other key employees of the Company will receive long-term equity-based incentive awards, which are intended to align the interests of our named executive officers and other key employees with the long-term interests of our stockholders and to emphasize and reinforce our focus on team success. Long-term equity-based incentive compensation awards are made in the form of stock options, RSUs and performance stock units ("PSUs") subject to vesting based in part on the extent to which employment continues for three years.

2015 Employee Stock Purchase Plan

In July 2015, we adopted the 2015 Employee Stock Purchase Plan (the "ESPP"). The purpose of the ESPP is to provide eligible employees, including executive officers of SeaChange, with the opportunity to purchase shares of our common stock at a discount through accumulated payroll deductions of up to 15%, but not less than one percent of their eligible compensation, subject to any plan limitations. Offering periods typically commence on October 1st and April 1st and end on March 31st and September 30th with the last trading day being the exercise date for the offering period. The first offering period under the ESPP commenced on October 1, 2015. On each purchase date, eligible employees will purchase our stock at a price per share equal to 85% of the closing price of our common stock on the exercise date, but no less than par value. The maximum number of shares of our common stock which will be authorized for sale under the ESPP is 1,150,000 shares. Stock-based compensation expense related to the ESPP was immaterial for fiscal 2017 and fiscal 2016.

Stock-based Compensation

We use the provisions of the authoritative guidance which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. The fair value of our stock options and PSUs, less expected forfeitures, is amortized over the awards' vesting period on a graded vesting basis, whereas the RSUs and DSUs, less expected forfeitures, are amortized on a straight-line basis. We have applied the provisions of authoritative guidance allowing the use of a "simplified" method, in developing an estimate of the expected term of "plain vanilla" share options.

The effect of recording stock-based compensation was as follows:

	For the Fiscal Years Ended January 31,		
	2017	2016	2015
	(Amounts in thousands)		
Stock-based compensation expense by type of award:			
Stock options	$ 873	$1,257	$1,036
Restricted stock units	624	1,203	1,607
Deferred stock units	709	607	500
Performance-based restricted stock units	398	475	77
Employee stock purchase plan	17	10	—
Total stock-based compensation	$2,621	$3,552	$3,220

Since stock-based awards are expected to be made each year and vest over several years, the effects of applying authoritative guidance for recording stock-based compensation for the year ended January 31, 2017 are not indicative of future amounts.

Determining Fair Value

Stock Options

We record the fair value of most stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price, the expected option term, the risk-free interest rate over the option's expected term, the expected annual dividend yield and the expected stock price volatility. The expected option term was determined using the "simplified" method for "plain vanilla" options. The expected stock price volatility was established using a blended volatility, which is an average of the historical volatility of our common stock over a period of time equal to the expected term of the stock option, and the average volatility of our common stock over the most recent one-year and two-year periods. The risk-free interest rate is based upon the U.S. treasury bond yield at the grant date, using a remaining term equal to the expected life. The expected dividend yield is 0%, as we have not paid cash dividends on our common stock since our inception.

The fair value of stock options granted was estimated at the date of grant using the following assumptions:

	For the Fiscal Years Ended January 31,		
	2017	2016	2015
Expected term (in years)	6-7	6-7	6.5
Expected volatility (range)	40-45%	40-45%	46%
Weighted average volatility	42%	42%	46%
Risk-free interest rate	1.0-2.0%	1.5-2.0%	1.7%
Weighted average interest rate	1.1%	1.6%	1.7%
Expected dividend yield	0%	0%	0%

Market-Based Options

We have granted market-based options to certain newly appointed officers. These stock options have an exercise price equal to our closing stock price on the date of grant and will vest in approximately equal increments based upon the closing price of SeaChange's common stock. We record 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 terms to determine if the vesting conditions would be triggered during the term. Effective April 6, 2016, Ed Terino, who previously served as our Chief Operating Officer ("COO"), was appointed Chief Executive Officer ("CEO") of SeaChange and was granted 600,000 market-based options, bringing the total of his market-based options, when added to the 200,000 market-based options he received upon hire as COO in June 2015, to 800,000 market-based options. The fair value of these 800,000 stock options was estimated to be $2.1 million. As of January 31, 2017, $0.9 million remained unamortized on the market-based stock options, which will be expensed over the next 2.3 years, the remaining weighted average amortization period.

The following table summarizes the Company's stock option activity:

	For the Fiscal Years Ended January 31,					
	2017		2016		2015	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at beginning of period	1,192,677	$6.80	1,626,421	$7.77	1,502,176	$ 9.77
Granted	1,581,614	$4.02	612,678	$6.44	500,000	$ 7.23
Exercised	—	$ —	(28,740)	$6.74	—	$ —
Forfeited/expired/cancelled	(632,724)	$6.98	(1,017,682)	$8.13	(375,755)	$15.06
Outstanding at end of period	2,141,567	$4.70	1,192,677	$6.80	1,626,421	$ 7.77
Options exercisable at end of period	203,982	$6.28	80,000	$6.83	1,108,115	$ 8.02
Weighted average remaining contractual term (in years)		8.01		8.10		4.72

The weighted-average fair valuation at grant date of stock options granted during the years ended January 31, 2017, 2016 and 2015, was $3.09, $2.75, and $3.39, respectively. As of January 31, 2017, the unrecognized stock-based compensation related to the unvested stock options was approximately $1.4 million, net of estimated forfeitures. Total unrecognized compensation cost will be adjusted for any future changes in estimated changes in forfeitures. This cost will be recognized over an estimated weighted average amortization period of 2.0 years.

