

**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, 2020

or

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

Commission File Number: 001-38828

**SEACHANGE INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

500 Totten Pond Road  
Waltham, MA  
(Address of principal executive offices)

04-3197974  
(IRS Employer  
Identification No.)

02451  
(Zip Code)

(978)-897-0100

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) Of The Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	SEAC	Nasdaq Global Select Market
Series A Participating Preferred Stock Purchase Rights	SEAC	Nasdaq Global Select Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 a 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 Act). Yes  No

As of July 31, 2019, 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 \$60,364,119. For the purposes of this calculation, shares owned by officers and directors (and their affiliates) have been excluded. This exclusion is not intended, nor shall it be deemed, to be an admission that such persons are affiliates of the registrant. The registrant does not have any non-voting common stock outstanding.

The number of shares of the registrant's Common Stock outstanding as of the close of business on April 6, 2020 was 37,208,434.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the registrant's definitive proxy statement for the 2020 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated herein.

**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 (although not all forward-looking statements contain these words), 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 revenue, earnings and expenses (including taxes), 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. You should not place undue reliance on these statements. We disclaim any undertaking to publicly update or revise any forward-looking statements to reflect any change in our expectations with regard thereto or any changes in events, conditions or circumstances on which such statements are based.

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, reflect our current beliefs, expectations and projections, are based on assumptions that involve (known and unknown) 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, but many of these factors are beyond our ability to control or predict. 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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## TABLE OF CONTENTS

	<u>Page</u>	
<b>PART I</b>		
Item 1.	<a href="#">BUSINESS</a>	4
Item 1A.	<a href="#">RISK FACTORS</a>	8
Item 1B.	<a href="#">UNRESOLVED STAFF COMMENTS</a>	29
Item 2.	<a href="#">PROPERTIES</a>	29
Item 3.	<a href="#">LEGAL PROCEEDINGS</a>	29
Item 4.	<a href="#">MINE SAFETY DISCLOSURES</a>	29
<b>PART II</b>		
Item 5.	<a href="#">MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</a>	30
Item 6.	<a href="#">SELECTED FINANCIAL DATA</a>	30
Item 7.	<a href="#">MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</a>	31
Item 7A.	<a href="#">QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</a>	45
Item 8.	<a href="#">FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</a>	46
Item 9.	<a href="#">CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</a>	82
Item 9A.	<a href="#">CONTROLS AND PROCEDURES</a>	82
Item 9B.	<a href="#">OTHER INFORMATION</a>	83
<b>PART III</b>		
Item 10.	<a href="#">DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</a>	86
Item 11.	<a href="#">EXECUTIVE COMPENSATION</a>	87
Item 12.	<a href="#">SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</a>	87
Item 13.	<a href="#">CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</a>	87
Item 14.	<a href="#">PRINCIPAL ACCOUNTING FEES AND SERVICES</a>	87
<b>PART IV</b>		
Item 15.	<a href="#">EXHIBITS, FINANCIAL STATEMENT SCHEDULES</a>	88
Item 16.	<a href="#">FORM 10-K SUMMARY</a>	92
	<a href="#">SIGNATURES</a>	93

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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, advertising and premium over the top (“OTT”) video management solutions headquartered in Waltham, Massachusetts. Our software products and services facilitate the aggregation, licensing, management and distribution of video and advertising content for service providers, telecommunications companies, satellite operators and broadcasters. We sell our software products and services worldwide, primarily to service providers including: operators, such as Liberty Global, plc., Altice NV, 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 broadcasters.

Our software products and services are designed to empower video providers to create, manage and monetize the increasingly personalized, highly engaging experiences that viewers demand. Using our products and services, we believe customers can increase revenue 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 solutions 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 enabling the delivery of video assets in the changing multiscreen television environment. Through strategic collaborations, 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 to their customers. Additionally, we believe we are well positioned to capitalize on new customers entering the multiscreen marketplace and increasingly serve adjacent markets. Our core technologies provide a foundation for software products and services that can be deployed in next generation video delivery systems capable of increased levels of subscriber activity across multiple devices.

In February 2019, we acquired Xstream A/S, a leading OTT media cloud platform provider with its primary operations in Warsaw, Poland. Xstream provides a managed service, OTT video solution that serves more than five million active subscribers globally. Xstream’s MediaMaker video platform has enhanced the SeaChange end-to-end video framework. We have used the acquisition of Xstream to accelerate our penetration in OTT and new market segments and a fully cloud-based end-to-end video platform that operates in a hosted managed service environment.

We have initiated restructuring programs during the past three years, to help us improve operations and optimize our cost structure. In fiscal 2019 we began taking steps to reduce our costs further by implementing a restructuring plan (the “2019 Restructuring Plan”), the primary element of which was staff reductions across all of our functions and geographic areas and for which we expect annualized cost savings of approximately \$6.0 million. In fiscal 2020 we continued to streamline our operations and closed our service organizations in Ireland and the Netherlands for which we expect additional annualized cost savings of approximately \$6.0 million. Overall, we expect to have annualized cost savings of approximately \$12.0 million as a result of the restructuring programs that have been initiated over the past two fiscal years.

Notwithstanding the success of our restructuring programs, during the fourth quarter of fiscal 2019, we experienced a decline in our stock price and actual operating results and, accordingly, revised our forecasts. These events were a trigger for an impairment review, as a result of which we determined that the carrying value of goodwill and certain long-lived assets exceeded their fair value, such that we recorded a \$17.0 million impairment charge to reduce the carrying value of our building, included in property, plant and equipment, the remaining net book value of our intangible assets and our goodwill to fair value. The impact of this impairment charge is excluded from our non-GAAP operating results included in this report.

On February 28, 2019, we entered into a Cooperation Agreement with TAR Holdings LLC and Karen Singer (collectively, "TAR Holdings"). As of the date of the Cooperation Agreement, TAR Holdings beneficially owned approximately 20.6% of our outstanding common stock. Pursuant to the Cooperation Agreement, we agreed to set the size of the Board at eight members, appoint Robert Pons to the Board as a Class II Director with a term to expire at the 2019 annual meeting of stockholders, and appoint Jeffrey Tuder to the Board as a Class III Director with a term to expire at the 2020 annual meeting of stockholders. Mr. Pons and Mr. Tuder were accordingly appointed to our Board upon execution of the Cooperation Agreement on February 28, 2019.

On March 4, 2019, our Board approved and adopted a Tax Benefits Preservation Plan (the "Tax Benefits Preservation Plan") to deter acquisitions of our common stock that would potentially limit our ability to use net operating loss carryforwards and certain other tax attributes ("NOLs") to reduce our potential future federal income tax obligations. In connection with the Tax Benefits Preservation Plan, we declared a dividend of one preferred share purchase right for each share of our common stock issued and outstanding as of March 15, 2019 to our stockholders of record on that date. The Tax Benefits Preservation Plan was approved by our stockholders at our 2019 annual meeting of stockholders.

## **FRAMEWORK**

**Our business is focused on offering an end-to-end video delivery platform ("Framework").** Framework is a value-based engagement, which provides content and service providers with a complete software delivery platform for linear, VOD and time shift TV ("TSTV") over managed and unmanaged networks. Framework includes, but is not limited to, the following modules: video back-office, media asset management, targeted advertising management, analytics and the client interface for set-top boxes ("STBs"), Smart-TVs and mobile devices. Our revenue sources consist of Framework revenue from these areas as well as related services. Framework is available as a product, SaaS, and/or managed service, on-premises, cloud and hybrid.

### *Video Back-Office*

The back-office is a comprehensive software platform that enables content and service providers to manage, monetize and deliver a seamless viewing experience to subscribers across TVs, PCs, tablets, smart phones and other IP-enabled devices. It is a modular software solution allowing customers to gradually adopt new functionality and features to expand multiscreen television distribution capabilities.

### *Media Asset Management*

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 media asset management software is used to receive, manage and publish video content for viewing on televisions, tablets, PCs and other consumer devices. Our media asset management simplifies the increasingly complex tasks of movie and television program asset tracking, metadata management, and overall content workflow processing.

### *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. The advanced advertising platform 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. The advanced advertising platform also enables targeted, real time and programmatic advertisement insertion to optimize the revenue generation.

#### *Client Application*

The client application empowers service providers and content owners to optimize live and on-demand video consumption on multiscreen and OTT services. The client application's features and functionality allow operators to fully leverage the extensive content management, delivery and monetization capabilities of our platforms. The client application products provide a ready-to-deploy multiscreen user experience coupled with a UX Manager cloud service that has been designed to optimize the management of the TV screen's user experience and customization.

#### *Analytics*

Analytics equips operators with valuable insight into subscriber engagement with their video service in order to optimize retention and monetization. Extensive, pre-built dashboards and reports provide a robust view of VOD catalog engagement, channel lineup utilization, and promotion effectiveness for increased transactional revenues. The benefits of analytic insights include, but are not limited to, identifying at-risk subscribers to incentivize them and reduce the risk of churn, determining effective promotions to increase VOD revenues and catalog productivity, and tracking asset popularity to make accurate business decisions about content providers and VOD price points.

#### *Services*

SeaChange offers comprehensive technical support and maintenance including an onsite dedicated engineer for Framework projects. We have developed extensive capabilities in systems integration, implementation and customer engineering. We also provide managed services capabilities offering end-to-end management of video platform in the cloud, 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 and advertising 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 continue providing pre-packaged integrated solutions, known as end-to-end solutions, with the goal of better enabling new and existing customers to drive the adoption of subscription-based, SaaS models through service offerings hosted and/or managed by us;
- We intend to continue pursuing strategic collaborations that 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; and
- We intend to continue to focus on both selling our products to support a single screen and to upgrade our services to support multiple devices as service providers expand their reach. We intend to continue to be able to scale to enable platforms as part of the initial sale.

## **RESEARCH AND DEVELOPMENT**

We have focused and streamlined our research and development efforts in recent years. We believe that our success will depend on our ability to develop and rapidly introduce 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 software products which utilize microservices-based software architectures and advanced orchestration. Our current research and development activities are focused on developing cloud-based multiscreen television platforms, content management solutions, additional user experience applications, advertising solutions and integrating the solutions we currently offer. The majority of our research and development efforts are performed by our engineering and development team in Warsaw, Poland.

## **SELLING AND MARKETING**

Our sales cycle has historically been long, in some instances 12-24 months. Framework engagements can be large and span for multiple years and it can be difficult to predict in what fiscal period the sale will occur. While currently a small portion of our revenue, our newer SaaS offerings have shorter sales and deployment cycles as our customers' subscribers are added to existing managed services in the cloud. We primarily utilize a direct sales process and work closely with customers to understand and define their needs. We use several marketing programs to support the sale and distribution of Framework. We also market certain features of Framework to systems integrators and value-added resellers. We attend and exhibit Framework at a limited number of prominent industry trade shows and conferences and we present our technology at seminars and smaller conferences to promote awareness.

## **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. Historically, a significant portion of our revenue in any given fiscal period has been derived from substantial orders placed by these large organizations. For the fiscal year ended January 31, 2020, no customer accounted for more than 10% of our total revenue.

We expect that we will continue to be dependent upon a limited number of customers for a significant portion of our revenue 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.

## **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 based on price, functionality and delivery capabilities. 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 Synamedia, Arris Group Inc., TiVo and MediaKind, as well as in-house solutions built by the service providers. Increasingly, we are also seeing competition from integrated end-to-end solutions and many OTT providers. 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 than we do. 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. Therefore, our products may not be able to compete effectively with these products from these companies in the future.

#### **PATENTS AND INTELLECTUAL PROPERTY**

Our success and our ability to compete are dependent, in part, upon the proprietary rights of our intellectual property. We currently have 24 patents worldwide. 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 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**

As of January 31, 2020, we had 182 employees, of which 3 were part-time. We also use other temporary employees and contractors 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 works council as may be customary or required in those jurisdictions.

#### **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 accessed through the SEC's Interactive Data Electronic Applications system at <http://www.sec.gov>.

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.seachange.com](http://www.seachange.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 website 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. You should also refer to the other information contained in this Form 10-K, including our consolidated Financial Statements and the related notes.

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

We have devoted, and will continue to devote, considerable resources, including the allocation of 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 of SaaS, our product revenue, and our timing of revenue generally, may be adversely affected, which could adversely affect our results of operations and financial condition.

***If we fail to develop and consistently deliver innovative technologies and services in response to changes in the technology and entertainment industries, our business could decline.***

The markets for our products, services and technologies is characterized by rapid change and technological evolution. We will need to continue to expend considerable resources on research and development in the future in order to continue to design and deliver enduring, innovative entertainment products, services and technologies. Despite our efforts, we may not be able to consistently develop and effectively market new products, technologies and services that adequately or competitively address the needs of the changing marketplace. In addition, we may not correctly identify new or changing market trends at an early enough stage to capitalize on market opportunities. Our future success depends to a great extent on our ability to develop and consistently deliver innovative technologies that are widely adopted in response to changes in the technology and entertainment industries and that are compatible with the technologies, services or products introduced by other entertainment industry participants.

Despite our efforts and investments in developing new products, services and technologies:

- we may not receive significant revenue from our current research and development efforts for several years, if at all;

- we cannot assure you that the level of funding and significant resources we are committing for investments in new products, services and technologies will be sufficient or result in successful new products, services or technologies;
- we cannot assure you that our newly developed products, services or technologies can be successfully protected as proprietary intellectual property rights or will not infringe the intellectual property of others;
- we cannot assure you that any new products or services that we develop will achieve market acceptance;
- our products, services and technologies may become obsolete due to rapid advancements in technology and changes in consumer preferences;
- we cannot assure you that revenue from new products, services or technologies will offset any decline in revenue from our products, services and technologies which may become obsolete; and
- our competitors and/or potential customers may develop products, services or technologies similar to those developed by us, resulting in a reduction in the potential demand for our newly developed products, services or technologies.

Our failure to successfully develop new and improved products, services and technologies, including as a result of any of the risks described above, may reduce our future growth and profitability and may adversely affect our business, results and financial condition.

***We operate in a relatively new and rapidly developing market, which makes it difficult to evaluate our business and future prospects.***

The market for our products and services is relatively new and rapidly developing, which makes it difficult to evaluate our business and future prospects. We have encountered, and will continue to encounter, risks and difficulties frequently experienced by growing companies in rapidly changing industries, including those related to:

- market acceptance of our current and future products and services;
- customer renewal rates;
- our ability to compete with other companies that are currently in, or may in the future enter, the market for our products;
- our ability to successfully expand our business, especially internationally;
- our ability to control costs, including our operating expenses;
- the amount and timing of operating expenses, particularly sales and marketing expenses, related to the maintenance and expansion of our business, operations and infrastructure;
- network outages or security breaches and any associated expenses;
- foreign currency exchange rate fluctuations;
- write-downs, impairment charges or unforeseen liabilities in connection with acquisitions;
- our ability to successfully manage acquisitions; and
- general economic and political conditions in our domestic and international markets.

If we do not manage these risks successfully, our business will be harmed.

***Our future success is dependent on the manner in which the multiscreen video and OTT markets develop, and if these markets develop in a manner that does not facilitate inclusion of our products and services, 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. These markets continue to develop as commercial markets, both within and outside North America. In addition to the potential size of these markets and the timing of their development being uncertain, so too is the technological manner in which they will develop. The success of these markets will 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 in a manner that permits inclusion of our products and services. 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 revenue will not grow as we have planned.

***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 revenue. 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.

***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 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 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, including due to the impact of worldwide economic cycles, 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 has been highly concentrated among a limited number of large customers, the loss of reduced demand by, or 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 revenue in any fiscal period. 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 revenue 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, or 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.

***If we are unable to retain our existing customers, our revenue and results of operations will be adversely affected.***

A portion of our business is subscription-based and as we seek to accelerate our penetration in OTT and serving new market segments with a SaaS revenue model, we will expand our subscription-based model. Our customers have no obligation to renew their subscriptions after their subscription period expires, and we will experience losses of customers that elect not to renew, in some cases, for reasons beyond our control. Even if subscriptions are renewed, they may not be renewed on the same or on more profitable terms. As a result, our ability to retain our existing customers and grow depends in part on subscription renewals. We may not be able to accurately predict future trends in customer renewals, and our customers' renewal rates have and may continue to fluctuate because of several factors, including their satisfaction or dissatisfaction with our services, the cost of our services and the cost of services offered by our competitors, reductions in our customers' and their end users' spending levels or the introduction by competitors of attractive features and functionality. If our customer retention rate decreases, we may need to increase the rate at which we add new customers in order to maintain and grow our revenue, which may require us to incur significantly higher sales and marketing expenses than we currently anticipate, or our revenue may decline. If our customers do not renew their subscriptions for our services, renew on less favorable terms, or do not purchase additional functionality or subscriptions, our revenue may grow more slowly than expected or decline, and our profitability and gross margins may be harmed or affected. Our Framework subscription model was

introduced in fiscal 2020 and as such we do not have historical renewal data to rely on to help us predict our future renewal rates and we will not have relevant renewal data for a number of years.