Intrinsic value is defined as the difference between the market price on the date of exercise and the grant date price. There was no intrinsic value as of January 31, 2017 as the market price on the date of exercise was higher than the grant date price for options outstanding. The aggregate intrinsic value for options outstanding was $0.1 million as of January 31, 2016 and 2015, respectively. The aggregate intrinsic value of vested shares and share options expected to vest as of January 31, 2017, 2016 and 2015 was $0, $0.1 million and $0.1 million, respectively.

Cash received from employees as a result of employee stock option exercises during fiscal 2016 was $0.2 million. There were no stock options exercised in fiscal 2017 and 2015. The total intrinsic value of options exercised during the year ended January 31, 2017 was not material.

The following table summarizes information about stock options outstanding and exercisable as of January 31, 2017:

	Options Outstanding			Options Exercisable	
	Number outstanding	Weighted average remaining contractual terms (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
Range of exercise prices					
$2.42 to $2.42	425,546	9.50	$2.42	—	$ —
$2.64 to $2.89	135,000	9.68	$2.73	—	$ —
$3.30 to $3.41	150,000	9.38	$3.34	—	$ —
$3.50 to $3.50	100,000	9.26	$3.50	—	$ —
$3.77 to $3.77	21,068	2.25	$3.77	7,023	$3.77
$3.83 to $3.83	75,000	9.21	$3.83	—	$ —
$5.50 to $5.50	75,000	0.31	$5.50	—	$ —
$5.56 to $7.25	800,000	8.97	$5.98	—	$ —
$6.05 to $6.05	279,953	4.94	$6.05	116,959	$6.05
$6.74 to $6.74	75,000	1.96	$6.74	75,000	$6.74
$8.15 to $8.15	5,000	2.42	$8.15	5,000	$8.15
	2,141,567	8.01	$4.70	203,982	$6.28

Stock Units (RSUs, DSUs and PSUs)

We record stock-based compensation expense associated with stock units using the market value of our stock on the date of grant, less forfeitures, and amortize the fair value over the awards' vesting period on a straight-line basis for awards with only a service condition and graded vesting basis for awards that include both a performance and service condition.

The following table summarizes the stock unit activity:

	For the Fiscal Years Ended January 31,					
	2017		2016		2015	
	Shares	Weighted average grant date fair value	Shares	Weighted average grant date fair value	Shares	Weighted average grant date fair value
Unvested at beginning of period	1,053,045	$7.34	435,306	$8.91	446,468	$ 9.81
Awarded	837,927	$3.07	904,344	$6.46	314,057	$ 8.60
Vested	(208,474)	$3.46	(277,373)	$6.89	(287,485)	$ 9.83
Forfeited/expired/cancelled	(229,440)	$6.68	(9,232)	$8.42	(37,734)	$10.01
Unvested at end of period	1,453,058	$5.54	1,053,045	$7.34	435,306	$ 8.91

As of January 31, 2017, the unrecognized stock-based compensation related to the unvested RSUs and DSUs was $3.0 million. This cost will be recognized over an estimated weighted average amortization period of 1.3 years.

In fiscal 2017 and fiscal 2016, the Company granted an aggregate of 307,963 and 301,192 PSUs, respectively, to employees. The target number of PSUs granted to an employee in these fiscal years represent the right to receive a corresponding number of shares of our common stock, subject to adjustment depending on SeaChange's total shareholder return ("TSR") for the period between February 1, 2017 and January 31, 2020 (for the fiscal 2017 grant) and between February 1, 2016 and January 31, 2019 (for the fiscal 2016 grant) measured against the TSR of the common stock of the companies comprising the S&P SmallCap 600 Index (collectively referred to as the "SeaChange Relative TSR Percentile Rank"). The number of shares of our common stock that these employees are entitled to receive at January 31, 2019 and 2020 range from 0% to 150% of the target PSU award. If the SeaChange Relative TSR Percentile Rank relative to the companies in the S&P SmallCap 600 Index is less than the 25th percentile, the target grants are forfeited.

We record the fair value of these PSUs using the Monte Carlo simulation model since the vesting is variable depending on the SeaChange Relative TSR Percentile Ranking. We recognize stock compensation expense related to the PSUs ratably over the required service period based on the estimate that it is probable that the measurement criteria will be achieved and the targeted number of shares will vest. If there is a change in the estimate of the number of shares that are probable of vesting, we will cumulatively adjust compensation expense in the period that the change in estimate is made. The fair value of the granted PSUs was estimated to be $2.9 million and will be expensed over the next 3 years.

10. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consisted of the following:

	Foreign Currency Translation Adjustment	Changes in Fair Value of Available-for-Sale Investments	Accumulated Other Comprehensive Loss
	(Amounts in thousands)		
Balance at January 31, 2015	$(5,797)	$ 43	$(5,754)
Other comprehensive loss	(847)	(12)	(859)
Balance at January 31, 2016	(6,644)	31	(6,613)
Other comprehensive income (loss)	1,267	(25)	1,242
Balance at January 31, 2017	$(5,377)	$ 6	$(5,371)

Unrealized holding losses on securities available for sale are not material for the periods presented.

Comprehensive loss consists of net loss and other comprehensive income (loss), which includes foreign currency translation adjustments and changes in unrealized gains and losses on marketable securities. For purposes of comprehensive loss disclosures, we do not record tax expense or benefits for the net changes in the foreign currency translation adjustments.

11. 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 senior management 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 table summarizes revenues by significant customers where such revenue exceeded 10% of total revenues for the indicated period:

	For Fiscal Years Ended January 31,		
	2017	2016	2015
Customer A	30%	28%	17%
Customer B	N/A	10%	17%

Geographic Information

The following summarizes revenues by customers' geographic locations:

	For the Fiscal Years Ended January 31,					
	2017		2016		2015	
	Amount	%	Amount	%	Amount	%
	(Amounts in thousands, except percentages)					
Revenues by customers' geographic locations:						
North America(1)	$37,570	45%	$ 58,113	55%	$ 64,755	56%
Europe and Middle East	38,169	45%	42,201	39%	39,387	34%
Latin America	5,764	7%	4,707	4%	6,829	6%
Asia Pacific	2,292	3%	1,971	2%	4,464	4%
Total revenues	$83,795		$106,992		$115,435	

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

	For the Fiscal Years Ended January 31,		
	2017	2016	2015
	(Amounts in thousands, except percentages)		
U.S. Revenue	$30,094	$46,978	$59,819
% of total revenue	35.9%	43.9%	51.8%

The following summarizes long-lived assets by geographic locations:

	January 31,			
	2017		2016	
	Amount	%	Amount	%
	(Amounts in thousands, except percentages)			
Long-lived assets by geographic locations(1):				
North America	$14,729	80%	$18,944	79%
Europe and Middle East	2,878	16%	3,575	15%
Asia Pacific	817	4%	1,372	6%
Total long-lived assets by geographic location	$18,424		$23,891	

(1) Excludes marketable securities, long-term and goodwill.

12. Income Taxes

The components of loss from continuing operations before income taxes are as follows:

	For the Fiscal Years Ended January 31,		
	2017	2016	2015
	(Amounts in thousands)		
Domestic	$(40,452)	$(38,709)	$(25,920)
Foreign	(16,166)	(10,044)	(2,694)
Loss from continuing operations before income taxes	$(56,618)	$(48,753)	$(28,614)

The components of the income tax provision (benefit) from continuing operations are as follows:

	For the Fiscal Years Ended January 31,		
	2017	2016	2015
	(Amounts in thousands)		
Current:			
Federal	$ —	$ —	$ —
State	50	50	(762)
Foreign	(94)	(49)	24
Total	(44)	1	(738)
Deferred:			
Foreign	14,675	(1,030)	(368)
Total	14,675	(1,030)	(368)
Income tax (benefit) provision	$ 14,631	$ (1,029)	$(1,106)

The income tax provision (benefit) for continuing operations computed using the federal statutory income tax rate differs from our effective tax rate primarily due to the following:

	For the Fiscal Years Ended January 31,		
	2017	2016	2015
	(Amounts in thousands)		
Statutory U.S. federal tax rate	$(19,816)	$(17,066)	$(10,014)
State taxes, net of federal tax benefit	32	33	(779)
Income (losses) not benefitted	10,679	15,712	8,913
Non-deductible stock compensation expense	266	3	—
Other non-deductible items(1)	252	(31)	(74)
Innovative technology and development incentive	—	(189)	(68)
Foreign tax rate differential	3,499	509	916
APB 23 deferred tax liability	14,675	—	—
Goodwill impairment	5,044	—	—
Income tax provision (benefit)	$ 14,631	$ (1,029)	$ (1,106)

(1) Within the other line in the table above, other non-deductible items were $0.1 million and ($0.2) million for the fiscal years ended January 31, 2017 and 2016, respectively, and were immaterial for fiscal 2015. These items have been aggregated with various adjustments related to differences in prior year U.S. and foreign tax provisions and the actual returns filed.

Our effective tax rate was a provision of 26% for the fiscal year ended January 31, 2017 and a benefit of 2% and 4% for the fiscal years ended January 31, 2016 and 2015, respectively.

The components of deferred income taxes are as follows:

	January 31,	
	2017	2016
	(Amounts in thousands)	
Deferred tax assets:		
Accruals and reserves	$ 1,815	$ 5,041
Deferred revenue	79	346
Stock-based compensation expense	3,730	3,655
U.S. federal, state and foreign tax credits	7,459	7,510
Intangible assets	6,834	7,153
Loss carryforwards	38,356	24,172
Deferred tax assets	58,273	47,877
Less: Valuation allowance	(58,134)	(47,368)
Net deferred tax assets	139	509
Deferred tax liabilities:		
APB 23 deferred tax liability	14,675	—
Other	75	75
Property and equipment	121	426
Total net deferred tax (liabilities) assets	$(14,732)	$ 8

At January 31, 2017, we had federal, state and foreign net operating loss carry forwards of $84.7 million, $117.5 million and $6.3 million respectively, which can be used to offset future tax liabilities and expire at various dates beginning in fiscal 2018. Utilization of these net operating loss carry forwards may be limited pursuant to provisions of the respective local jurisdiction. At January 31, 2017, we had a federal capital loss carry forward of $13.1 million. This loss can only be utilized to offset capital gains and it expires in fiscal 2018. In addition, at January 31, 2017, we had federal and state research and development credit carry forwards of $3.6 million and $1.8 million respectively, and state investment tax credit carry forwards of $0.2 million. We also have alternative minimum tax credit carry forwards of $0.6 million which are available to reduce future federal regular income taxes over an indefinite period. We have foreign tax credit carry forwards of $2.0 million which are available to reduce future federal regular income taxes. These credits expire at various dates beginning in fiscal 2018, except for $0.8 million in credits that have an unlimited carryforward period.