***Consolidations in the markets we serve could result in delays or reductions in purchases of products, which would have a material adverse effect on our business.***

The markets we serve have historically experienced, and continue 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 Frontier Communications Corporation bought select assets from Verizon Communications Inc. 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 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 have historically derived a substantial portion of our revenue from purchase orders that have exceeded one million dollars in value. A 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 revenue, 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, either 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.

***Adoption of our value based selling approach for our products and services may adversely impact our revenues and operating results.***

In February 2019, we began providing our products and services to customers on the basis of our value based selling approach, under which customers would license our products and services, including specified upgrades, for a fixed period of time for a fixed price. If we do not correctly understand the magnitude of expenses we will incur in connection with these new agreements, our operating results would be materially affected. In addition, our revenues may be adversely affected if the new approach results in a delay in our ability to recognize revenue, in which case our revenues and operating results would be materially affected.

***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 revenue 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 revenue 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 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 revenue and harm our competitive position.

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

Our revenue is 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.

In addition to the other risks described in this "Risk Factors" section, the following risks could cause fluctuations in our quarterly operating results:

- our ability to retain existing customers and attract new customers;
- the rates at which our customers renew;
- the amount of revenue generated from our customers' use of our products or services in excess of their committed contractual entitlements;
- the timing and amount of costs of new and existing sales and marketing efforts;
- the timing and amount of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure; and

- the cost and timing of the development and introduction of new product and service offerings by us or our competitors.

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 revenue and profitability to fall significantly short of our predictions.

***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 and established an additional company-wide cost savings program in the second half of fiscal 2017. The 2017 restructuring program allowed us to achieve approximately \$38 million in annualized cost savings since their commencement and resulted in aggregate charges of approximately \$9 million as of January 31, 2018 in severance and restructuring costs. In fiscal 2019, we further implemented a cost restructuring program (the “2019 Restructuring Program”), the primary element of which was staff reductions across all of our functions and geographic areas. In fiscal 2020, we continued to streamline our operations and closed our service organizations in Ireland and the Netherlands for which we expect additional annualized costs savings of \$6.0 million. As a result of these restructuring programs, our total number of employees significantly decreased. 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 53% of our total revenue was generated from sales outside the United States (“U.S.”) during the most recent fiscal year. 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 and engage in restructuring activities;
- 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 U.S. and the European Union (the “EU”) or 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 impact 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 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 U.S., 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 U.S. 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.

***Economic conditions and regulatory changes following the United Kingdom’s exit from the EU could have a material adverse effect on our business and results of operations.***

The U.K. formally left the EU on January 31, 2020, typically referred to as “Brexit.” Pursuant to the formal withdrawal arrangements agreed between the U.K. and EU, the U.K. will be subject to a transition period until December 31, 2020 during which EU rules will continue to apply. Negotiations between the U.K. and EU are expected to continue in relation to the customs and trading relationship between the U.K. and EU following the expiration of the transition period. The uncertainty concerning the U.K.’s legal, political and economic relationship with the EU after the transition period may be a source of instability in international markets, create significant currency fluctuations and otherwise adversely affect trading agreements or similar cross-border cooperation arrangements, whether economic, tax, fiscal, legal, regulatory or otherwise. While the full effects of Brexit will not be known for some time, Brexit could cause disruptions to, and create uncertainty surrounding, our business and results of operations. For example, following the transition period, the U.K. could lose the benefits of global trade agreements negotiated by the EU on behalf of its members, which may result in increased trade barriers that could make our doing business in the EU and the European Economic Area more difficult. Ongoing global market volatility and a deterioration in economic conditions due to uncertainty surrounding the future relationship between

the U.K. and EU could significantly disrupt the markets in which we operate and lead our customers to closely monitor their costs and delay capital spending decisions.

Additionally, Brexit has resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. Although this strengthening has been somewhat ameliorated by the implementation of the transition period, because we translate revenue denominated in foreign currency into U.S. dollars for our financial statements, during periods of a strengthening U.S. dollar, our reported revenue from foreign operations is reduced. As a result of Brexit and the continued negotiations between the U.K. and EU, there may be further periods of volatility in the currencies in which we conduct business.

The effects of Brexit will depend on any agreements the U.K. makes to retain access to EU markets following the transition period. The measures could potentially disrupt the markets we serve and may cause us to lose customers and employees. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which EU laws to replace or replicate, which could present new regulatory costs and challenges.

Any of these effects of Brexit could materially adversely affect our business, results of operations and financial condition.

***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 U.S. 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 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 that 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 inability could delay or prevent us from making these products or services, which could seriously harm the competitiveness of our solutions.

A portion of the technology licensed by us incorporates “open source” software, and we may incorporate open source software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses. 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. In addition, if we fail to comply with these licenses, we may be subject to certain conditions, including requirements that we offer our services that incorporate the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or alterations under the terms of the particular open source license. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our services that contain the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our services. We could also 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.

***Our products are subject to warranty claims.***

We sell our products with warranties as to the products’ performance in accordance with standard published specifications in effect at the time of delivery. There can be no assurance that the provision in our financial statements for estimated product warranty expense will be sufficient. We cannot ensure you that our efforts to reduce our risk through warranty disclaimers will effectively limit our liability. Any significant occurrence of warranty expense in excess of estimates could have a material adverse effect on our operating results, financial condition and cash flow. Further, we provide maintenance support to our customers and 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. We cannot be sure that the cost of such maintenance support will be adequately provided for in our financial statements and any

additional maintenance expenses could likewise have a material adverse effect on our operating results, financial condition and cash flow.

***If our software products contain serious errors or defects, then we may lose revenue and market acceptance and may incur costs to defend or settle claims.***

Complex software applications such as ours often contain errors or defects, particularly when first introduced or when new versions or enhancements are released. Despite internal testing and testing by our customers, our current and future products may contain serious defects, which could result in lost revenue, lost customers, slower growth or a delay in market acceptance.

Since our customers use our products for critical business applications, errors, defects or other performance problems could result in damage to our customers. These errors and defects could result in product liability, services level agreement claims or warranty claims. Although our customer agreements typically contain provisions designed to limit our exposure to claims, including warranty disclaimers, existing or future laws or unfavorable judicial decisions could negate these limitations. Even if not successful, a claim brought against us would likely be time-consuming and costly and could seriously damage our reputation in the marketplace, making it harder for us to sell our products and/or collect payment from our customers.

***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. For example, in February 2019, we acquired Xstream A/S, an OTT media cloud platform provider based in Copenhagen, Denmark and Warsaw, Poland for approximately \$4.6 million in cash and 541,738 shares of our common stock. Acquisitions could create risks for us, including:

- difficulties in assimilation of acquired personnel, operations, technologies or products that 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, we may not realize 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;
- adverse effects on the business relationships with pre-existing suppliers and customers of both companies. This may be important 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, or engage in divestitures. As previously noted, we acquired Xstream A/S in February 2019. 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 collaborations, 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 or divestiture 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; 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, such as occurred in connection with our February 2019 acquisition of Xstream A/S;
- 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 investments 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 strategic collaborations and other investments, both of which are elements of our growth strategy, and the timing and size of our collaboration or investment efforts cannot be readily predicted. If we experience deficits in our cash flows from operating activities in the future or we are unable to obtain new financing, 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 that 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.

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

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 materially 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 long-lived assets is determined, such as the \$17.0 million impairment charges we recorded in fiscal 2019, to our consolidated statements of operations and comprehensive loss as a result of our impairment testing of our goodwill and other long-lived assets.

***Our ability to utilize our net operating losses, or NOLs, and certain other tax attributes may be limited.***

As of January 31, 2020, we had federal NOLs of \$108.9 million. Federal and state tax laws impose restrictions on the utilization of NOLs and tax credit carryforwards in the event of an “ownership change” as defined by Section 382 of the Internal Revenue Code of 1986, as amended (“Section 382”). Generally, an “ownership change” occurs if the percentage of the value of the stock that is owned by one or more direct or indirect “five percent shareholders” increases by more than 50% over their lowest ownership percentage at any time during an applicable testing period (typically, three years). Under Section 382, if a corporation undergoes an “ownership change,” such corporation’s ability to use its pre-change NOL and tax credit carryforwards and other pre-change tax attributes to offset its post-change income may be limited. While no “ownership change” has resulted in annual limitations, future changes in our stock ownership, which may be outside of our control, may trigger an “ownership change.” In addition, future equity offerings or acquisitions that have equity as a component of the consideration could result in an “ownership change.” If an “ownership change” occurs in the future, utilization of our NOL and tax credit carryforwards or other tax attributes may be limited, which could potentially result in increased future tax liability to us. Any limitation on our ability to use NOLs may adversely impact our financial results. In March 2019, we adopted a Tax Benefits Preservation Plan in the form of a stockholder rights agreement with an ownership trigger threshold of 4.9% to assist in the preservation of our ability to use NOLs and tax credit carryforwards, which was approved by our stockholders at our last annual meeting of stockholders.

***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.

***We have experienced turnover in our senior management, which could result in operational and administrative inefficiencies and could hinder the execution of our growth strategy.***

We have recently experienced turnover in our senior management. For example, Mr. Yossi Aloni joined us as Chief Commercial Officer in January 2019 and was appointed as Chief Executive Officer (“CEO”) and President in August 2019, and our Chief Financial Officer joined us in October 2019. Lack of management continuity could harm our customer relationships, delay product development processes, adversely affect our ability to successfully execute our growth strategy, result in operational and administrative inefficiencies and added costs, and could impede our ability to recruit new talented individuals to senior management positions, which could adversely impact our results of operations, stock price and customer relationships. Our success largely depends on our ability to integrate any new senior management within our organization in order to achieve our operating objectives, and changes in other key positions may affect our financial performance and results of operations as new members of management become familiar with our business.

***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 U.S., including, but not limited to Poland and the Netherlands. 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 U.S. 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 U.S. 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 U.S. where we maintain a physical presence or have a substantial nexus. These taxing regimes are complex. For example, in the U.S., 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.

***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.***

Cyber criminals and hackers may attempt to penetrate our network security, misappropriate our proprietary information or cause business interruptions. 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 operations and lead to legal liability from customers, third parties and governmental authorities. 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.

***Evolving data privacy regulations, including the EU's General Data Protection Regulation ("GDPR"), and the California Consumer Privacy Act ("CCPA"), may subject us to significant penalties.***

In May 2018, the EU's GDPR came into effect, and changed how businesses can collect, use and process the personal data of EU residents. The GDPR has extraterritorial effect and imposes a mandatory duty on businesses to self-report personal data breaches to authorities, and, under certain circumstances, to affected individuals. The GDPR also grants individuals the right to erasure (commonly referred to as the right to be forgotten), which may put a burden on us to erase records upon request. Compliance with the GDPR's new requirements may increase our legal, compliance, and operational costs. Non-compliance with the GDPR's requirements can result in significant penalties, which may have a material adverse effect on our business, expose us to legal and regulatory costs, and impair our reputation.

Other jurisdictions, including certain U.S. states and non-U.S. jurisdictions where we conduct business, have also enacted or are considering enacting their own versions of "GDPR-like" data privacy legislation, which could create additional compliance challenges, heightened regulatory scrutiny, administrative burden and potentially expose us to significant penalties. For example, in June 2018, California's legislature passed the CCPA, which went into effect on January 1, 2020. Any failure or perceived failure by us, our business partners, or third party service providers to comply with GDPR, CCPA, other privacy-related or data protection laws and regulations, or the privacy commitments in contracts could result in proceedings against us by governmental entities or others and significant fines, which could have a material adverse effect on our business and operating results and harm our reputation.

In addition, some countries have or are considering legislation requiring local storage and processing of data that, if enacted, could increase the cost and complexity of offering our products, software and services or maintaining our business operations in those jurisdictions.

***Interruptions or delays in service from our third-party data center hosting facilities or our enterprise cloud computing providers could impair the delivery of our service, adversely affect our financial results and otherwise harm our business.***

We use third-party data center hosting facilities for customers buying our SaaS product offering, and we use enterprise cloud computing providers in connection with certain other aspects of our business, including cloud-based data processing, storage and other services. In the case of data center hosting facilities, while we control the actual computer and storage systems upon which our software runs, and deploy them to the data center hosting facilities, we do not control the operation or availability of these facilities. We similarly do not have control over the operation or availability of enterprise cloud computing providers that we use. Any changes in third-party service levels at these facilities or any errors, defects, disruptions or other performance problems at or related to these facilities that affect our services could harm our reputation and may damage our customers' businesses. 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 that allows us to connect to the third-party systems for an extended

period may impact our ability to operate the business and processtransactions 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.

***Our stock price may be volatile and an investment in our stock may decline. If we fail to comply with the continuing listing standards of The NASDAQ Global Select Market, our securities could be delisted.***

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 in these risk factors could cause the market price of our common stock to fluctuate or decline below the \$1.00 Nasdaq minimum price requirement such that we become subject to delisting proceedings. Any delisting of our securities could have an adverse effect on the market price of, and the efficiency of the trading market for our securities, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and less coverage of us by securities analysts, if any. Also, if in the future we were to determine that we need to seek additional equity capital, having been delisted or being subject to delisting proceedings could have an adverse effect on our ability to raise capital in the public or private markets. 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. On February 28, 2019, we entered into a cooperation agreement with Karen Singer and TAR Holdings LLC. Pursuant to the terms of the cooperation agreement, we appointed both Robert Pons and Jeffrey Tudor to our Board. Certain of our significant stockholders expressed disagreement with the cooperation agreement and it is possible that some of our stockholders may conduct a "vote no" campaign against the election of all or certain of our board members standing for election at our upcoming annual meeting of stockholders and cause the Board to consider the resignation of any candidate who does not achieve the support of a majority of votes cast in an uncontested election. Similar to a proxy contest, this 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 that industry or financial analysts publish about us and our business. We do not control these analysts. BWS Financial Inc. ceased to cover us in March 2019, and we are currently covered by only a limited number of analysts. If any of the analysts who cover us issue an adverse opinion regarding our stock price, our business or 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 accounting principles generally accepted in the United States of America ("GAAP"). The reconciling items have adjusted for certain non-cash or non-recurring items and are described in detail in each such quarterly earnings press release. We believe that this presentation may be 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.

***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 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.

***Any weakness identified in our system of internal controls by us and our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 could have an adverse effect on our business.***

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 express an opinion on our internal controls over financial reporting based on their audit. There can be no assurance that no weakness in our internal control over financial reporting will occur in future periods, or that any weakness will not have a material adverse effect on our business or financial results, including our ability to report our financial results in a timely manner.

***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 revenue 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 revenue 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. 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 into 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 revenue. 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 revenue 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 related 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.

***Our products are often integrated with other third-party products. Third-party delays could adversely affect our future financial operating results.***

We sell our products in accordance with our standard product specifications. There can be instances where our products are integrated into a larger solution with other third-party products, the delivery of which is controlled by third party providers. We have little, if any, control over the timing of delivery of third-party products, and a delay from the time of our product delivery to the production launch of the larger solution can materially impact our financial operating results.

***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, government debt securities and corporate bonds. 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 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 in the past and we may make additional investments in the future. 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 the fair value of our investment that would result in impairment charges.

***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 media industries are subject to extensive regulation which may limit the growth of our business, both in the U.S. 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 U.S., 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.

***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 U.S. 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.

***There is no assurance that the current cost of Internet connectivity and network access will not rise with the increasing popularity of online media services.***

We rely on third-party service providers for our principal connections to the Internet and network access, and to deliver media to consumers. As demand for online media increases, there can be no assurance that Internet and network service providers will continue to price their network access services on reasonable terms. The distribution of online media requires delivery of digital content files and providers of network access and distribution may change their business models and increase their prices significantly, which could slow the widespread adoption of such services. In order for our services to be successful, there must be a reasonable price model in place to allow for the continuous distribution of digital media files. We have limited or no control over the extent to which any of these circumstances may occur, and if network access or distribution prices rise, our business, financial condition and results of operations would likely be adversely affected.

***We are subject to the Foreign Corrupt Practices Act ("FCPA"), and our failure to comply could result in penalties that 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.

***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 U.S., actions against or by the U.S. 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.