We review the adequacy of the valuation allowance for deferred tax assets on a quarterly basis. We have evaluated the positive and negative evidence bearing upon the realizability of our deferred tax assets and have established a valuation allowance of $58.1 million for such assets, which are comprised principally of net operating loss carry forwards, research and development credits, deferred revenue, inventory and stock-based compensation. If we generate pre-tax income in the future, some portion or all of the valuation allowance could be reversed and a corresponding increase in net income would be reported in future periods. The valuation allowance increased $10.7 million from $47.4 million at January 31, 2016.

Our foreign subsidiaries generate earnings that are not subject to U.S. income taxes so long as they are permanently reinvested in our operations outside the United States. Pursuant to Accounting Standard Codification Topic No. 740-30, *"Income Taxes-Other Considerations or Special Areas,"* undistributed earnings of foreign subsidiaries that are no longer permanently reinvested would become subject to deferred income taxes under U.S. tax law. Prior to the second quarter of fiscal 2017, we asserted that the undistributed earnings of all our foreign subsidiaries were permanently reinvested.

In the second quarter of fiscal 2017, following a review of our operations, liquidity and funding, and investment in our product roadmap, we determined that the ability to access certain amounts of foreign earnings would provide greater flexibility to meet the Company's working capital needs. Accordingly, in the second quarter of fiscal 2017, we withdrew the permanent reinvestment assertion on $58.6 million of earnings generated by our Irish operations through July 2016. We recorded a deferred tax liability of $14.7 million related to the foreign income taxes on $58.6 million of undistributed earnings.

At January 31, 2017, we have indefinitely reinvested $6.0 million of the cumulative undistributed earnings of certain foreign subsidiaries. The $6.0 million of such earnings would be subject to U.S. taxes if repatriated to the United States. Through January 31, 2017, we have not provided deferred income taxes on these undistributed earnings of our foreign subsidiaries because such earnings are considered to be indefinitely reinvested outside the United States. Determination of the potential deferred income tax liability on these undistributed earnings is not practicable because such liability, if any, is dependent on circumstances existing if, and when, remittance occurs.

There is no certainty as to the timing of when such foreign earnings will be distributed to the United States in whole or in part. Further, when the foreign earnings are distributed via dividend to the United States, we anticipate that a substantial portion of the resulting U.S. income taxes would be reduced by existing tax attributes.

For the fiscal year ended January 31, 2017, we recognized incremental tax benefits of $0.4 million. This incremental tax benefit is primarily due to $0.3 million of tax benefit recorded for the expiration of the statute of limitations and $0.1 million related to effectively settling an audit. We recognize accrued interest and penalties related to uncertain tax positions in income tax expense. A reconciliation of the beginning and ending balance of the total amounts of gross unrecognized tax benefits, excluding interest of $0.3 million, is as follows:

	For the Fiscal Years Ended January 31,	
	2017	2016
	(Amounts in thousands)	
Balance of gross unrecognized tax benefits, beginning of period	$5,151	$5,527
Gross amounts of increases in unrecognized tax benefits as a result of tax positions taken in the current period	321	—
Decrease due to expiration of statute of limitation	(269)	(325)
Decrease for tax positions related to prior years	(96)	—
Effect of currency translation	(14)	(51)
Balance of gross unrecognized tax benefits, end of period	$5,093	$5,151

We file income tax returns in U.S. federal jurisdiction, various state jurisdictions, and various foreign jurisdictions. We have closed out an audit with the Internal Revenue Service ("IRS") through fiscal 2013, however, the taxing authorities can still review the propriety of certain tax attributes created in closed years if such tax attributes are utilized in an open tax year, such as our federal research and development credit carryovers. During fiscal 2017, we closed an audit with the Dutch tax authorities for fiscal years 2010 through 2015.

13. Employee Benefit Plans

We sponsor a 401(k) retirement savings plan (the "Plan") that covers substantially all domestic employees of SeaChange. The Plan allows employees to contribute gross salary through payroll deductions up to the legally mandated limit based on their jurisdiction. Participation in the Plan is available to full-time employees who meet eligibility requirements. We also contribute to various retirement plans for our employees outside the United States according to the local plans specific to each foreign location. Amounts contributed will vary. During fiscal 2017, 2016 and 2015, we contributed $1.4 million, $1.5 million and $1.7 million, respectively.

We have a statutory pension benefit obligation covering current employees in the Philippines. The components of the change in this pension benefit obligation as of January 31, 2017 and 2016 is as follows:

	January 31,	
	2017	2016
	(Amounts in thousands)	
Projected benefit obligation, beginning of fiscal year	$1,063	$1,247
Service cost	238	288
Interest cost	54	51
Actuarial gain	(801)	(435)
Foreign currency exchange rate changes	(24)	(88)
Projected benefit obligation, end of fiscal year	$ 530	$1,063
Funded status at end of fiscal year(1)	$ 530	$1,063

(1) These unfunded amounts are included in other liabilities, long-term on our consolidated balance sheets for the periods presented.

The following sets forth the components of our net periodic benefit cost under the pension plan:

	January 31,		
	2017	2016	2015
	(Amounts in thousands)		
Service cost	$ 238	$ 288	$176
Interest cost	54	51	39
Actuarial (gain) loss	(801)	(435)	379
Net periodic benefit cost	$(509)	$ (96)	$594

Key weighted average assumptions used in the accounting for the pension plan to determine the benefit obligation and net benefit cost were as follows:

	January 31,	
	2017	2016
Discount rate	5.72%	5.08%
Compensation increase rate	5.00%	7.00%

We do not anticipate to begin paying this obligation until fiscal 2022 and estimate $0.2 million in benefit payments through fiscal 2028.

14. Net Loss Per Share

Net loss per share is presented in accordance with authoritative guidance which requires the presentation of “basic” and “diluted” earnings per share. Basic net loss 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 net loss 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 awards, calculated using the treasury stock method. Basic and diluted net loss per share was the same for all the periods presented as the impact of potential dilutive shares outstanding was anti-dilutive.

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

	For the Fiscal Years Ended January 31,		
	2017	2016	2015
Net loss from continuing operations	$(71,249)	$(47,697)	$(27,489)
Net income from discontinued operations	—	—	5
Net loss	$(71,249)	$(47,697)	$(27,484)
Weighted average shares used in computing net loss per share—basic and diluted	34,970	33,506	32,772
Net loss per share—basic and diluted:			
Loss from continuing operations	$ (2.04)	$ (1.42)	$ (0.84)
Income from discontinued operations	—	—	0.00
Net loss per share—basic and diluted	$ (2.04)	$ (1.42)	$ (0.84)

The number of common shares used in the computation of diluted net loss per share for the periods presented does not include the effect of the following potentially outstanding common shares because the effect would have been anti-dilutive (amounts in thousands):

	For the Fiscal Year Ended January 31,		
	2017	2016	2015
Stock options	1,415	1,493	1,586
Restricted stock units	448	145	217
Deferred stock units	70	31	11
Performance stock units	318	5	—
Total	2,251	1,674	1,814

15. Quarterly Results of Operations—Unaudited

The following table sets forth certain unaudited quarterly results of operations for fiscal 2017 and fiscal 2016. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the quarterly information when read in conjunction with the audited consolidated financial statements and notes thereto included elsewhere in this Form 10-K. The quarterly operating results are not necessarily indicative of future results of operations.

	Fiscal Year Ended January 31, 2017			
	Q1	Q2	Q3	Q4
	(Amounts in thousands, except per share data)			
Revenue	$21,570	$ 18,452	$19,961	$ 23,812
Gross profit	9,149	7,456	9,812	15,763
Operating expenses	18,724	19,124	18,247	40,231
Net loss(1)	(8,907)	(26,884)	(8,082)	(27,376)
Loss per share(2):				
Basic	$ (0.26)	$ (0.77)	$ (0.23)	$ (0.78)
Diluted	$ (0.26)	$ (0.77)	$ (0.23)	$ (0.78)

	Fiscal Year Ended January 31, 2016			
	Q1	Q2	Q3	Q4
	(Amounts in thousands, except per share data)			
Revenue	$23,177	$27,871	$ 28,747	$ 27,197
Gross profit	10,116	14,427	6,877	15,419
Operating expenses	19,582	19,177	18,718	37,561
Net loss(3)	(9,825)	(5,027)	(10,565)	(22,280)
Loss per share(2):				
Basic	$ (0.29)	$ (0.16)	$ (0.31)	$ (0.66)
Diluted	$ (0.29)	$ (0.16)	$ (0.31)	$ (0.66)

(1) Net loss in the fourth quarter of fiscal 2017 includes a $23.7 million loss on impairment of long-lived assets as we found during "Step 2" of our annual goodwill impairment test that the carrying value of our goodwill was greater than the implied fair value. As a result, we recorded an impairment charge of $23.5 million. In addition, we fully impaired the fair market value of our facility in Greenville, New Hampshire by recording an impairment charge of $0.2 million as we feel that the sale of this facility is not imminent due to the facility's location and the market conditions in the area.

(2) The sum of per share data may not agree to annual amounts due to rounding.

(3) Net loss in the fourth quarter of fiscal 2016 includes a $21.5 million loss on impairment of long-lived assets as a result of our decision to enter into a restructuring plan relating to the Timeline Labs operations.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(A) Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Form 10-K. Edward Terino, our Chief Executive Officer, and Peter R. Faubert, our Chief Financial Officer, participated in this evaluation. Based upon that evaluation, Messrs. Terino and Faubert concluded that our disclosure controls and procedures were not effective as of January 31, 2017 due to material weaknesses described in the Report of Management on Internal Control Over Financial Reporting below relating to the design of controls around certain professional services revenue recognition on projects generating revenue of less than $25,000 per month, deferred revenue related to undelivered products reconciled the month prior to quarter end and rolled forward and journal entry review processes at an international subsidiary for journal entries less than $50,000. In addition, we identified an ineffective control related to currency translation adjustments arising from intercompany notes.

Notwithstanding the material weaknesses discussed above, our management, including our Chief Executive Officer and Chief Financial Officer, believes that the consolidated financial statements contained in this Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP. These material weaknesses did not result in any adjustments or restatements of our audited and unaudited consolidated financial statements or disclosures for any prior period previously reported by the Company.