***Delaware law and our certificate of incorporation and bylaws contain anti-takeover provisions, and our Board of Directors has adopted a Tax Benefits Preservation Plan in the form of a stockholder rights agreement, any of which could delay or discourage a merger, tender offer, or assumption of control of the Company not approved by our Board that some stockholders may consider favorable.***

Delaware law and our certificate of incorporation and bylaws contain certain provisions, and our Board of Directors recently adopted Tax Benefits Preservation Plan in the form of a stockholder rights agreement with an ownership trigger threshold of 4.9%, any of which could render more difficult, or discourage a merger, tender offer, or assumption of control of the Company that is not approved by our Board of Directors. The Tax Benefits Preservation Plan, however, should not interfere with any merger, tender or exchange offer or other business combination approved by our Board of Directors. Nor does the rights agreement prevent our Board of Directors from considering any offer that it considers to be in the best interest of the Company's stockholders.

***The recent COVID-19 outbreak may adversely affect our revenues, results of operations and financial condition.***

The U.S. and other countries are experiencing outbreaks of COVID-19, which is continuing to spread to other countries, including countries in which we, our customers and our suppliers do business. Governments in affected regions have implemented and may continue to implement safety precautions, including quarantines, travel restrictions, business closures, cancellations of public gatherings and other measures. Other organizations and individuals are taking additional steps to avoid or reduce infection, including limiting travel and staying home from work. These measures are disrupting normal business operations both in and outside of affected areas. We continue to monitor our operations and government recommendations and have made appropriate modifications to our operations because of COVID-19, including substantial modifications to employee travel, employee work locations, virtualization or cancellation of customer and employee events, and remote sales, implementation, and support activities, among other modifications. These decisions may delay or reduce sales and harm productivity and collaboration. The cancellation of major industry events in the region reduces our ability to meet with existing and potential new customers. Our customers' businesses could be disrupted or they could seek to limit spending, either of which could foreclose future business opportunities, could negatively impact the willingness of our customers to enter into or renew contracts with us and ultimately could adversely affect our revenues. The pandemic has impacted our ability to complete certain implementations, negatively impacting our ability to recognize revenue, and could also negatively impact the payment of accounts receivable and collections. Although we are unable to predict the precise impact of COVID-19 on our business, our mobile communications business in particular depends to a large extent on travel and the willingness of customers to enter into or renew contracts with us. We anticipate that, unless the outbreak is swiftly contained, governmental, individual, business and other organizational measures to limit the spread of the virus will adversely affect our revenues, results of operations and financial condition, perhaps materially. This or any other outbreak and any additional preventative or protective actions that may be taken in response to this or any other global health threat or pandemic may result in additional business and/or operational disruption.

Additionally, global economic disruptions like COVID-19 could negatively impact our supply chain and cause delays in the delivery of raw materials, components and other supplies that we need to conduct our operations. We

may be unable to locate replacement materials, components or other supplies, and ongoing delays could reduce sales and adversely affect our revenues and results of operations. The extent to which COVID-19 will impact our business will depend on many factors beyond our control, including the speed of contagion, the development and implementation of effective preventative measures and possible treatments, the scope of governmental and other restrictions on travel and other activity, and public reactions to these factors.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

<u>Location</u>	<u>Principal Use</u>	<u>Square Feet</u>
<b><u>Leased Facilities</u></b>		
Waltham, MA	Corporate Headquarters, Engineering, Customer Services, Sales and Marketing	17,077
Warsaw, Poland	Engineering and Customer Services	26,189

We also lease or sublease offices in Ireland and Turkey but do not consider these leases or subleases to be material. We believe that existing facilities are adequate to meet our foreseeable requirements and can renew our existing leases or obtain alternative space on terms that would not have a material impact on our financial condition.

**ITEM 3. LEGAL PROCEEDINGS**

We are not currently a party to any material legal proceedings. From time to time, we may be subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Regardless of the outcome, litigation can have a material adverse effect on us because of defense and settlement costs, diversion of management resources, and other factors.

**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

#### Certain Information Regarding the Trading of Our Common Stock

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

#### Holders of Our Common Stock

On April 20, 2020, there were 113 holders of record of our common stock. Because many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these recordholders.

#### Recent Sales of Unregistered Equity Securities

None.

#### Issuer Purchases of Equity Securities

We did not purchase any of our registered equity securities during the period from November 1, 2019 to January 31, 2020.

#### Dividends

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.

#### Securities Authorized for Issuance Under Equity Compensation Plans

Information regarding our equity compensation plans and the securities authorized for issuance thereunder is set forth herein under Part III, Item 12 below.

### ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended, for this reporting period and are not required to provide the information required under this item.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 risks 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 such statements as a result of future developments. Unless otherwise specified, any reference to a "year" is to a fiscal year ended January 31st.

### Business Overview

SeaChange International, Inc., a Delaware corporation ("SeaChange," the "Company," "us," or "we") founded on July 9, 1993, is an industry leader in the delivery of multiscreen, advertising and premium over the top ("OTT") video management solutions headquartered in Waltham, Massachusetts. Our software products and services facilitate the aggregation, licensing, management and distribution of video and advertising content for service providers, telecommunications companies, satellite operators and broadcasters. We sell our software products and services worldwide, primarily to service providers including: operators, such as Liberty Global, plc., Altice NV, 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 broadcasters.

Our software products and services are designed to empower video providers to create, manage and monetize the increasingly personalized, highly engaging experiences that viewers demand. Using our products and services, we believe customers can increase revenue 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 solutions 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 enabling the delivery of video assets in the changing multiscreen television environment. Through strategic collaborations, 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 to their customers. Additionally, we believe we are well positioned to capitalize on new customers entering the multiscreen marketplace and increasingly serve adjacent markets. Our core technologies provide a foundation for software products and services that can be deployed in next generation video delivery systems capable of increased levels of subscriber activity across multiple devices.

In February 2019, we acquired Xstream A/S, a leading OTT media cloud platform provider with its primary operations in Warsaw, Poland. Xstream provides a managed service, OTT video solution that serves more than five million active subscribers globally. Xstream's MediaMaker video platform has enhanced the SeaChange end-to-end video framework. We have used the acquisition of Xstream to accelerate our penetration in OTT and new market segments and fully cloud-based end-to-end video platform that operates in a hosted managed service environment.

We have initiated restructuring programs in the past three years, to help us improve operations and optimize our cost structure. In fiscal 2019, we further implemented a cost restructuring program (the “2019 Restructuring Program”), the primary element of which was staff reductions across all of our functions and geographic areas and for which we have annualized cost savings of approximately \$6.0 million. In fiscal 2020, we continued to streamline our operations and closed our service organizations in Ireland and the Netherlands for which we expect additional annualized cost savings of approximately \$6.0 million. Overall, we expect to have annualized cost savings of approximately \$12.0 million as a result of the restructuring programs that have been initiated over the past two fiscal years.

Notwithstanding the success of our restructuring programs, during the fourth quarter of fiscal 2019, we experienced a decline in our stock price and actual operating results and, accordingly, revised our forecasts. These events were a trigger for an impairment review, as a result of which we determined that the carrying value of goodwill and certain long-lived assets exceeded their fair value, such that we recorded a \$17.0 million impairment charge to reduce the carrying value of our building, included in property, plant and equipment, the remaining net book value of our intangible assets and our goodwill to fair value. The impact of this impairment charge is excluded from our non-GAAP operating results included in this report.

On February 28, 2019, we entered into a Cooperation Agreement with TAR Holdings LLC and Karen Singer (collectively, “TAR Holdings”). As of the date of the Cooperation Agreement, TAR Holdings beneficially owned approximately 20.6% of our outstanding common stock. Pursuant to the Cooperation Agreement, we agreed to set the size of the Board at eight members, appoint Robert Pons to the Board as a Class II Director with a term to expire at the 2019 annual meeting of stockholders, and appoint Jeffrey Tudor to the Board as a Class III Director with a term to expire at the 2020 annual meeting of stockholders. Mr. Pons and Mr. Tudor were accordingly appointed to our Board upon execution of the Cooperation Agreement on February 28, 2019.

On March 4, 2019, our Board approved and adopted a Tax Benefits Preservation Plan to deter acquisitions of our common stock that would potentially limit our ability to use net operating loss carryforwards and certain other tax attributes (“NOLs”) to reduce our potential future federal income tax obligations. In connection with the Tax Benefits Preservation Plan, we declared a dividend of one preferred share purchase right for each share of our common stock issued and outstanding as of March 15, 2019 to our stockholders of record on that date. The Tax Benefits Preservation Plan was approved by our stockholders at our 2019 annual meeting of stockholders.

### **Results of Operations**

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

## Revenue and Gross Profit

The components of our total revenue and gross profit are described in the following table:

	For the Fiscal Years Ended January 31,		Change	
	2020	2019	\$	%
(Amounts in thousands, except for percentage data)				
Revenue:				
Product	\$ 39,914	\$ 20,655	\$ 19,259	93.2%
Service	27,240	41,747	(14,507)	(34.7%)
Total revenue	67,154	62,402	4,752	7.6%
Cost of product revenue	6,179	3,460	2,719	78.6%
Cost of service revenue	17,473	21,612	(4,139)	(19.2%)
Total cost of revenue	23,652	25,072	(1,420)	(5.7%)
Gross profit	\$ 43,502	\$ 37,330	\$ 6,172	16.5%
Gross product profit margin	84.5%	83.2%		1.3%
Gross service profit margin	35.9%	48.2%		(12.4%)
Gross profit margin	64.8%	59.8%		5.0%

International revenue accounted for 53% and 62% of total revenue in fiscal 2020 and fiscal 2019, respectively. The decrease in international sales as a percentage of total revenue in fiscal 2020, as compared to fiscal 2019, is primarily due to a decrease in revenue generated from one major customer in Europe, the Middle East, and Africa during fiscal 2020 compared to fiscal 2019.

### Product Revenue

Product revenue increased by \$19.3 million for fiscal 2020 from fiscal 2019 primarily due to a \$18.3 million increase in revenues related to our end-to-end Framework product, which is inclusive of video platform, user experience, and advertising solutions previously sold separately.

### Service Revenue

Service revenue decreased by \$14.5 million in fiscal 2020 from fiscal 2019 primarily due to a \$6.1 million decrease in revenues related to installation and customized development services as a result of our Framework product's out-of-the-box functionality as well as a \$7.0 million decrease in post-warranty maintenance revenues associated with decommissioned legacy products.

### Gross Profit and Margin

Cost of revenue consists primarily of the cost of resold third-party products and services, purchased components and subassemblies, labor and overhead, testing and implementation, and ongoing maintenance of complete systems.

Our gross profit margin increased by 5% in fiscal 2020 from fiscal 2019 primarily due to a shift in sales to our higher-margin Framework product in fiscal 2020. Product profit margin increased by 1% in fiscal 2020 from fiscal 2019 due to an increase in higher-margin Framework revenue in fiscal 2020. Service profit margins decreased by 12% in fiscal 2020 from fiscal 2019 primarily due to fixed costs related to the decommissioning of our legacy products in fiscal 2020.

## Operating Expenses

### Research and Development

Research and development expenses consist of salaries and related costs, including stock-based compensation, for personnel in software development and engineering functions as well as contract labor costs, depreciation of development and test equipment and an allocation of related facility expenses. The following table provides information regarding the change in research and development expenses during the periods presented:

	For the Fiscal Years Ended January 31,		Change	
	2020	2019	\$	%
	(Amounts in thousands, except for percentage data)			
Research and development expenses	\$ 16,050	\$ 19,705	\$ (3,655)	(18.5%)
% of total revenue	23.9%	31.6%		

Research and development expenses decreased by \$3.7 million in fiscal 2020 from fiscal 2019 primarily due to a \$2.4 million decrease in labor costs associated with the lower headcount resulting from the cost-savings efforts implemented in fiscal 2019 as part of our restructuring program, as well as a \$1.2 million decrease in outside services.

### Selling and Marketing

Selling and marketing expenses consist of salaries and related costs, including stock-based compensation, for personnel engaged in selling and marketing functions, as well as commissions, travel expenses, certain promotional expenses and an allocation of related facility expenses. The following table provides information regarding the change in selling and marketing expenses during the periods presented:

	For the Fiscal Years Ended January 31,		Change	
	2020	2019	\$	%
	(Amounts in thousands, except for percentage data)			
Selling and marketing expenses	\$ 12,179	\$ 14,414	\$ (2,235)	(15.5%)
% of total revenue	18.1%	23.1%		

Selling and marketing expenses decreased by \$2.2 million in fiscal 2020 from fiscal 2019 primarily due to a \$1.5 million decrease in labor costs associated with the lower headcount resulting from the cost-savings efforts implemented in fiscal 2019 as part of our restructuring program as well as a \$0.8 million decrease in outside services.

### General and Administrative

General and administrative expenses consist of salaries and related costs, including stock-based compensation, for personnel in executive, finance, legal, human resources, information technology and administrative functions, as well as legal and accounting services, insurance premiums and an allocation of related facilities expenses. The following table provides information regarding the change in general and administrative expenses during the periods presented:

	For the Fiscal Years Ended January 31,		Change	
	2020	2019	\$	%
	(Amounts in thousands, except for percentage data)			
General and administrative expenses	\$ 15,211	\$ 19,618	\$ (4,407)	(22.5%)
% of total revenue	22.7%	31.4%		

General and administrative expenses decreased by \$4.4 million in fiscal 2020 from fiscal 2019 primarily due to a \$1.8 million decrease in stock-based compensation, a \$1.4 million decrease in labor costs associated with lower

headcount resulting from the cost-savings efforts implemented in fiscal 2019 as part of our restructuring program, and a \$1.1 million decrease in our provision for bad debt.

#### *Severance and Restructuring Costs*

Severance consists of employee-related severance charges not related to a restructuring plan. Restructuring costs consist of charges related to restructuring including employee-related severance charges, remaining lease obligations and termination costs, and the disposal of equipment.

	For the Fiscal Years Ended January 31,		Change	
	2020	2019	\$	%
	(Amounts in thousands, except for percentage data)			
Severance and restructuring costs	\$ 3,523	\$ 2,381	\$ 1,142	48.0%
% of total revenue	5.2%	3.8%		

Severance and restructuring costs increased by \$1.1 million in fiscal 2020 from fiscal 2019 primarily due to the closing of our service organizations in Ireland and the Netherlands, for which we expect annualized cost savings of approximately \$6.0 million. Charges to restructuring also included cost reduction initiatives implemented during the second half of fiscal 2019 (the "2019 Restructuring Program"), for which we expect additional annualized cost savings of \$6.0 million once completed.

#### *Loss on Sale of Fixed Assets*

In December 2019, the Company sold its corporate headquarters in Acton, MA for \$0.5 million, net of disposal costs. At the time of the sale, the Company disposed of all building and land related assets as well as non-building related assets. The net book value of all assets disposed of was \$5.9 million. We recorded a net loss on the sale of the fixed assets of \$5.4 million in our consolidated statements of operations and comprehensive loss in fiscal 2020.

#### *Loss on Impairment of Goodwill and Long-Lived Assets*

Loss on impairment of goodwill and long-lived assets was \$17.0 million in fiscal 2019. In the fourth quarter of fiscal 2019, we performed impairment reviews of our goodwill and long-lived assets. The impairment reviews were triggered by a decline in our stock price, actual operating results and revised forecasts, which we considered to be triggering events for such reviews.

As a result of the impairment tests, in fiscal 2019 we recorded an impairment charge of \$1.2 million to reduce the carrying value of our building from \$4.7 million to \$3.5 million and we recorded an impairment charge of \$0.3 million to reduce the carrying value of our intangible assets from \$0.3 million to zero, representing the fair values of these long-lived assets. The fair value for the building was determined using market data, and the fair value of the intangible assets was determined using a discounted cash flow approach. Also as a result of the impairment tests, in fiscal 2019 we recorded an impairment charge of \$15.5 million to reduce goodwill from \$24.3 million to \$8.8 million based on the difference between our carrying value, after accounting for the impairment charges of long-lived assets, and our fair value determined using a discounted cash flow approach.

There was no loss on impairment of goodwill and long-lived assets in fiscal 2020.

### **Other Income (Expense), Net**

The table below provides detail regarding our other income (expense), net:

	For the Fiscal Years Ended January 31,		Change	
	2020	2019	\$	%
	(Amounts in thousands, except for percentage data)			
Gain on sale of investment in affiliate	1,495	175	1,320	>100.0%
Interest income, net	361	301	60	19.9%
Foreign exchange loss, net	(2,126)	(4,653)	2,527	(54.3%)
Miscellaneous income (expense), net	281	(40)	321	>(100.0%)
	<u>\$ 11</u>	<u>\$ (4,217)</u>	<u>\$ 4,228</u>	

#### **Gain on Sale of Investment in Affiliate**

In connection with the sale of our investment in Layer3 TV, Inc. ("Layer 3"), a company in which we had a cost-method investment, we received \$4.6 million in fiscal 2018. We were entitled to additional payments of up to \$2.1 million, subject to satisfaction of provisions associated with the transaction, of which we received \$0.2 million in fiscal 2019. We recorded a gain on sale of investment in affiliate of \$0.2 million in our consolidated statements of operations and comprehensive loss in fiscal 2019 related to this payment. We received our final Layer3 payment of \$1.8 million in fiscal 2020, which was partially offset by a \$0.3 million loss on an unrelated investment. We recorded a net gain on sale of investment in affiliate of \$1.5 million in our consolidated statements of operations and comprehensive loss in fiscal 2020.