(B) Report of Management on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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

Our management assessed the effectiveness of our internal control over financial reporting as of January 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 *Internal Control—Integrated Framework.*

During fiscal 2017, we identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

As part of our evaluation of internal control over financial reporting described above, we concluded that, as of January 31, 2017, we did not maintain effective internal control over financial reporting. We reached that conclusion because, out of over 100 controls in place and tested, we did not design and maintain effective internal controls over the following three items:

- insufficient review procedures around a) professional service revenue on projects with revenue below $25,000 monthly, and b) deferred revenue related to undelivered products reconciled the month prior to quarter end and rolled forward; Specifically, our controls are not appropriately designed to review professional services revenue recognized on projects below $25,000, or review deferred revenue related to undelivered products at quarter end.
- lack of evidence of management review over the preparation of journal entries under $50,000 at an international subsidiary; Specifically, our controls are not appropriately designed to ensure journal entries under $50,000 at an international subsidiary are complete and accurate.
- ineffective control around the identification of currency translation adjustments resulting from revaluation of a Euro denominated non-recurring intercompany note payable to an international subsidiary with a U.S. dollar functional currency. Specifically, the Company did not maintain effective controls related to the identification and review of currency translation adjustments associated with an intercompany note payable.

Controls that were historically in place did not always address relevant risks and were not performed on all relevant transactions. In addition, the level of precision of the management review controls was not sufficient to identify all potential errors.

Notwithstanding the material weaknesses discussed above, our management, including our Chief Executive Officer and Chief Financial Officer, believes that the consolidated financial statements contained in this Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP. These material weaknesses did not result in any adjustments or restatements of our audited and unaudited consolidated financial statements or disclosures for any prior period previously reported by the Company.

The effectiveness of our internal control over financial reporting as of January 31, 2017 has been audited by Grant Thornton LLP, our independent registered public accounting firm, as stated in their report which is included in Part II, Item 8 of this Form 10-K.

(C) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the fourth fiscal quarter ended January 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Management is in the process of designing and implementing a remediation plan intended to address the control deficiencies which resulted in the material weaknesses described above. The following actions have begun and will be further developed during the fiscal year ended January 31, 2018:

- We are enhancing our internal controls over financial reporting to expand our review of professional services revenue to include revenue recognized on projects below $25,000. In addition, we are developing a system improvement to allow us to review deferred revenue related to undelivered products at quarter end.
- We are enhancing our internal controls over financial reporting to include a review of all journal entries at an international subsidiary to ensure the journal entries are complete and accurate. In addition, the corporate controller will review the journal entries from this international subsidiary on a quarterly basis.
- We are enhancing our internal controls over financial reporting to develop a process whereby the corporate controller and tax director will review the impact of currency translation adjustments on intercompany notes payable on a quarterly basis.

We will provide continuing updates in our SEC filings on this remediation.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning our directors is hereby incorporated by reference from the information contained under the heading “Election of Directors” in our definitive proxy statement related to our Annual Meeting of Stockholders to be held on or about July 13, 2017 which will be filed with the Commission within 120 days after the close of the fiscal year (the “Definitive Proxy Statement”).

Certain information regarding our executive officers is set forth in Part I, Item 1, *“Business,”* of this Form 10-K under the heading “Executive Officers.” The other information required by this item concerning directors and executive officers of SeaChange is hereby incorporated by reference to the information contained under the headings “Availability of Corporate Governance Documents”, “Audit Committee,” “Information Concerning Executive Officers” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Definitive Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to the information contained under the headings “Compensation of Directors” and “Compensation Discussion and Analysis” in the Definitive Proxy Statement.

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

Information required by this item is incorporated by reference to the information contained under the headings “Securities Ownership of Certain Beneficial Owners and Management” and “Compensation Discussion and Analysis” in the Definitive Proxy Statement.

Equity Compensation Plan Information

The following table provides information about the common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of January 31, 2017, including our Amended and Restated 2011 Compensation and Incentive Plan (the "2011 Plan").

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	2,141,567	$4.70	393,403(2)

(1) Consists of the 2011 Plan and the Amended and Restated 2005 Equity Compensation and Incentive Plan.
(2) As of January 31, 2017, there were 393,403 shares remaining available for issuance under the 2011 Plan.

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

Information required by this item is incorporated by reference to the information contained under the heading "Determination of Director Independence" and "Certain Relationships and Related Transactions" in the Definitive Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item is incorporated by reference to the information contained under the heading "Ratification of Appointment of Independent Registered Public Accounting Firm" in the Definitive Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Index to the Consolidated Financial Statements

The following Consolidated Financial Statements of the Registrant are included in Part II, Item 8., *"Financial Statements and Supplementary Data,"* of this Form 10-K:

(a)(2) Index to Financial Statement Schedule

The following Financial Statement Schedule of the Registrant is filed as part of this report:

Schedules not listed above have been omitted because the information requested to be set forth therein is not applicable or is shown in the accompanying consolidated financial statements or notes thereto.

(a)(3) Index to Exhibits

See Item 15 (b) below.

(b) Exhibits

The following list of exhibits includes exhibits submitted with this Form 10-K as filed with the SEC and those incorporated by reference to other filings.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.3 to the Company's Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).
3.2	Certificate of Amendment, filed May 25, 2000 with the Secretary of State in the State of Delaware, to the Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 4.1 to the Company's Quarterly Report on 10-Q previously filed on December 15, 2000 with the Commission (Filed No. 000-21393) and incorporated herein by reference).
3.3	Amended and Restated By-laws of the Company (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K previously filed on December 6, 2016 with the Commission (File No. 000-21393) and incorporated herein by reference).
4.1	Specimen certificate representing the Common Stock (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).

Exhibit No.	Description
10.1	Second Amended and Restated 2011 Compensation and Incentive Plan (filed as Appendix A to the Company's Proxy Statement on Schedule 14A previously filed May 20, 2016 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.2	Form of Restricted Stock Unit Agreement pursuant to the Company's 2011 Compensation and Incentive Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed July 20, 2011 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.3	Form of Incentive Stock Option Agreement pursuant to the Company's 2011 Compensation and Incentive Plan (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q previously filed December 5, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.4	Form of Deferred Stock Unit Award Grant Notice pursuant to the Company's 2011 Compensation and Incentive Plan (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q previously filed December 5, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.5	Form of Non-Qualified Stock Option Agreement for Employees pursuant to the Company's 2011 Compensation and Incentive Plan (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q previously filed December 5, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.6	Form of Restricted Stock Unit Agreement for Non-Employee Directors pursuant to the Company's 2011 Compensation and Incentive Plan (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K previously filed on April 4, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.7	Amended and Restated 2005 Equity Compensation and Incentive Plan (filed as Appendix A to the Company's Proxy Statement on Schedule 14A previously filed May 25, 2007 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.8	Form of Restricted Stock Unit Agreement pursuant to the Company's 2005 Equity Compensation and Incentive Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed December 14, 2005 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.9	Form of Incentive Stock Option Agreement pursuant to the Company's 2005 Equity Compensation and Incentive Plan (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K previously filed on April 17, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.10	Form of Non-Qualified Stock Option Agreement pursuant to the Company's 2005 Equity Compensation and Incentive Plan (filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K previously filed on April 17, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.11	Amended and Restated 1995 Stock Option Plan (filed as Annex B to the Company's Proxy Statement on Schedule 14a previously filed on May 31, 2001 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.12	Form of Incentive Stock Option Agreement pursuant to SeaChange's Amended and Restated 1995 Stock Option Plan (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K filed on October 6, 2004 with the Commission (File No. 000-21393) and incorporated herein by reference).

Exhibit No.	Description
10.13	Form of Non-Qualified Stock Option Agreement pursuant to SeaChange's Amended and Restated 1995 Stock Option Plan (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K filed on October 6, 2004 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.14	1996 Non-Employee Director Stock Option Plan (filed as Exhibit 10.2 to the Company's Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).
10.15	Form of Indemnification Agreement (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K filed on April 10, 2013 (File No. 000-21393) and incorporated herein by reference).
10.16	SeaChange International, Inc. 2015 Employee Stock Purchase Plan (filed as Appendix A to the Company's Proxy Statement on Schedule 14A previously filed on May 22, 2015 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.17	Form of Performance Stock Unit Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 28, 2016 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.18	Amended and Restated Change-in-Control Severance Agreement, dated as of January 26, 2016, by and between the Company and Edward Terino (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K previously filed on January 28, 2016 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.19	Change-in-Control Severance Agreement, dated as of July 6, 2016, by and between the Company and Peter Faubert (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K previously filed on July 7, 2016 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.20	Change-in-Control Severance Agreement, dated as of January 31, 2017, by and between the Company and Jon Rider (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed on February 3, 2017 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.21	Amended and Restated Change-in-Control Severance Agreement, dated as of January 26, 2016, by and between the Company and David McEvoy (filed as Exhibit 10.5 to the Company's Current Report on Form 8-K previously filed on January 28, 2016 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.22	Employee Separation Agreement and Voluntary Release of Claims, dated as of July 6, 2016, by and between the Company and Anthony Dias (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed on July 7, 2016 with the Commission (File No. 000-21393) and incorporated herein by reference).
21.1*	List of Subsidiaries of the Registrant.
23.1*	Consent of Grant Thornton LLP.
24.1	Power of Attorney (included on signature page).
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.
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.
32.1*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit No.	Description
32.2*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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

* Provided herewith.

Exhibits which are incorporated herein by reference can be inspected and copied at the public reference facilities maintained by the SEC, 450 Fifth Street, Room 1024, N.W., Washington, D.C. 20549. Copies of such material can also be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

(c) Financial Statement Schedules

We hereby file as part of this Form 10-K the consolidated financial statements schedule listed in Item 15 (a) (2) above, which is attached hereto.

SEACHANGE INTERNATIONAL, INC.
Schedule II—Valuation and Qualifying Accounts
For the Fiscal Years Ended January 31, 2017, 2016 and 2015

Description	Balance at beginning of period	Additions: Charged to costs and expenses	Additions: Charged to other accounts	Deductions and write-offs	Balance at end of period
	(Amounts in thousands)				
Accounts Receivable Allowance:					
Year ended January 31, 2017	$ 415	$ 597	$(61)	$(75)	$ 876
Year ended January 31, 2016	$ 400	$ 59	$ —	$(44)	$ 415
Year ended January 31, 2015	$ 327	$ 80	$ —	$ (7)	$ 400
Deferred Tax Assets Valuation Allowance:					
Year ended January 31, 2017	$47,368	$10,766	$ —	$ —	$58,134
Year ended January 31, 2016	$30,369	$16,999	$ —	$ —	$47,368
Year ended January 31, 2015	$20,789	$ 9,580	$ —	$ —	$30,369

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) 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.

SEACHANGE INTERNATIONAL, INC.