#### **Foreign Exchange Loss, Net**

Foreign exchange loss, net, was \$2.1 million in fiscal 2020 compared to \$4.7 million in fiscal 2019. Our foreign exchange loss, net, is primarily due to the revaluation of intercompany notes receivable.

#### **Income Tax Provision (Benefit)**

We recorded an income tax expense of \$48 thousand in fiscal 2020 and an income tax benefit of \$2.0 million in fiscal 2019. In fiscal 2020, our tax expense was largely driven by foreign withholding taxes. In fiscal 2019, we recorded a tax benefit largely due to our ability to carryback a loss in the Netherlands to obtain a refund of taxes paid with our fiscal 2018 tax return filing. Our effective tax rate in fiscal 2020 and in future periods may fluctuate on a quarterly basis, as a result 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.

The U.S. Tax Cuts and Job Act (the "Tax Reform Act") introduced significant changes to U.S. income tax law. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system and a one-time tax on the mandatory deemed repatriation of cumulative foreign earnings (the "Transition Tax") as of December 31, 2017.

In fiscal 2019 other significant provisions of the Tax Reform Act came into effect that may impact our income taxes. These provisions consist of: an exemption from U.S. tax on dividends of future foreign earnings, limitations on the deductibility of certain executive compensation, deductions related to foreign derived intangible income, and a minimum tax on certain foreign earnings in excess of 10% of the foreign subsidiaries' tangible assets (i.e., global intangible low-taxed income or "GILTI").

## 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,	
	2020	2019
	(Amounts in thousands)	
Net cash used in operating activities	\$ (14,794 )	\$ (21,524 )
Net cash provided by (used in) investing activities	3,762	(2,047 )
Net cash provided by financing activities	472	40
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(460 )	187
Net decrease in cash, cash equivalents and restricted cash	\$ (11,020 )	\$ (23,344 )

Historically, we have financed our operations and capital expenditures primarily with our cash and investments. Our cash, cash equivalents, restricted cash and marketable securities totaled \$13.9 million at January 31, 2020.

In fiscal 2019 we implemented the 2019 Restructuring Program and incurred restructuring charges in excess of \$2.0 million in taking steps to further reduce our operating costs, primarily through staff reductions across all of our functions and geographic areas, for which we have annualized cost savings of \$6.0 million. In fiscal 2020, we incurred an additional \$3.4 million in restructuring charges, which was inclusive of \$2.1 million of charges in connection with closing our Ireland and Netherlands service organizations in the continued streamlining of our operations. Additional annualized cost savings from this initiative is expected to be approximately \$6.0 million and annualized cost savings as a result of the restructuring actions taken in fiscal 2019 and fiscal 2020 are expected to be approximately \$12.0 million in the aggregate once completed.

We believe that existing cash and investments and cash expected to be provided by future operating activities, augmented by the plans highlighted above, are adequate to satisfy our working capital, capital expenditure requirements and other contractual obligations for at least the next 12 months.

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. If adequate funds are not available or are not available on acceptable terms, we may not be able to follow through with our operational plans, take advantage of market opportunities to develop new products or to otherwise respond to competitive pressures, or invest in complementary businesses or technologies.

### *Net cash used in operating activities*

Net cash used in operating activities was \$14.8 million for fiscal 2020 and was primarily the result of our \$8.9 million net loss and changes in our operating assets and liabilities, including a \$17.8 million increase in unbilled receivables primarily related to Framework and a \$1.5 million gain on sale of investment in affiliate and other investments partially offset by a \$7.1 million decrease in accounts receivable due to the timing of payments and a \$5.4 loss on the sale of fixed assets.

Net cash used in operating activities was \$21.5 million for fiscal 2019 and was primarily the result of our \$38.0 million net loss and changes in our working capital of \$11.5 million, including a \$4.9 million decrease in accounts payable and a \$3.4 million decrease in deferred revenue, and a \$2.5 million increase in unbilled receivables.

Changes in accounts receivable, unbilled receivables, accounts payable and accrued expenses were generally due to timing of customer and vendor invoicing and payments as well as the timing of Framework engagements.

### *Net cash provided by (used in) investing activities*

Net cash provided by (used in) investing activities was \$3.8 million and (\$2.0) million for fiscal 2020 and 2019, respectively. Net cash provided by investing activities in fiscal 2020 was primarily due to the sales and maturities of

marketable securities and proceeds from the sale of investments in affiliates, net. Net cash used in investing activities in fiscal 2019 was primarily due to the purchases of marketable securities.

***Net cash provided by financing activities***

Net cash provided by financing activities was \$0.5 million and less than \$0.1 million in fiscal 2020 and 2019, respectively. Net cash provided by financing activities in fiscal 2020 and 2019 was primarily from proceeds received for the issuance of common stock.

***Impact of COVID-19 Pandemic***

In the first quarter of fiscal 2021, concerns related to the spread of COVID-19 began to create global business disruptions as well as disruptions in our operations and to create potential negative impacts on our revenues and other financial results. COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. The extent to which COVID-19 will impact our financial condition or results of operations is currently uncertain and depends on factors including the impact on our customers, partners, and vendors and on the operation of the global markets in general. Due to our business model, the effect of COVID-19 on our results of operations may also not be fully reflected for some time.

We are currently conducting business with substantial modifications to employee travel, employee work locations, virtualization or cancellation of customer and employee events, and remote sales, implementation, and support activities, among other modifications. These decisions may delay or reduce sales and harm productivity and collaboration. We have observed other companies and governments making similar alteration to their normal business operations, and in general, the markets are experiencing a significant level of uncertainty at the current time. Virtualization of our team's sales activities could foreclose future business opportunities, particularly as our customers limit spending, which could negatively impact the willingness of our customers to enter into or renew contracts with us. The pandemic has impacted our ability to complete certain implementations, negatively impacting our ability to recognize revenue, and could also negatively impact the payment of accounts receivable and collections. We may take further actions that alter our business operations as the situation evolves. As a result, the ultimate impact of the COVID-19 pandemic and the effects of the operational alterations we have made in response on our business, financial condition, liquidity, and financial results cannot be predicted at this time.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. We continue to examine the impacts this CARES Act may have on our business, including our ability to utilize our NOLs.

### ***Tax Benefits Preservation Plan***

On March 4, 2019, we entered into the a Tax Benefits Preservation Plan in the form of a stockholder rights agreement (“Rights Agreement”) and issued a dividend of one preferred share purchase right (a “Right”) for each share of common stock payable on March 15, 2019 to the stockholders of record of such shares on that date. Each Right entitles the registered holder, under certain circumstances, to purchase from us one one-hundredth of a share of Series A Participating Preferred Stock, par value \$0.01 per share (the “Preferred Shares”), of the Company, at a price of \$8.00 per one one-hundredth of a Preferred Share represented by a Right (the “Purchase Price”), subject to adjustment. The description and terms of the Rights are set forth in the Rights Agreement.

The Rights are not exercisable until the Distribution Date (as defined in the Rights Agreement). Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

At any time prior to ten (10) business days after the time any Person becomes an Acquiring Person (as defined in the Rights Agreement), the Board may redeem the Rights in whole, but not in part, at a price of \$0.0001 per Right (the “Redemption Price”). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The Rights will expire on the earlier of (i) the time at which the Rights are redeemed, (ii) the time at which the Rights are exchanged, (iii) the consummation of a reorganization transaction entered into by the Company resulting in stock transfer restrictions similar to the Rights Agreement, (iv) the close of business on the effective date of the repeal of Section 382 (as defined in the Rights Agreement) or if the Rights Agreement is no longer necessary for the preservation of NOLs, (v) the date on which the Board determines that the Rights Agreement is no longer necessary to preserve NOLs, (vi) the beginning of the taxable year to which the Board determines that none of the NOLs may be carried forward or (vii) the close of business on March 4, 2022 (the “Final Expiration Date”).

On June 28, 2019, we entered into an amendment to the Rights Agreement, between us and Computershare Trust Company, N.A., as rights agent, for the purpose of modifying the definition of “Final Expiration Date” to delete the extension of the Final Expiration Date in the event any person becomes an Acquiring Person (as defined in the Rights Agreement).

On August 8, 2019, we entered into an amendment No. 2 to the Rights Agreement, between us and Computershare Trust Company, N.A., as rights agent, for the purpose of modifying the definition of “Acquiring Person” to not include TAR Holdings and their respective affiliates and associates, provided the aggregate beneficial ownership of TAR Holdings does not exceed 25.0% of the Company securities then outstanding.

### **Off-Balance Sheet Arrangements**

We did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K in fiscal year 2019 or fiscal 2020.

### **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. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our 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 most significant estimates, judgments and assumptions used in the preparation of our consolidated financial statements.

### ***Revenue Recognition***

Our revenue is derived from sales of software licenses and associated hardware and support services, including professional services and maintenance fees related to our software licenses.

Our contracts, including contracts for our end-to-end software delivery platform solution (the “Framework”), often contain multiple performance obligations. For contracts with multiple performance obligations, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis when available or expected cost plus margin or residual approach. If the transaction price contains discounts or we expect to provide future price concessions, these elements are considered when determining the transaction price prior to allocation. Variable fees within the transaction price are estimated and recognized as revenue when we satisfy our performance obligations to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. If the contract grants the client the option to acquire additional products or services, we assess whether or not any discount on the products and services is in excess of levels normally available to similar clients and, if so, we account for that discount as an additional performance obligation.

### ***Framework***

We have concluded that Framework has multiple performance obligations. The selling price of Framework is highly variable as a result of our value-based engagement where pricing for our customers is based on the operating expense savings that we enable using the Framework engagement.

### ***Framework Software Licenses***

We have concluded that a Framework software license is a distinct performance obligation as the client can benefit from the software on its own. Software license revenue is included in product revenue in our consolidated statement of operations and comprehensive loss and is typically recognized when control is transferred to the client, which is defined as the point in time when the client can use and benefit from the license. The software license is delivered before related services are provided and is functional without services, updates, and technical support. As a result of the highly variable selling price, revenue recognition and consideration related to the Framework software license is allocated under the residual method.

### ***Framework Hardware***

We have concluded that Framework hardware, when included in a Framework contract, is a distinct performance obligation as the client can benefit from the product. Framework hardware revenue is included in product revenue in our consolidated statement of operations and comprehensive loss and is typically recognized when control is transferred to the customer, which is defined as the point in time when the client can use and benefit from the hardware. In situations where the hardware is distinct and it is delivered before services are provided and is functional without services, control is transferred upon delivery or acceptance by the customer.

### ***Framework Support Services***

We have concluded that Framework support services is a distinct performance obligation. Framework support services is included in services revenue in our consolidated statements of operations and comprehensive loss. Support services includes software upgrades on a when-and-if available basis, support, bug fixes or patches and general maintenance support. Framework support services is not sold on a standalone basis. The standalone selling price is determined using a cost-plus approach, and revenue is recognized ratably over the passage of the contractual term.

#### Legacy Software Licenses

We have concluded that a software license is a distinct performance obligation as the client can benefit from the software on its own. Software license revenue is included in product revenue in our consolidated statement of operations and comprehensive loss and is typically recognized when control is transferred to the client, which is defined as the point in time when the client can use and benefit from the license. The software license is delivered before related services are provided and is functional without services, updates, and technical support.

#### Legacy Hardware

We have concluded that hardware is a distinct performance obligation as the client can benefit from the product on its own. Hardware revenue is included in product revenue in our consolidated statement of operations and comprehensive loss and is typically recognized when control is transferred to the customer, which is defined as the point in time when the client can use and benefit from the hardware. In situations where the hardware is distinct and it is delivered before services are provided and is functional without services, control is transferred upon delivery or acceptance by the customer.

#### Legacy Maintenance

Historically, maintenance revenue, which is included in services revenue in our consolidated statements of operations and comprehensive loss, includes revenue from client support and related professional services. Client support includes software upgrades on a when-and-if available basis, telephone support, bug fixes or patches and general hardware maintenance support. Maintenance is priced as a percentage of the list price of the related software license and hardware. Historically, we determined the standalone selling price of maintenance based on this pricing relationship and observable data from standalone sales of maintenance.

We have identified three separate distinct performance obligations of maintenance:

- Software upgrades and updates;
- Technical support; and
- Hardware support.

These performance obligations are distinct within the contract and, although they are not sold separately, the components are not essential to the functionality of the other components. Each of the performance obligations included in maintenance revenue is a stand ready obligation that is recognized ratably over the passage of the contractual term for products sold on a standalone basis.

#### Legacy Services

Historically, our services revenue, excluding maintenance revenue, is comprised of software license implementation services, engineering services, training and reimbursable expenses. We have concluded that services are distinct performance obligations, with the exception of engineering services. Engineering services may be provided on a standalone basis or bundled with a license when we are providing custom development.

The standalone selling price for services in time and materials contracts is determined by observable prices in standalone services arrangements and recognized as revenue as the services are performed based on an input measure of hours incurred to total estimated hours.

We estimate the standalone selling price for fixed price services based on estimated hours adjusted for historical experience at time and material rates charged in standalone services arrangements. Revenue for fixed price services is recognized over time as the services are provided based on an input measure of hours incurred to total estimated hours.

### Contract Modifications

We occasionally enter into amendments to previously executed contracts that constitute contract modifications. We assess each of these contract modifications to determine:

- If the additional products and services are distinct from the product and services in the original arrangement; and
- If the amount of consideration expected for the added products and services reflects the standalone selling price of those products and services.

A contract modification meeting both criteria is accounted for as a separate contract. A contract modification not meeting both criteria is considered a change to the original contract and is accounted for on either a prospective basis as a termination of the existing contract and the creation of a new contract or a cumulative catch-up basis.

### Significant Judgments

Our contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Once we determine the performance obligations, we determine the transaction price, which includes estimating the amount of variable consideration to be included in the transaction price, if any. We then allocate the transaction price to each performance obligation in the contract based on a relative standalone selling price method. The corresponding revenue is recognized as the related performance obligations are satisfied as discussed in the revenue categories above.

Judgment is required to determine the standalone selling price for each distinct performance obligation. We determine standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price, taking into account available information such as market conditions, and internally approved pricing guidelines related to the performance obligations. In instances where stand-alone selling price is not directly observable, such as when we don't sell the product or service separately, we determine the stand-alone selling price based on a cost-plus model as market and other observable inputs are seldom present based on the proprietary nature of our products and services.

Our contracts do not generally include a variable component to the transaction price. With certain statements of work, we explicitly state that we are to be reimbursed for reasonable travel and entertainment expenses incurred as part of the delivery of professional services. In the cases when we are entitled to collect all travel and entertainment expenses incurred, an estimate of the fulfillment costs is made at the onset of the contract in order to determine the transaction price. The revenue associated with travel and entertainment expenses is then recognized over time along with the professional services.

Some of our contracts have payment terms that differ from the timing of revenue recognition, which requires us to assess whether the transaction price for those contracts include a significant financing component. We have elected the practical expedient that permits an entity to not adjust for the effects of a significant financing component if we expect that at the contract inception, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service, will be one year or less. For those contracts in which the period exceeds the one-year threshold, this assessment, as well as the quantitative estimate of the financing component and its relative significance, requires judgment. We estimate the significant financing component provided to our customers with extended payment terms by determining the present value of the future payments by applying a discount rate that reflects the customer's creditworthiness.

### Contract Balances

Contract assets consist of unbilled revenue, which is recognized as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Unbilled receivables expected to be billed and collected within one year are classified as current assets or long-term assets if expected to be billed and collected after one year. Contract liabilities consist of deferred revenue and customer deposits that arise when amounts are billed to or collected from customers in advance of revenue recognition.

#### *Costs to Obtain and Fulfill a Contract*

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that commissions and special incentive payments (“Spiffs”) for hardware and software maintenance and support and professional services paid under our sales incentive programs meet the requirements to be capitalized under ASC 340-40. Costs to obtain a contract are amortized as selling and marketing expense over the expected period of benefit in a manner that is consistent with the transfer of the related goods or services to which the asset relates. The judgments made in determining the amount of costs incurred include whether the commissions are in fact incremental and would not have occurred absent the customer contract and the estimate of the amortization period. The commissions and Spiffs related to professional services are amortized over time as work is completed. The commissions and Spiffs for hardware and software maintenance are amortized over the life of the contract. These costs are periodically reviewed for impairment. We determined that no impairment of these assets existed as of January 31, 2020 or 2019. We have elected to apply the practical expedient and recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that we otherwise would have recognized is one year or less.

We capitalize incremental costs incurred to fulfill our contracts that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy our performance obligation under the contract, and (iii) are expected to be recovered through revenue generated under the contract. Contract fulfillment costs include direct labor for support services, software enhancements, reimbursable expenses and professional services for customized software development costs. The revenue associated with the support services, software enhancements and reimbursable expenses is recognized ratably over time; therefore, the associated costs are expensed as incurred. The professional services associated with the customized software are not recognized until completion. As such, the professional services costs are capitalized and recognized upon completion of the services.

#### *Allowances for Doubtful Accounts*

We evaluate our customers’ financial conditions, require advance payments from certain of our customers and maintain reserves for potential credit losses. We perform ongoing credit evaluations of our customers’ financial conditions 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 general allowances for doubtful accounts on historical collections and write-off experience, current trends, credit assessments, and other analysis of specific customer situations. 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.

#### *Goodwill and Acquired Intangible Assets*

We record goodwill when consideration paid in a business acquisition exceeds the value of the net assets acquired. Our estimates of fair value are based upon assumptions believed to be reasonable at that time but such estimates are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events or circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates or actual results. Goodwill is not amortized, but rather is tested for impairment annually in our third quarter beginning August 1<sup>st</sup> of each year, or more frequently if facts and circumstances warrant a review, such as the circumstances mentioned in impairment of long-lived assets. We have determined that there is a single reporting unit for the purpose of conducting this goodwill impairment assessment. We assess both the existence of potential impairment and the amount of impairment loss by comparing the fair value of the reporting unit with its carrying amount, including goodwill.

Intangible assets are recorded at their estimated fair values at the date of acquisition. We amortize acquired intangible assets over their estimated useful lives based on the pattern of consumption of the economic benefits or, if that pattern cannot be readily determined, on a straight-line basis.

### ***Impairment of Long-Lived Assets***

Long-lived assets primarily consist of property, plant and equipment and intangible assets with finite lives. Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of long-lived assets or groups of assets is assessed based on a comparison of the carrying amount to the estimated future undiscounted cash flows. If estimated future undiscounted net cash flows are less than the carrying amount, the asset is considered impaired and expense is recorded at an amount required to reduce the carrying amount to fair value. Determining the fair value of long-lived assets includes significant judgment by management, and different judgments could yield different results.

We assess the useful lives and possible impairment of existing recognized intangible assets whenever events or changes in circumstances occur that indicate that it is more likely than not that an impairment has occurred. We test intangible assets with definite lives for impairment by comparing the carrying amount to the sum of the net undiscounted cash flows expected to be generated by the asset whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the asset exceeds its net undiscounted cash flows, then an impairment loss is recognized for the amount by which the carrying amount exceeds its fair value. We use a discounted cash flow approach or other methods, if appropriate, to assess fair value. Factors considered important which could trigger a review include:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for our overall business;
- identification of other impaired assets within a reporting unit;
- significant negative industry or economic trends;
- a significant decline in our stock price for a sustained period; and
- a decline in our market capitalization relative to net book value.

Determining whether a triggering event has occurred involves significant judgment.

### ***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.

Our policy is to classify interest and penalties related to unrecognized tax benefits, if and when required, as a component of income tax provision (benefit), in our consolidated statements of operations and comprehensive loss. We have made a policy election to treat the GILTI tax as a period expense.

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 measure stock options and other stock-based awards granted to employees and directors based on their fair value on the date of the grant and recognize compensation expense of those awards over the requisite service period, which is generally the vesting period of the respective award. We apply the straight-line method of expense recognition to all awards with only service-based vesting conditions and apply the graded-vesting method to all awards with both service-based and performance-based vesting conditions, commencing when achievement of the performance condition becomes probable. We apply the graded-vesting method to awards with market conditions that include graded-vesting features.

#### **Recently Issued Accounting Pronouncements**

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2, "*Summary of Significant Accounting Policies*," to our audited consolidated financial statements appearing in Part II, Item 8 of this Form 10-K.

#### **Inflation Risk**

During the last two years, inflation and changing prices have not had a material effect on our business. We are unable to predict whether inflation or changing prices will materially affect our business in the foreseeable future.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended, for this reporting period and are not required to provide the information required under this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to the Consolidated Financial Statements

	<u>Page</u>
<a href="#">Reports of Independent Registered Public Accounting Firms</a>	47
<a href="#">Consolidated Balance Sheets as of January 31, 2020 and 2019</a>	49
<a href="#">Consolidated Statements of Operations and Comprehensive Loss for the years ended January 31, 2020 and 2019</a>	50
<a href="#">Consolidated Statements of Cash Flows for the years ended January 31, 2020 and 2019</a>	51
<a href="#">Consolidated Statements of Stockholders' Equity for the years ended January 31, 2020 and 2019</a>	52
<a href="#">Notes to Consolidated Financial Statements</a>	53

To the Stockholders and Board of Directors of  
SeaChange International, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of SeaChange International, Inc. (the "Company") as of January 31, 2020, the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the year ended January 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2020, and the results of its operations and its cash flows for the year ended January 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of January 31, 2020, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 and our report dated April 20, 2020, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum llp

Marcum llp

We have served as the Company's auditor since 2019.  
Philadelphia, Pennsylvania  
April 20, 2020

Board of Directors and Stockholders  
SeaChange International, Inc.

**Opinion on the financial statements**

We have audited the accompanying consolidated balance sheet of SeaChange International, Inc. (a Delaware corporation) and subsidiaries (the “Company”) as of January 31, 2019, the related consolidated statements of operations and comprehensive (loss), stockholders’ equity, and cash flows for the year ended January 31, 2019, and the related notes and financial statement schedule included under Item 15(a) (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2019, and the results of its operations and its cash flows for the year ended January 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

**Basis for opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor from 2007 to 2019.

Boston, Massachusetts  
April 12, 2019

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

	January 31, 2020	January 31, 2019
<b>Assets</b>		
Current assets:		
Cash, cash equivalents and restricted cash	\$ 9,297	\$ 20,317
Marketable securities	3,835	4,020
Accounts receivable, net of allowance for doubtful accounts of \$947 and \$577 at January 31, 2020 and 2019, respectively	12,127	19,267
Unbilled receivables	14,279	5,448
Inventory	—	924
Prepaid expenses and other current assets	5,112	6,033
Total current assets	44,650	56,009
Property and equipment, net	554	7,192
Operating lease right-of-use assets	4,860	—
Marketable securities, long-term	782	6,339
Intangible assets, net	2,300	—
Goodwill	9,775	8,753
Unbilled receivables, long-term	9,031	—
Other assets	938	450
Total assets	<u>\$ 72,890</u>	<u>\$ 78,743</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 4,007	\$ 4,503
Accrued expenses	7,986	7,762
Deferred revenue	5,041	8,104
Total current liabilities	17,034	20,369
Deferred revenue, long-term	1,140	2,642
Operating lease liabilities, long-term	4,348	—
Taxes payable, long-term	436	429
Deferred tax liabilities, long-term	—	203
Total liabilities	22,958	23,643
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, \$0.01 par value; 100,000,000 shares authorized at January 31, 2020 and 2019; 37,303,952 shares issued and 37,163,462 shares outstanding at January 31, 2020; 35,946,100 shares issued and 35,905,610 outstanding at January 31, 2019	373	359
Additional paid-in capital	245,067	242,442
Treasury stock, at cost; 140,490 shares at January 31, 2020 and 40,490 shares at January 31, 2019	(147)	(5)
Accumulated other comprehensive loss	(2,137)	(3,393)
Accumulated deficit	(193,224)	(184,303)
Total stockholders' equity	49,932	55,100
Total liabilities and stockholders' equity	<u>\$ 72,890</u>	<u>\$ 78,743</u>

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,	
	2020	2019
Revenue:		
Product	\$ 39,914	\$ 20,655
Service	27,240	41,747
Total revenue	<u>67,154</u>	<u>62,402</u>
Cost of revenue:		
Product	6,179	3,460
Service	17,473	21,612
Total cost of revenue	<u>23,652</u>	<u>25,072</u>
Gross profit	<u>43,502</u>	<u>37,330</u>
Operating expenses:		
Research and development	16,050	19,705
Selling and marketing	12,179	14,414
General and administrative	15,211	19,618
Severance and restructuring costs	3,523	2,381
Loss on sale of fixed assets	5,423	—
Loss on impairment of goodwill and long-lived assets	—	17,015
Total operating expenses	<u>52,386</u>	<u>73,133</u>
Loss from operations	(8,884)	(35,803)
Other income (expense), net	11	(4,217)
Loss before income taxes	(8,873)	(40,020)
Income tax provision (benefit)	48	(2,018)
Net loss	<u>\$ (8,921)</u>	<u>\$ (38,002)</u>
Net loss per share, basic	\$ (0.24)	\$ (1.06)
Net loss per share, diluted	\$ (0.24)	\$ (1.06)
Weighted average common shares outstanding, basic	36,699	35,691
Weighted average common shares outstanding, diluted	36,699	35,691
Comprehensive loss:		
Net loss	\$ (8,921)	\$ (38,002)
Other comprehensive income, net of tax:		
Foreign currency translation adjustment	1,212	1,992
Unrealized gains on marketable securities	44	49
Total other comprehensive income	<u>1,256</u>	<u>2,041</u>
Comprehensive loss	<u>\$ (7,665)</u>	<u>\$ (35,961)</u>

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,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Net loss	\$ (8,921)	\$ (38,002)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	2,016	2,924
Loss on sale of fixed assets	5,423	—
Provision for bad debts	628	1,779
Loss on impairment of goodwill and long-lived assets	—	17,015
Stock-based compensation expense	1,151	2,939
Deferred income taxes	(203)	(4)
Realized and unrealized foreign currency transaction loss	2,126	3,459
Gain on sale of investment in affiliate and other investments, net	(1,495)	(175)
Other	—	53
Changes in operating assets and liabilities:		
Accounts receivable	7,134	513
Unbilled receivables	(17,840)	(2,468)
Inventory	924	(260)
Prepaid expenses and other current assets and other assets	1,609	(877)
Accounts payable	(1,149)	2,219
Accrued expenses and other liabilities	(170)	(7,087)
Deferred revenue	(4,565)	(3,379)
Other	(1,462)	(173)
Net cash used in operating activities	<u>(14,794)</u>	<u>(21,524)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(281)	(364)
Proceeds from sale of building and land	600	—
Cash paid for acquisitions, net	(3,838)	—
Purchases of marketable securities	(790)	(8,510)
Proceeds from sales and maturities of marketable securities	6,576	6,652
Proceeds from sale of investment in affiliate, net	1,495	175
Net cash provided by (used in) investing activities	<u>3,762</u>	<u>(2,047)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	614	83
Repurchases of common stock	(142)	—
Other financing activities	—	(43)
Net cash provided by financing activities	<u>472</u>	<u>40</u>
Effect of exchange rate on cash and cash equivalents	(460)	187
<b>Net decrease in cash, cash equivalents and restricted cash</b>	<b>(11,020)</b>	<b>(23,344)</b>
Cash, cash equivalents and restricted cash at beginning of period	20,317	43,661
Cash, cash equivalents and restricted cash at end of period	<u>\$ 9,297</u>	<u>\$ 20,317</u>
<b>Supplemental disclosure of cash flow information</b>		
Income taxes paid	<u>\$ 463</u>	<u>\$ 2,965</u>
<b>Non-cash activities:</b>		
Right-of-use assets obtained in exchange for lease obligations	<u>\$ 5,600</u>	<u>\$ —</u>
Fair value of common stock issued in acquisition	<u>\$ 874</u>	<u>\$ —</u>

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		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Number of Shares	Par Value					
<b>Balances at January 31, 2018</b>	35,634,984	\$ 356	\$ 239,423	\$ (5)	\$ (5,434)	\$ (148,620)	\$ 85,720
Adjustment resulting from the adoption of ASC 606	—	—	—	—	—	2,319	2,319
Issuance of common stock pursuant to exercise of stock options	20,937	—	54	—	—	—	54
Issuance of common stock pursuant to vesting of restricted stock units	277,385	3	(3)	—	—	—	—
Issuance of common stock pursuant to ESPP purchases	12,794	—	29	—	—	—	29
Stock-based compensation expense	—	—	2,939	—	—	—	2,939
Unrealized losses on marketable securities	—	—	—	—	49	—	49
Foreign currency translation adjustment	—	—	—	—	1,992	—	1,992
Net loss	—	—	—	—	—	(38,002)	(38,002)
<b>Balances at January 31, 2019</b>	<u>35,946,100</u>	<u>\$ 359</u>	<u>\$ 242,442</u>	<u>\$ (5)</u>	<u>\$ (3,393)</u>	<u>\$ (184,303)</u>	<u>\$ 55,100</u>
	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Number of Shares	Par Value					
<b>Balances at January 31, 2019</b>	35,946,100	\$ 359	\$ 242,442	\$ (5)	\$ (3,393)	\$ (184,303)	\$ 55,100
Issuance of common stock pursuant to acquisition of Xstream	541,738	5	869	—	—	—	874
Issuance of common stock pursuant to vesting of restricted stock units	608,200	6	(6)	—	—	—	—
Issuance of common stock pursuant to ESPP purchases	12,453	-	20	—	—	—	20
Issuance of common stock pursuant to exercise of stock options	195,461	3	591	—	—	—	594
Repurchases of common stock	—	—	—	(142)	—	—	(142)
Stock-based compensation expense	—	—	1,151	—	—	—	1,151
Unrealized gains on marketable securities	—	—	—	—	44	—	44
Foreign currency translation adjustment	—	—	—	—	1,212	—	1,212
Net loss	—	—	—	—	—	(8,921)	(8,921)
<b>Balances at January 31, 2020</b>	<u>37,303,952</u>	<u>\$ 373</u>	<u>\$ 245,067</u>	<u>\$ (147)</u>	<u>\$ (2,137)</u>	<u>\$ (193,224)</u>	<u>\$ 49,932</u>

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

**SEACHANGE INTERNATIONAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Nature of Business and Basis of Presentation**

SeaChange International, Inc. (“we” or the “Company”), a Delaware corporation was founded on July 9, 1993. We are an industry leader in the delivery of multiscreen, advertising and premium over-the-top (“OTT”) video management solutions. Our software products and services are designed to empower video providers to create, manage and monetize the increasingly personalized, highly engaging experiences that viewers demand.

***Liquidity***

We continue to realize the savings related to our restructuring activities. During fiscal 2019, we made significant reductions to our headcount as part of our ongoing restructuring efforts from which we have generated annualized cost savings of approximately \$6 million. In fiscal 2020, we continued to streamline our operations and closed our service organizations in Ireland and the Netherlands. These measures are important steps in restoring us to profitability and positive cash flow. We believe that existing cash and investments and cash expected to be provided by future operating results, augmented by the plans highlighted below (see Note 7), are adequate to satisfy our working capital, capital expenditure requirements and other contractual obligations for at least the next 12 months.

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. If adequate funds are not available or are not available on acceptable terms, we may not be able to follow through our operational plans, take advantage of market opportunities to develop new products or to otherwise respond to competitive pressures, or invest in complementary businesses or technologies.

***Impact of COVID-19 Pandemic***

In the first quarter of fiscal 2021, concerns related to the spread of COVID-19 began to create global business disruptions as well as disruptions in our operations and to create potential negative impacts on our revenues and other financial results. COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020. The extent to which COVID-19 will impact our financial condition or results of operations is currently uncertain and depends on factors including the impact on our customers, partners, and vendors and on the operation of the global markets in general. Due to our business model, the effect of COVID-19 on our results of operations may also not be fully reflected for some time.

We are currently conducting business with substantial modifications to employee travel, employee work locations, virtualization or cancellation of customer and employee events, and remote sales, implementation, and support activities, among other modifications. These decisions may delay or reduce sales and harm productivity and collaboration. We have observed other companies and governments making similar alteration to their normal business operations, and in general, the markets are experiencing a significant level of uncertainty at the current time. Virtualization of our team’s sales activities could foreclose future business opportunities, particularly as our customers limit spending, which could negatively impact the willingness of our customers to enter into or renew contracts with us. The pandemic has impacted our ability to complete certain implementations, negatively impacting our ability to recognize revenue, and could also negatively impact the payment of accounts receivable and collections. We may take further actions that alter our business operations as the situation evolves. As a result, the ultimate impact of the COVID-19 pandemic and the effects of the operational alterations we have made in response on our business, financial condition, liquidity, and financial results cannot be predicted at this time.