Dated: April 17, 2017

By: /s/ EDWARD TERINO

Edward Terino

Chief Executive Officer and Director

POWER OF ATTORNEY AND SIGNATURES

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Edward Terino and Peter R. Faubert, jointly and severally, his attorney-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Form 10-K and to file same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

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

Signature	Title(s)	Date
/s/ EDWARD TERINO Edward Terino	Chief Executive Officer, Director (Principal Executive Officer)	April 17, 2017
/s/ PETER R. FAUBERT Peter R. Faubert	Chief Financial Officer, Senior Vice President, Finance and Administration and Treasurer (Principal Financial and Accounting Officer)	April 17, 2017
/s/ MARY PALERMO COTTON Mary Palermo Cotton	Director	April 17, 2017
/s/ STEVE CRADDOCK Steve Craddock	Director	April 17, 2017
/s/ WILLIAM MARKEY William Markey	Director	April 17, 2017
/s/ THOMAS F. OLSON Thomas F. Olson	Director	April 17, 2017
/s/ ED WILSON Ed Wilson	Director	April 17, 2017

Exhibit 21.1

SEACHANGE INTERNATIONAL, INC.
SUBSIDIARIES OF THE REGISTRANT

Subsidiary Name	Subsidiary Jurisdiction
ZQ Interactive, Ltd.	British Virgin Islands
SEAC Canada Limited	Canada
S.E.A.C. Germany GmbH	Germany
SeaChange India Private, Ltd.	India
S.E.A.C. Ireland Limited	Ireland
SeaChange Ireland Operations, Limited	Ireland
SeaChange Japan KK	Japan
Cambio Maritimo Mexico, S. de R.L de C.V.	Mexico
SeaChange B.V.	Netherlands
SeaChange NLG B.V.	Netherlands
SeaChange Software Solutions B.V.	Netherlands
SeaChange Interactive Solutions B.V.	Netherlands
SeaChange Philippines Corporation	Philippines
SeaChange LLC	Russia
SeaChange Asia Pacific Pte. Ltd.	Singapore
SeaChange Telekomünikasyon Hizmetleri Anonim Sirketi	Turkey
SeaChange International U.K. Ltd.	United Kingdom
SeaChange Holdings, Inc.	United States
Marcala Sp. z o.o.	Poland
DCC Labs Sp.k z o.o.	Poland
DCC Labs Sp. z o.o	Poland

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated April 17, 2017, with respect to the consolidated financial statements, financial statement schedule, and internal control over financial reporting included in the Annual Report of SeaChange International, Inc. on Form 10-K for the year ended January 31, 2017. We consent to the incorporation by reference of said report in the Registration Statements of SeaChange International, Inc. on Forms S-3 (File No. 333-56410 and File No. 333-201866) and on Forms S-8 (File Nos. 333-136322, 333-17379, 333-100160, 333-65854, 333-113761, 333-128987, 333-147970, 333-153424, 333-175707, 333-201867 and 333-210716).

/s/ GRANT THORNTON LLP

Boston, Massachusetts
April 17, 2017

Exhibit 31.1

CERTIFICATION

I, Edward Terino, certify that:

1. I have reviewed this annual report on Form 10-K 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.

Date: April 17, 2017

By: /s/ EDWARD TERINO

Edward Terino
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Peter R. Faubert, certify that:

1. I have reviewed this annual report on Form 10-K 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.

Date: April 17, 2017

By: /s/ PETER R. FAUBERT

Peter R. Faubert
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 annual report of SeaChange International, Inc. (the "*Company*") on Form 10-K for the year ended January 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Edward Terino, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Company's Annual Report on Form 10-K 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/ EDWARD TERINO

Edward Terino
Chief Executive Officer and Director

Dated: April 17, 2017

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 annual report of SeaChange International, Inc. (the "*Company*") on Form 10-K for the year ended January 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), I, Peter R. Faubert, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Company's Annual Report on Form 10-K 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/ PETER R. FAUBERT

Peter R. Faubert
Chief Financial Officer, Senior Vice President,
Finance and Administration and Treasurer

Dated: April 17, 2017

corporate information

BOARD OF DIRECTORS

Steven Craddock
Chairman of the Board

Mary Palermo Cotton

William F. Markey, III

Thomas F. Olson

Edward Terino

Royce E. Wilson

EXECUTIVE OFFICERS

Edward Terino
Chief Executive Officer

Jonathan Rider
Chief Operating Officer

Peter Faubert
Chief Financial Officer,
Senior Vice President and Treasurer

David McEvoy
General Counsel,
Senior Vice President and Secretary

HEADQUARTERS

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DEVELOPMENT, SALES AND SUPPORT FACILITIES

ACTON, MA | EINDHOVEN, THE NETHERLANDS | WARSAW, POLAND

STOCKHOLDERS INFORMATION

Requests for information about the Company and additional copies of this report should be directed to:

Investor Relations
SeaChange International, Inc.
50 Nagog Park
Acton, MA 01720
T +1.978.897.0100 F +1.978.897.0132
investorrelations@schange.com

More information is also available on our website: www.schange.com

STOCK TRADING INFORMATION

SeaChange International's common stock trades on the NASDAQ Stock Market under the symbol SEAC.

TRANSFER AGENT AND REGISTRAR

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INDEPENDENT ACCOUNTANTS

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OUTSIDE COUNSEL

Choate, Hall & Stewart, LLP
Two International Place
Boston, MA 02110
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F +1.617.248.4000

ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of SeaChange International, Inc. will be held on July 13, 2017 at 9am at the Company's headquarters at 50 Nagog Park, Acton, MA.

SEACHANGE INTERNATIONAL, INC.
CORPORATE HEADQUARTERS

50 Nagog Park, Acton, MA 01720 T +1.978.897.0100
www.schange.com