### ***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 of America (“GAAP”). We consolidate the financial statements of our wholly-owned subsidiaries and all intercompany transactions and account balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

## **2. Summary of Significant Accounting Policies**

### ***Use of Estimates***

The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosure of contingent assets and liabilities. Significant estimates and assumptions reflected in these consolidated financial statements include, but are not limited to, those related to revenue recognition, allowance for doubtful accounts, goodwill and intangible assets, impairment of long-lived assets, accounting for income taxes, and the valuation of stock-based awards. We base our estimates on historical experience, known trends and other market-specific or relevant factors that are believed to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates as there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results may differ from those estimates or assumptions.

### ***Business Combinations***

We account for acquisitions of entities that include inputs and processes and have the ability to create outputs as business combinations. We allocate the purchase price of the acquisition to the tangible assets acquired, liabilities assumed, and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over those fair values is recorded as goodwill. Acquisition-related expenses and restructuring costs are expensed as incurred. During the measurement period, we record adjustments to provisional amounts recorded for assets acquired and liabilities assumed with the corresponding offset to goodwill. After the measurement period, which could be up to one year after the transaction date, subsequent adjustments are recorded to the Company’s consolidated statements of operations.

### ***Cash, Cash Equivalents, and Restricted Cash***

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 the date of purchase of 90 days or less. All cash equivalents are carried at cost, which approximates fair value. Restricted cash represents cash that is restricted as to withdrawal or usage and consists primarily of cash held as collateral in relation to obligations set forth by our landlords.

The following tables provides a summary of cash, cash equivalents and restricted cash that constitutes the total amounts shown in the consolidated statements of cash flows as of January 31, 2020 and 2019:

	<b>As of January 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Amounts in thousands)</b>	
Cash and cash equivalents	\$ 9,013	\$ 20,317
Restricted cash	284	-
Total cash, cash equivalents and restricted cash	<u>\$ 9,297</u>	<u>\$ 20,317</u>

### ***Marketable Securities***

Our investments, consisting of debt securities, are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, reported as a component of accumulated other comprehensive

loss in stockholders' equity. Realized gains and losses and declines in value determined to be other than temporary are based on the specific identification method and are included as a component of other income (expense), net in the consolidated statements of operations and comprehensive loss.

We evaluate our investments with unrealized losses for other-than-temporary impairment. When assessing investments for other-than-temporary declines in value, we consider such factors as, among other things, how significant the decline in value is as a percentage of the original cost, how long the market value of the investment has been less than its original cost, our ability and intent to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value and market conditions in general. If any adjustment to fair value reflects a decline in the value of the investment that we consider to be "other than temporary," we reduce the investment to fair value through a charge to the statement of operations and comprehensive loss. No such adjustments were necessary during the periods presented.

#### ***Fair Value Measurements***

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

Our cash equivalents and marketable securities are carried at fair value determined according to the fair value hierarchy described above (see Note 3). The carrying values of our accounts and other receivables, unbilled receivables, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these assets and liabilities.

#### ***Concentration of Credit Risk and of Significant Customers***

Financial instruments which potentially expose us to concentrations of credit risk include cash, cash equivalents, restricted cash, marketable securities and accounts receivable. We have cash investment policies which, among other things, limit investments to investment-grade securities. We restrict our cash equivalents and marketable securities to repurchase agreements with major banks and United States ("U.S.") government and corporate securities which are subject to minimal credit and market risk. We perform ongoing credit evaluations of our customers.

We sell our software products and services worldwide primarily to service providers, consisting of operators, telecommunications companies, satellite operators and broadcasters. No customer accounted for more than 10% of total revenue in fiscal 2020. Two customers accounted for 24% and 11% each of total revenue in fiscal 2019. Two customers accounted for 16% and 10% of the accounts receivable balance as of January 31, 2020. Two customers accounted for 44% and 15% of the accounts receivable balance as of January 31, 2019.

#### ***Allowances for Doubtful Accounts***

We evaluate our customers' financial condition, require advance payments from certain of our customers and maintain reserves for potential credit losses. We perform ongoing credit evaluations of our 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 general allowances for doubtful accounts on historical collections and write-off experience, current trends, credit assessments, and other analysis of specific customer situations. 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***

Inventory is valued at the lower of cost or net realizable value. Cost is computed using the first-in, first-out method. We regularly review inventory quantities on-hand for excess and obsolete inventory and, when circumstances indicate, record charges to write down inventories to their estimated net realizable value after evaluating historical sales, future demand, market conditions and expected product life cycles. Such charges are classified as cost of revenue in the consolidated statements of operations and comprehensive loss. Any write-down of inventory to net realizable value creates a new cost basis.

***Property, Plant and Equipment, Net***

Property, plant and equipment consists of land, buildings, office furniture and equipment, computer equipment, software and demonstration equipment, service and spare components, and leasehold improvements. Deployed assets are included in computer equipment, and assemblies used to service our installed base are included in service and spare components.

Property, plant and equipment is recorded at cost less depreciation and is depreciated using the straight-line method over the estimated lives of the related assets. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is reflected in the consolidated statements of operations. Expenditures for maintenance and repairs are charged to expense as incurred. Estimated useful lives of assets are as follows:

Buildings	20 years
Office furniture and equipment	5 years
Computer equipment, software and demonstration equipment	3 years
Service and spare components	5 years
Leasehold improvements	Shorter of lease term or estimated useful life

***Investments in Affiliates***

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

In connection with the sale of our investment in Layer3 TV, Inc. (“Layer 3”), a company in which we had a cost-method investment, we received \$4.6 million in fiscal 2018. We were entitled to additional payments of up to \$2.1 million, subject to satisfaction of provisions associated with the transaction, of which we received \$0.2 million in fiscal 2019. We recorded a gain on sale of investment in affiliate of \$0.2 million in our consolidated statements of operations and comprehensive loss in fiscal 2019 related to this payment. We received our final Layer3 payment of \$1.8 million in fiscal 2020 which was partially offset by a \$0.3 million loss on an unrelated investment. We recorded a net gain on sale of investment in affiliate of \$1.5 million in our consolidated statements of operations and comprehensive loss in fiscal 2020.

The balance of our investments in affiliates was zero as of January 31, 2020 and 2019.

### ***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.

### ***Goodwill and Acquired Intangible Assets***

We record goodwill when consideration paid in a business acquisition exceeds the value of the net assets acquired. Our estimates of fair value are based upon assumptions believed to be reasonable at that time but such estimates are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate and unanticipated events or circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates or actual results. Goodwill is not amortized but rather is tested for impairment annually in our third quarter beginning August 1<sup>st</sup> of each year, or more frequently, if facts and circumstances warrant a review such as the circumstances mentioned in impairments of long-lived assets. We have determined that there is a single reporting unit for the purpose of conducting this goodwill impairment assessment. We assess both the existence of potential impairment and the amount of impairment loss by comparing the fair value of the reporting unit with its carrying amount, including goodwill. Through January 31, 2020, we have recorded accumulated goodwill impairment charges of \$54.8 million (see Note 6).

Intangible assets are recorded at their estimated fair values at the date of acquisition. We amortize acquired intangible assets over their estimated useful lives based on the pattern of consumption of the economic benefits or, if that pattern cannot be readily determined, on a straight-line basis.

### ***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. We expense all costs incurred that relate to planning and post implementation phases of development. Capitalized costs related to internally developed software under development are classified as construction in progress until the technology is available for intended use, at which time the amortization commences. Maintenance and training costs are expensed as incurred.

### ***Impairment of Long-Lived Assets***

Long-lived assets primarily consist of property, plant and equipment and intangible assets with finite lives. Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of long-lived assets or groups of assets is assessed based on a comparison of the carrying amount to the estimated future undiscounted cash flows. If estimated future undiscounted net cash flows are less than the carrying amount, the asset is considered impaired and expense is recorded at an amount required to reduce the carrying amount to fair value. Determining the fair value of long-lived assets includes significant judgment by management, and different judgments could yield different results.

We assess the useful lives and possible impairment of existing recognized long-lived assets whenever events or changes in circumstances occur that indicate that it is more likely than not that an impairment has occurred. Factors considered important which could trigger a review include:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for our overall business;
- identification of other impaired assets within a reporting unit;
- significant negative industry or economic trends;

- a significant decline in our stock price for a sustained period; and
- a decline in our market capitalization relative to net book value.

Determining whether a triggering event has occurred involves significant judgment (see Note 6).

### ***Income Taxes***

Income taxes comprise current and deferred income tax. Income taxes are 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 accrued expenses in our consolidated balance sheets, is the expected taxes 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.

Our policy is to classify interest and penalties related to unrecognized tax benefits, if and when required, as a component of income tax provision (benefit), in our consolidated statements of operations and comprehensive loss. We have made a policy election to treat the GILTI tax as a period expense.

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, remaining lease obligations and 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 (see Note 7).

### ***Foreign Currency Translation and Transactions***

The functional currency of each of our foreign subsidiaries is the currency of the local country unless otherwise determined that the U.S. dollar would serve as a more appropriate functional currency given the economic operations of the foreign subsidiary. Assets and liabilities of our foreign subsidiaries are translated into U.S. dollars using the period-end exchange rates, and income and expense items are translated into U.S. dollars using average exchange rates in effect during each period. The effects of these foreign currency translation adjustments are included in accumulated other comprehensive loss, a separate component of stockholders' equity.

We also incur transaction gains and losses resulting from intercompany transactions as well as transactions with customers or vendors denominated in currencies other than the functional currency of the legal entity in which the transaction is recorded. Foreign currency transaction losses are included in the consolidated statements of operations and comprehensive loss as a component of other expense and totaled \$2.1 million and \$4.7 million for fiscal 2020 and 2019, respectively.

### ***Comprehensive Loss and Accumulated Other Comprehensive Loss***

Comprehensive loss includes our net loss as well as other changes in stockholders' equity that result from transactions and economic events other than those with stockholders. Our only elements of other comprehensive loss are foreign currency translation adjustments and changes in unrealized gains on marketable securities.

Accumulated other comprehensive loss on the consolidated balance sheets as of January 31, 2020 and 2019 consists of foreign currency translation adjustments of (\$2.2) million and (\$3.4) million, respectively, and unrealized gains on marketable securities of \$0.1 million and less than \$0.1 million, respectively.

### ***Revenue Recognition***

The Company adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) (as amended, "ASC 606"), effective February 1, 2018, using the modified retrospective method applied to those contracts which were not substantially completed as of February 1, 2018. ASC 606 provides guidance on recognizing revenue, including a five-step model to determine when revenue recognition is appropriate. The standard requires that an entity recognize revenue to depict the transfer of control 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.

Our revenue is derived from sales of software licenses and associated hardware, professional services, and maintenance fees related to our software licenses.

Our contracts, including contracts for our end-to-end software delivery platform solution (the "Framework"), often contain multiple performance obligations. For contracts with multiple performance obligations, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis when available or expected cost plus margin or residual approach. If the transaction price contains discounts or we expect to provide future price concessions, these elements are considered when determining the transaction price prior to allocation. Variable fees within the transaction price are estimated and recognized as revenue when we satisfy our performance obligations to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur. If the contract grants the client the option to acquire additional products or services, we assess whether or not any discount on the products and services is in excess of levels normally available to similar clients and, if so, we account for that discount as an additional performance obligation.

### Framework

We have concluded that Framework has multiple performance obligations. The selling price of Framework is highly variable as a result of our value-based engagement where pricing for our customers is based on the operating expense savings that we enable using the Framework engagement.

### Framework Software Licenses

We have concluded that a Framework software license is a distinct performance obligation as the client can benefit from the software on its own. Software license revenue is included in product revenue in our consolidated statement of operations and comprehensive loss and is typically recognized when control is transferred to the client, which is defined as the point in time when the client can use and benefit from the license. The software license is delivered before related services are provided and is functional without services, updates, and technical support. As a result of the highly variable selling price, revenue recognition and consideration related to the Framework software license is allocated under the residual method.

### Framework Hardware

We have concluded that Framework hardware, when included in a Framework contract, is a distinct performance obligation as the client can benefit from the product. Framework hardware revenue is included in product revenue in our consolidated statement of operations and comprehensive loss and is typically recognized when control is transferred to the customer, which is defined as the point in time when the client can use and benefit from the hardware. In situations where the hardware is distinct and it is delivered before services are provided and is functional without services, control is transferred upon delivery or acceptance by the customer.

### Framework Support Services

We have concluded that Framework support services is a distinct performance obligation. Framework support services is included in services revenue in our consolidated statements of operations and comprehensive loss. Support services includes software upgrades on a when-and-if available basis, support, bug fixes or patches and general maintenance support. Framework support services standalone is not sold on a standalone basis. The selling price is determined using a cost-plus approach, and revenue is recognized ratably over the passage of the contractual term.

### Legacy Software Licenses

We have concluded that a software license is a distinct performance obligation as the client can benefit from the software on its own. Software license revenue is included in product revenue in our consolidated statement of operations and comprehensive loss and is typically recognized when control is transferred to the client, which is defined as the point in time when the client can use and benefit from the license. The software license is delivered before related services are provided and is functional without services, updates, and technical support.

### Legacy Hardware

We have concluded that hardware is a distinct performance obligation as the client can benefit from the product on its own. Hardware revenue is included in product revenue in our consolidated statement of operations and comprehensive loss and is typically recognized when control is transferred to the customer, which is defined as the point in time when the client can use and benefit from the hardware. In situations where the hardware is distinct and it is delivered before services are provided and is functional without services, control is transferred upon delivery or acceptance by the customer.

### Legacy Maintenance

Historically, maintenance revenue, which is included in services revenue in our consolidated statements of operations and comprehensive loss, includes revenue from client support and related professional services. Client support includes software upgrades on a when-and-if available basis, telephone support, bug fixes or patches and general hardware maintenance support. Maintenance is priced as a percentage of the list price of the related software license and hardware. Historically, we determined the standalone selling price of maintenance based on this pricing relationship and observable data from standalone sales of maintenance.

We have identified three separate distinct performance obligations of maintenance:

- Software upgrades and updates;
- Technical support; and
- Hardware support.

These performance obligations are distinct within the contract and, although they are not sold separately, the components are not essential to the functionality of the other components. Each of the performance obligations included in maintenance revenue is a stand ready obligation that is recognized ratably over the passage of the contractual term for products sold on a standalone basis.

### Legacy Services

Historically, our services revenue, excluding maintenance revenue, is comprised of software license implementation services, engineering services, training and reimbursable expenses. We have concluded that services are distinct performance obligations, with the exception of engineering services. Engineering services may be provided on a standalone basis or bundled with a license when we are providing custom development.

The standalone selling price for services in time and materials contracts is determined by observable prices in standalone services arrangements and recognized as revenue as the services are performed based on an input measure of hours incurred to total estimated hours.

We estimate the standalone selling price for fixed price services based on estimated hours adjusted for historical experience at time and material rates charged in standalone services arrangements. Revenue for fixed price services is recognized over time as the services are provided based on an input measure of hours incurred to total estimated hours.

### Contract Modifications

We occasionally enter into amendments to previously executed contracts that constitute contract modifications. We assess each of these contract modifications to determine:

- If the additional products and services are distinct from the product and services in the original arrangement; and
- If the amount of consideration expected for the added products and services reflects the standalone selling price of those products and services.

A contract modification meeting both criteria is accounted for as a separate contract. A contract modification not meeting both criteria is considered a change to the original contract and is accounted for on either a prospective basis as a termination of the existing contract and the creation of a new contract or a cumulative catch-up basis.

### *Significant Judgments*

Our contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment. Once we determine the performance obligations, we determine the transaction price, which includes estimating the amount of variable consideration to be included in the transaction price, if any. We then allocate the transaction price to each performance obligation in the contract based on a relative standalone selling price method. The corresponding revenue is recognized as the related performance obligations are satisfied as discussed in the revenue categories above.

Judgment is required to determine the standalone selling price for each distinct performance obligation. We determine standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price, taking into account available information such as market conditions, and internally approved pricing guidelines related to the performance obligations. In instances where stand-alone selling price is not directly observable, such as when we don't sell the product or service separately, we determine the stand-alone selling price based on a cost-plus model as market and other observable inputs are seldom present based on the proprietary nature of our products and services.

Our contracts do not generally include a variable component to the transaction price. With certain statements of work, we explicitly state that we are to be reimbursed for reasonable travel and entertainment expenses incurred as part of the delivery of professional services. In the cases when we are entitled to collect all travel and entertainment expenses incurred, an estimate of the fulfillment costs is made at the onset of the contract in order to determine the transaction price. The revenue associated with travel and entertainment expenses is then recognized over time along with the professional services.

Some of our contracts have payment terms that differ from the timing of revenue recognition, which requires us to assess whether the transaction price for those contracts include a significant financing component. We have elected the practical expedient that permits an entity to not adjust for the effects of a significant financing component if we expect that at the contract inception, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service, will be one year or less. For those contracts in which the period exceeds the one-year threshold, this assessment, as well as the quantitative estimate of the financing component and its relative significance, requires judgment. We estimate the significant financing component provided to our customers with extended payment terms by determining the present value of the future payments by applying a discount rate that reflects the customer's creditworthiness.

### *Contract Balances*

Contract assets consist of unbilled revenue, which is recognized as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Unbilled receivables expected to be billed and collected within one year are classified as current assets or long-term assets if expected to be billed and collected after one year. Contract liabilities consist of deferred revenue and customer deposits that arise when amounts are billed to or collected from customers in advance of revenue recognition.

### *Costs to Obtain and Fulfill a Contract*

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the benefit of those costs to be longer than one year. We have determined that commissions and special incentive payments ("Spiffs") for hardware and software maintenance and support and professional services paid under our sales incentive programs meet the requirements to be capitalized under ASC 340-40. Costs to obtain a contract are amortized as selling and marketing expense over the expected period of benefit in a manner that is consistent with the transfer of the related goods or services to which the asset relates. The judgments made in determining the amount of costs incurred include whether the commissions are in fact incremental and would not have occurred absent the customer contract and the estimate of the amortization period. The commissions and Spiffs related to professional services are amortized over time as work is completed. The commissions

and Spiffs for hardware and software maintenance are amortized over the life of the contract. These costs are periodically reviewed for impairment. We determined that no impairment of these assets existed as of January 31, 2020 or 2019. We have elected to apply the practical expedient and recognize the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that we otherwise would have recognized is one year or less.

We capitalize incremental costs incurred to fulfill our contracts that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy our performance obligation under the contract, and (iii) are expected to be recovered through revenue generated under the contract. Contract fulfillment costs include direct labor for support services, software enhancements, reimbursable expenses and professional services for customized software development costs. The revenue associated with the support services, software enhancements and reimbursable expenses is recognized ratably over time; therefore, the associated costs are expensed as incurred. The professional services associated with the customized software are not recognized until completion. As such, the professional services costs are capitalized and recognized upon completion of the services.

### ***Stock-Based Compensation***

We measure stock options and other stock-based awards granted to employees and directors based on their fair value on the date of the grant and recognize compensation expense of those awards, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. We apply the straight-line method of expense recognition to all awards with only service-based vesting conditions and apply the graded-vesting method to all awards with both service-based and performance-based vesting conditions, commencing when achievement of the performance condition becomes probable. We apply the graded-vesting method to awards with market conditions that include graded-vesting features.

### ***Leases***

We account for our leases in accordance with ASC 842, *Leases*. A contract is accounted for as a lease when we have the right to control the asset for a period of time while obtaining substantially all of the asset's economic benefits. We determine if an arrangement is a lease or contains an embedded lease at inception. For arrangements that meet the definition of a lease, we determine the initial classification and measurement of our right-of-use operating lease asset and corresponding liability at the lease commencement date. We determine the classification and measurement of a modified lease at the date it is modified. The lease term includes only renewal options that are reasonably assured to exercise. The present value of lease payments is typically determined by using the Company's estimated secured incremental borrowing rate for the associated lease term as interest rates implicit in the leases are not normally readily determinable. Management's policy is to utilize the practical expedient to not record leases with an original term of twelve months or less on our consolidated balance sheets, and lease payments are recognized in the consolidated statements of operations and comprehensive loss on a straight-line basis over the lease term.

Our existing leases are for facilities, automobiles and equipment. None of our leases are with related parties. In addition to rent, office leases may require us to pay additional amounts for taxes, insurance, maintenance and other expenses, which are generally referred to as non-lease components. As a practical expedient, we account for the non-lease components together with the lease components as a single lease component for all of our leases. Only the fixed costs for leases are accounted for as a single lease component and recognized as part of a right-of-use asset and liability.

### ***Net Loss Per Share***

Basic net loss per share is computed by dividing net loss by the weighted average number of unrestricted common shares outstanding during the period. Diluted net loss per share is computed by dividing net income loss by the sum of the weighted average number of unrestricted common shares outstanding during the period and the weighted average number of potential common shares from the assumed exercise of stock options and the vesting of shares of restricted and deferred common stock units using the "treasury stock" method when the effect is not anti-dilutive. In periods in which we report a net loss, diluted net loss per share is the same as basic net loss per share.

### ***Recently Adopted Accounting Pronouncements***

In August 2018, the Financial Accounting Standards Board (the "FASB") issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 modifies the disclosure requirements on fair value measurements. ASU 2018-13 was adopted on February 1, 2019 and had no material impact on our consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. ASU 2018-07 expands the scope of Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 was adopted on February 1, 2019 and had no material impact on our consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, “Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” On December 22, 2017, the U.S. federal government enacted a tax bill, H.R.1, *An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (“Tax Cuts and Jobs Act”)*, which requires deferred tax liabilities and assets to be adjusted for the effect of a change in tax laws. ASU 2018-02 allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Reform Act. We adopted ASU 2018-02 effective February 1, 2019 and there was no impact to our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting about leasing transactions. In July 2018, the Financial Accounting Standards Board issued ASU 2018-11 to amend ASU 2016-02 and provide an additional (and optional) transition method to adopt the new lease standard. This transition method allows entities to apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption instead of using the original modified retrospective transition method of adoption which requires the restatement of all prior-period financial statements. Under this new transition method, the comparative periods in the financial statements will continue to be presented in accordance with prior GAAP. On February 1, 2019, we adopted the new lease standard on a prospective basis using the new transition method under ASU 2018-11. Under this guidance, upon adoption in February 2019, we recognized right-of-use assets and operating lease liabilities of \$1.7 million for all leases with lease terms of more than 12 months. There was no impact to retained earnings as of that date. In addition, we adopted the guidance by electing the following practical expedients: (1) We did not reassess whether any expired or existing contracts contained leases, (2) We did not reassess the lease classification for any expired or existing leases, and (3) We excluded variable payments from the lease contract consideration and recorded those as incurred. The adoption of the standard did not have a material impact on our results of operations or cash flows. Our future commitments under lease obligations and additional disclosures are summarized in Note 9.

### Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which introduces a new methodology for accounting for credit losses on financial instruments, including available-for-sale debt securities and accounts receivable. The guidance establishes a new “expected loss model” that requires entities to estimate current expected credit losses on financial instruments by using all practical and relevant information. Any expected credit losses are to be reflected as allowances rather than reductions in the amortized cost of available-for-sale debt securities. ASU 2016-13 is effective in the first quarter of fiscal 2021. We are currently evaluating if this guidance will have a material effect to our consolidated financial statements.

### 3. Fair Value Measurements

The following tables set forth our financial assets that were accounted for at fair value on a recurring basis. There were no fair value measurements of our financial assets using level 3 inputs for the periods presented:

	Total	Fair Value at January 31, 2020 Using	
		Level 1	Level 2
(Amounts in thousands)			
<b>Assets:</b>			
Cash equivalents	\$ 1,408	\$ 1,408	\$ —
Marketable securities:			
U.S. Treasury Notes and bonds	3,360	3,360	—
Corporate bonds	1,257	—	1,257
Total	\$ 6,025	\$ 4,768	\$ 1,257

	Total	Fair Value at January 31, 2019 Using	
		Level 1	Level 2
		(Amounts in thousands)	
<b>Assets:</b>			
Cash equivalents	\$ 2,887	\$ 2,724	\$ 163
Marketable securities:			
U.S. Treasury Notes and bonds	7,072	7,072	—
U.S. Agency bonds	992	—	992
Corporate bonds	2,295	—	2,295
<b>Total</b>	<b>\$ 13,246</b>	<b>\$ 9,796</b>	<b>\$ 3,450</b>

Cash equivalents include money market funds and U.S. treasury bills.

Marketable securities by security type consisted of the following:

	As of January 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Amounts in thousands)			
U.S. Treasury Notes and bonds	\$ 3,310	\$ 50	\$ —	\$ 3,360
Corporate bonds	1,254	3	—	1,257
	<u>\$ 4,564</u>	<u>\$ 53</u>	<u>\$ —</u>	<u>\$ 4,617</u>

	As of January 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Amounts in thousands)			
U.S. Treasury Notes and bonds	\$ 7,055	\$ 17	\$ —	\$ 7,072
U.S. Agency bonds	1,001	—	(9)	992
Corporate Bonds	2,308	—	(13)	2,295
	<u>\$ 10,364</u>	<u>\$ 17</u>	<u>\$ (22)</u>	<u>\$ 10,359</u>

As of January 31, 2020, marketable securities consisted of investments that mature within one year, with the exception of investments with a fair value of \$781 thousand that mature between one and two years.

#### 4. Acquisitions

On February 6, 2019, we acquired 100% of the outstanding shares of Xstream A/S in exchange for an aggregate of \$0.9 million in shares of our common stock, based on the 20 day trailing volume weighted average closing price as of the acquisition date, and \$4.6 million in cash, resulting in a total purchase price of \$5.4 million. The acquisition of Xstream accelerates our penetration in OTT and new market segments and fully cloud-based end-to-end video platform that operates in a hosted managed environment. In addition, Xstream's MediaMaker video platform enhances our end-to-end video Framework.

Estimated fair value of consideration:	
Cash	\$ 4,552
Stock consideration	874
<b>Total purchase price</b>	<b>\$ 5,426</b>

Estimated fair value of assets acquired and liabilities assumed:	
Cash and cash equivalents	\$ 714
Other current assets	927
Other long-term assets	152
Finite-life intangible assets	3,569
Goodwill	1,300
Current liabilities	(1,236)
Allocated purchase price	<u>\$ 5,426</u>

	<u>Useful Life</u>	<u>Fair Value</u> (amounts in thousands)
Customer contracts	3 years	\$ 2,205
Existing technology	3 years	1,364
		<u>\$ 3,569</u>

We utilized the income approach methodology for the valuation of the identified intangible assets. Specifically, we used the excess earnings method to value the customer relationships, the relief-from-royalty method for the existing technology. Varying discount rates were also applied to the projected net cash flows and EBITDA as applicable. We believe the assumptions are representative of those a market participant would use in estimating fair value.

Goodwill recorded as part of the acquisition is not deductible for tax purposes.

## 5. Consolidated Balance Sheet Detail

### *Inventory*

Inventory consists of the following:

	<u>As of</u>	
	<u>January 31, 2020</u>	<u>January 31, 2019</u>
	(Amounts in thousands)	
Components and assemblies	\$ -	\$ 763
Finished products	-	161
Total inventory	<u>\$ -</u>	<u>\$ 924</u>

### *Property, Plant and Equipment, Net*

Property, plant and equipment, net consists of the following:

	<u>As of</u>	
	<u>January 31, 2020</u>	<u>January 31, 2019</u>
	(Amounts in thousands)	
Building	\$ -	\$ 3,467
Land	-	2,780
Computer equipment, software and demonstration equipment	9,695	12,316
Service and spare components	1,158	1,158
Office furniture and equipment	170	738
Leasehold improvements	154	531
	<u>11,177</u>	<u>20,990</u>
Less: Accumulated depreciation and amortization	(10,623)	(13,798)
Total property and equipment, net	<u>\$ 554</u>	<u>\$ 7,192</u>

As a result of our impairment analysis in the fiscal year ended January 31, 2019, we recorded an impairment charge of \$1.2 million to reduce the carrying value of our building to \$3.5 million.

As a result of the sale of our Acton, MA headquarters in the fourth quarter of fiscal year ended January 31, 2020 for \$0.5 million, net of disposal costs, we recorded a one-time \$5.4 million loss on the sale of fixed assets reported in the consolidated statement of operations and comprehensive loss.

Depreciation expense of property and equipment was \$0.9 million and \$1.3 million for the years ended January 31, 2020 and 2019, respectively.

### **Accrued Expenses**

Accrued expenses consist of the following:

	As of	
	January 31, 2020	January 31, 2019
	(Amounts in thousands)	
Accrued employee compensation and benefits	\$ 3,236	\$ 1,866
Accrued professional fees	928	1,521
Sales tax and VAT payable	317	1,502
Accrued restructuring	744	653
Accrued third party hardware costs	1,169	-
Accrued other	1,592	2,220
Total accrued expenses	<u>\$ 7,986</u>	<u>\$ 7,762</u>

## **6. Goodwill and Intangible Assets**

### **Goodwill**

Goodwill represents the difference between the purchase price and the estimated fair value of identifiable assets acquired and liabilities assumed. We are required to perform impairment tests related to our goodwill annually, which we perform during the third quarter of each fiscal year, or when we identify certain triggering events or circumstances that would more likely than not reduce the estimated fair value of the goodwill below its carrying amount. The following table represents the changes in goodwill:

	Goodwill (Amounts in thousands)
Balance as of January 31, 2018	\$ 25,579
Cumulative translation adjustment	(1,324)
Loss on Impairment	(15,502)
Balance as of January 31, 2019	8,753
Goodwill arising from the Xstream acquisition	1,300
Cumulative translation adjustment	(278)
Balance as of January 31, 2020	<u>\$ 9,775</u>

When assessing goodwill impairment for fiscal 2020, we first performed a qualitative assessment to determine whether it was necessary to perform the two-step quantitative analysis. Based on the qualitative assessment we determined it was unlikely that our fair value was less than its carrying value, and therefore, there was no impairment of goodwill recorded.

In the second and fourth quarters of fiscal 2019, we performed impairment reviews of goodwill and long-lived assets. The impairment reviews were triggered by declines in the stock price, actual operating results and revised forecasts, which we considered to be triggering events for such reviews.

As a result of the quantitative impairment tests performed in the second quarter of fiscal 2019, we determined that the estimated fair value of goodwill and long-lived assets exceeded their carrying value. Therefore, no impairment charges on our goodwill or other long-lived assets were recorded. In the fourth quarter we utilized actual results for the full fiscal 2019 and revised forecasts which were impacted by actual results in our impairment test (using discounted cash flow analyses as discussed below). As a result of the quantitative impairment tests performed in the fourth quarter of fiscal 2019, we determined that the carrying value of goodwill and long-lived assets exceeded their fair value, therefore we recorded an impairment charge to reduce the carrying value of the building, included in property, plant and equipment, the remaining net book value of intangible assets and goodwill to fair value.

We performed our quantitative goodwill impairment test, utilizing the single-step approach to compare the carrying value of the reporting unit to its estimated fair value. We considered three generally accepted approaches for valuing businesses: the income approach, the market approach and the asset-based (cost) approach to arrive at fair value. Based on our particular facts and circumstances, we elected to rely on the income and market approach. We calculated the impairment charge using a discounted cash flow analysis, a form of the income approach and the guideline public company method, a form of the market approach. The discounted cash flow analysis relied on certain assumptions regarding future net free cash flows based on industry market data, historical performance and expected future performance. Future net free cash flows were discounted to present value using a risk-adjusted discount rate, which reflects the Weighted Average Cost of Capital (“WACC”). The WACC was developed using information from same or similar industry participants and publicly available market data. The guideline public company method examined the trading multiples of similarly publicly traded companies as they related to our operating metrics. As a result of the impairment test in fiscal 2019, we recorded an impairment charge of \$15.5 million to reduce goodwill from \$24.3 million to \$8.8 million, based on the difference between our carrying value, after accounting for the impairment charges of long-lived assets, and our fair value determined using a discounted cash flow approach. Our accumulated impairment as of January 31, 2020 and 2019 was \$54.8 million.

As a result of the impairment tests in fiscal 2019, we recorded an impairment charge of \$1.2 million to reduce the carrying value of our building of \$4.7 million to \$3.5 million and an impairment charge of \$0.3 million to reduce the carrying value of intangible assets of \$0.3 million to zero, representing the fair value of these long-lived assets. Fair value for the building was determined using market data and fair value of the intangible assets was determined using a discounted cash flow approach.

### ***Intangible Assets, Net***

Intangible assets, net, consisted of the following at January 31, 2020:

	As of January 31, 2020			
	Gross	Accumulated Amortization	Cumulative Translation Adjustment	Net
(Amounts in thousands)				
<b>Finite-lived intangible assets:</b>				
Acquired customer contracts	\$ 2,205	\$ 718	\$ (66)	\$ 1,421
Acquired existing technology	1,364	445	(40)	879
Total finite-lived intangible assets	<u>\$ 3,569</u>	<u>\$ 1,163</u>	<u>\$ (106)</u>	<u>\$ 2,300</u>

We recognized amortization expense of intangible assets in cost of revenue and operating expense categories as follows:

	<b>For the Fiscal Year Ended January 31,</b>	
	<b>2020</b>	<b>2019</b>
	(Amounts in thousands)	
Cost of revenue	\$ —	28
Selling and marketing	608	687
Research and development	555	181
	<u>\$ 1,163</u>	<u>\$ 896</u>

Amortization expense, reported in cost of service revenue in the consolidated statement of operations and comprehensive loss was \$0.7 million in fiscal 2019 for internally developed software, which is included in other assets on the consolidated balance sheets. There was no amortization expense associated with internally developed software in fiscal 2020. We did not capitalize additional costs in fiscal 2020 or 2019 and the net book value of internally developed software was zero at January 31, 2020 and 2019.

## 7. Severance and Restructuring Costs

### *Severance Costs*

Severance charges incurred, unrelated to a restructuring plan, were \$0.2 million and \$0.8 million in fiscal 2020 and 2019, respectively. These charges were primarily related to the departure of former employees.

### *Restructuring Costs*

During the third quarter of fiscal 2019, we announced and implemented cost-saving actions (the “2019 Restructuring Plan”). The primary element of the 2019 Restructuring Plan was staff reductions across all functions and geographic areas. We incurred restructuring charges of \$1.6 million in fiscal 2019, primarily for employee-related benefits for terminated employees. We incurred restructuring charges of \$3.4 million in fiscal 2020 primarily related to the closing of our service organizations in Ireland and the Netherlands in a continued effort to streamline operations.

The following table shows the change in balances of our accrued restructuring reported as a component of other accrued expenses on the consolidated balance sheets:

	<b>Employee- Related Benefits</b>	<b>Closure of Leased Facilities</b>	<b>Other Restructuring</b>	<b>Total</b>
	(Amounts in thousands)			
Accrued balance as of January 31, 2018	\$ 61	\$ 135	\$ 29	\$ 225
Restructuring charges incurred	1,565	7	36	1,608
Cash payments	(965)	(142)	(65)	(1,172)
Other charges	(8)	—	—	(8)
Accrued balance as of January 31, 2019	<u>653</u>	<u>—</u>	<u>—</u>	<u>653</u>
Restructuring charges incurred	2,995	113	259	3,367
Cash payments	(2,877)	(6)	(259)	(3,142)
Other charges	(27)	(107)	—	(134)
Accrued balance as of January 31, 2020	<u>\$ 744</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 744</u>

## 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.

## 9. Operating Leases

The Company has noncancelable operating leases for facilities, automobiles and equipment expiring at various dates through 2026. As discussed in Note 2, the Company adopted ASC 842 as of February 1, 2019 on a prospective basis using the transition method under ASU 2018-11. In accordance with this method, the Company recognized a right of use asset and an operating lease liability of \$1.7 million as of February 1, 2019.

In the third quarter of fiscal 2020, we terminated lease agreements for certain office space located in the Netherlands and Ireland, which will result in a reduction to our existing lease commitments in the amount of \$0.1 million in each of the fiscal years 2021 and 2022.

The components of lease expense for the fiscal year ended January 31, 2020 are as follows:

	<b>Fiscal Year Ended January 31, 2020</b>	
	<b>(Amounts in thousands)</b>	
Operating lease cost	\$	906
Short term lease cost		27
Total lease cost	\$	<u>933</u>

Supplemental cash flow information related to the Company's operating leases was as follows:

	<b>Fiscal Year Ended January 31, 2020</b>	
	<b>(Amounts in thousands)</b>	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	906
Right-of-use assets obtained in exchange for lease obligations		
Operating leases	\$	5,600

Supplemental balance sheet information related to the Company's operating leases was as follows:

	<b>January 31, 2020</b>	
	<b>(Amounts in thousands)</b>	
Operating lease right-of-use assets	\$	4,860
Current portion, operating lease liabilities		722
Operating lease liabilities, long term		4,348
Total operating lease liabilities	\$	<u>5,070</u>
Weighted average remaining lease term (years)		5.0
Weighted average incremental borrowing rate		5.0 %

The current portion, operating lease liabilities is included in the balance of accrued expenses at January 31, 2020. Rent payments for continuing operations were approximately \$0.9 million for the fiscal year ended January 31, 2020. Future minimum lease payments for operating leases with initial or remaining terms in excess of one year at January 31, 2020 are as follows:

	<b>Payments for Operating Leases</b>	
	<b>(Amounts in thousands)</b>	
<b>For the fiscal years ended January 31,</b>		
2021	\$	965
2022		1,052
2023		1,036
2024		1,184
2025		1,201
Thereafter		59
Total lease payments		<u>5,497</u>
Less interest		427
Total operating lease liabilities	\$	<u>5,070</u>

The Company's total lease cost for fiscal 2019 was \$1.2 million, and was accounted for under the former guidance of ASC 840, *Leases (Topic 840)*.

## 10. 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, 2020. We have designated 1,000,000 shares of Series A Participating Preferred Stock in connection with our Rights Plan (as defined below).

### *Equity Plans*

#### *2011 Compensation and Incentive Plan.*

Our 2011 Compensation and Incentive 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"), performance stock units ("PSUs") and other equity based non-stock option awards as determined by the plan administrator to our officers, employees, consultants, and directors. 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. The number of shares authorized for issuance under the 2011 Plan is 9,300,000. Additionally, outstanding awards under our 2005 Equity Compensation and Incentive Plan that expired, terminated, surrendered or canceled without having been fully exercised became available for issuance under the 2011 Plan. As of January 31, 2020, there were 2,719,297 shares available for future grant.

Nonemployee members of the Board of Directors may elect to receive DSUs in lieu of RSUs. 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.

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. Option awards granted under the 2011 Plan generally vest over a period of one to three years and expire ten years from the date of the grant.

We have a Long-Term Incentive Program ("LTI Program"), adopted in fiscal 2016, under which the named executive officers and other of our key employees may 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 PSUs subject to vesting based in part on the extent to which employment continues.

#### *2015 Employee Stock Purchase Plan*

Under our 2015 Employee Stock Purchase Plan (the "ESPP"), six-month offering periods begin on October 1 and April 1 of each year during which eligible employees may elect to purchase shares of our common stock according to the terms of the offering. On each purchase date, eligible employees can 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 authorized for sale under the ESPP is

1,150,000 shares of which 1,080,726 remain available under the ESPP as of January 31, 2020. Under the ESPP, 14,057 and 12,794 shares were purchased during fiscal 2020 and fiscal 2019, respectively.

### **Stock Option Valuation**

#### *Service-Based Options*

We measure the fair value of service-based options using the Black-Scholes option-pricing 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 the historical volatility of our common stock over a period of time equal to the expected term of the stock option. 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 following table presents, on a weighted average basis, the assumptions used in the Black-Scholes option pricing model to determine the fair value of stock options granted:

	For the Fiscal Years Ended January 31,	
	2020	2019
Risk-free interest rate	1.8 %	2.4 %
Expected volatility	50.5 %	41.0 %
Expected dividend yield	0.0 %	0.0 %
Expected term (in years)	6.0	6.0

#### *Market-Based Options*

Our former CEO was granted 800,000 market-based options issued in fiscal 2016 and fiscal 2017. These stock options vest in approximately equal increments based upon the closing price of our common stock achieving a certain level and continued service conditions. We measured the grant-date fair value of these options using a Monte Carlo simulation model and recognized the associated expense over the requisite service period. The fair value of these stock options was \$2.1 million, which was recognized over three years. In February 2019, these options were cancelled upon the resignation of our CEO, at which time we reversed \$0.5 million of stock-based compensation expense related to the final performance period for a portion of the grant.

We have not granted additional market-based options since fiscal 2017.

### Stock Option Activity

The following table summarizes our stock option activity:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 31, 2019	4,124,202	\$ 3.28	6.96	\$ 32,000
Granted	1,555,000	1.94		
Exercised	(195,461)	3.04		
Forfeited	(2,715,275)	2.72		
Outstanding as of January 31, 2020	<u>2,768,466</u>	\$ 2.14	8.03	\$ 6,430,232
Vested and expected to vest as of January 31, 2020	<u>2,552,241</u>	\$ 2.09	8.52	\$ 6,018,110
Options exercisable as of January 31, 2020	<u>677,220</u>	\$ 2.67	6.18	\$ 1,271,367

The weighted average grant-date fair values of stock options granted during the years ended January 31, 2020 and 2019 were \$1.94 per share and \$0.86 per share, respectively.

### Stock Units

We have granted RSUs and DSUs with service-based vesting criteria that generally vest over one to three years. In fiscal 2020, we granted 744,931 DSU shares and 128,961 RSU shares. In fiscal 2019, we granted 156,250 DSU shares and 389,500 RSU shares. We have also granted PSUs with performance-based and market-based vesting criteria. In fiscal 2019, we granted an aggregate of 210,000 performance-based PSUs to employees under the LTI Program. We did not grant any PSUs in fiscal 2020. The PSUs vest in three equal annual installments upon the achievement of certain Company-specific goals in each of the three years.

The following table summarizes our stock unit activity:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested balance as of January 31, 2019	1,695,996	\$ 3.00
Granted	873,892	2.13
Vested	(608,200)	3.96
Forfeited	(816,735)	2.27
Unvested balance as of January 31, 2020	<u>1,144,953</u>	\$ 2.30

### Stock-Based Compensation

We recognized stock-based compensation expense within the accompanying consolidated statements of operations and comprehensive loss as follows:

	For the Fiscal Years Ended January 31,	
	2020	2019
	(Amounts in thousands)	
Cost of revenue	\$ 4	\$ —
Research and development	302	186
Sales and marketing	230	373
General and administrative	615	2,380
	<u>\$ 1,151</u>	<u>\$ 2,939</u>

As of January 31, 2020, unrecognized stock-based compensation expense related to unvested stock options was approximately \$1.7 million, which is expected to be recognized over a weighted average period of 2.34 years. As of January 31, 2020, unrecognized stock-based compensation expense related to unvested RSUs and DSUs was \$1.0 million, which is expected to be recognized over a weighted average amortization period of 137 years.

#### ***Tax Benefits Preservation Plan***

On March 4, 2019, we entered into the a Tax Benefits Preservation Plan in the form of a stockholder rights agreement (“Rights Agreement”) and issued a dividend of one preferred share purchase right (a “Right”) for each share of common stock payable on March 15, 2019 to the stockholders of record of such shares on that date. Each Right entitles the registered holder, under certain circumstances, to purchase from us one one-hundredth of a share of Series A Participating Preferred Stock, par value \$0.01 per share (the “Preferred Shares”), of the Company, at a price of \$8.00 per one one-hundredth of a Preferred Share represented by a Right (the “Purchase Price”), subject to adjustment. The description and terms of the Rights are set forth in the Rights Agreement.

The Rights are not exercisable until the Distribution Date (as defined in the Rights Agreement). Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

At any time prior to ten (10) business days after the time any Person becomes an Acquiring Person (as defined in the Rights Agreement), the Board may redeem the Rights in whole, but not in part, at a price of \$0.0001 per Right (the “Redemption Price”). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The Rights will expire on the earlier of (i) the time at which the Rights are redeemed, (ii) the time at which the Rights are exchanged, (iii) the consummation of a reorganization transaction entered into by the Company resulting in stock transfer restrictions similar to the Rights Agreement, (iv) the close of business on the effective date of the repeal of Section 382 (as defined in the Rights Agreement) or if the Rights Agreement is no longer necessary for the preservation of NOLs, (v) the date on which the Board determines that the Rights Agreement is no longer necessary to preserve NOLs, (vi) the beginning of the taxable year to which the Board determines that none of the NOLs may be carried forward or (vii) the close of business on March 4, 2022 (the “Final Expiration Date”).

On June 28, 2019, we entered into an amendment to the Rights Agreement, between us and Computershare Trust Company, N.A., as rights agent, for the purpose of modifying the definition of “Final Expiration Date” to delete the extension of the Final Expiration Date in the event any person becomes an Acquiring Person (as defined in the Rights Agreement).

On August 8, 2019, we entered into an amendment No. 2 to the Rights Agreement, between us and Computershare Trust Company, N.A., as rights agent, for the purpose of modifying the definition of “Acquiring Person” to not include TAR Holdings and their respective affiliates and associates, provided the aggregate beneficial ownership of TAR Holdings does not exceed 25.0% of the Company securities then outstanding.

## 11. Stock Repurchase Program

On June 6, 2019, the Board authorized a share repurchase program of up to \$5.0 million of then-outstanding shares of the Company's common stock over the next year. Under the share repurchase program, the Company is authorized to repurchase, from time to time, outstanding shares of common stock in accordance with applicable laws both on the open market, including under trading plans established pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended and in privately negotiated transactions.

The following table provides a summary of the Company's stock repurchase activities for the fiscal year ended January 31, 2020 (in thousands, except per share amounts):

	For the Fiscal Year Ended January 31, 2020	
Shares repurchased		100
Average cost per share	\$	1.42
Value of shares repurchased	\$	142

## 12. Revenue from Contracts with Customers

Our products and services facilitate the aggregation, licensing, management and distribution of video and advertising content to cable television system operators, telecommunication companies, satellite operators and media companies. Offerings include and revenue is generated from the sales of software and associated hardware, professional services, and maintenance fees related to our software licenses. These offerings can be sold on a standalone basis or as a component of a contract with multiple performance obligations. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price. The performance obligations include future credits, significant discounts and material rights in addition to the software and associated hardware, professional services, and maintenance fees related to our software licenses.

The revenue for perpetual licenses to software applications and hardware is recognized upon delivery or acceptance by the customer. Product maintenance and technical support is recognized ratably over the stated or implied maintenance periods.

The professional services are either fixed price or time and material contracts and consist of installation and integration, customized development and customized software, training, and on-site managed services. The installation and integration is recognized over time based on an input measure of hours incurred to total estimated hours. The customized development and software is recognized at a point in time upon delivery and acceptance of the final software product. The training and the on-site managed services are recognized over the service period.

### *Disaggregated Revenue*

The following table shows our revenue disaggregated by revenue stream:

	For the Fiscal Years Ended January 31,	
	2020	2019
	(Amounts in thousands)	
Product	\$ 39,914	\$ 20,655
Professional services	6,222	13,908
Maintenance	21,018	27,839
Total revenue	<u>\$ 67,154</u>	<u>\$ 62,402</u>

### Transaction Price Allocated to Future Performance Obligations

The aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied or are partially satisfied as of January 31, 2020 is \$31.9 million. This amount in part includes amounts billed for undelivered services that are included in deferred revenue reported on the consolidated balance sheets.

## 13. Geographic Information

The following summarizes revenue by customers' geographic locations:

	For the Fiscal Years Ended January 31,			
	2020	%	2019	%
(Amounts in thousands, except percentages)				
Revenue by customers' geographic locations:				
North America (1)	\$ 40,072	60%	\$ 30,002	48%
Europe and Middle East	15,829	24%	21,990	35%
Latin America	9,639	14%	9,068	15%
Asia Pacific	1,614	2%	1,342	2%
Total revenue	<u>\$ 67,154</u>		<u>\$ 62,402</u>	

(1) Includes total revenue for the U.S. for the periods shown as follows:

	For the Fiscal Years Ended January 31,			
	2020		2019	
(Amounts in thousands, except percentages)				
US Revenue	\$ 31,707		\$ 23,582	
% of total revenue		47%		38%

The following summarizes long-lived assets by geographic locations:

	For the Fiscal Years Ended January 31,			
	2020	%	2019	%
(Amounts in thousands, except percentages)				
Long-lived assets by geographic locations (1):				
North America	\$ 13,293	75%	\$ 7,148	93%
Europe and Middle East	4,359	25%	446	6%
Asia Pacific	31	0%	48	1%
Total long-lived assets by geographic location	<u>\$ 17,683</u>		<u>\$ 7,642</u>	

(1) Excludes marketable securities, long-term and goodwill.

## 14. Income Taxes

The components of loss from operations before income taxes are as follows:

	For the Fiscal Years Ended January 31,	
	2020	2019
(Amounts in thousands)		
Domestic	\$ (3,314)	\$ (16,087)
Foreign	(5,559)	(23,933)
Loss before income taxes	<u>\$ (8,873)</u>	<u>\$ (40,020)</u>

The components of the income tax provision (benefit) from operations are as follows:

	<b>For the Fiscal Years Ended January 31,</b>	
	<b>2020</b>	<b>2019</b>
	(Amounts in thousands)	
<b>Current:</b>		
State	\$ 20	\$ 5
Foreign	210	(1,882)
Total	230	(1,877)
<b>Deferred:</b>		
Foreign	(182)	(141)
Total	(182)	(141)
Income tax provision (benefit)	<u>\$ 48</u>	<u>\$ (2,018)</u>

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:

	<b>For the Fiscal Years Ended January 31,</b>	
	<b>2020</b>	<b>2019</b>
	(Amounts in thousands)	
Statutory U.S. federal tax rate	\$ (1,863)	\$ (8,404)
State taxes, net of federal tax benefit	20	5
Losses not benefitted	(3,207)	3,464
Non-deductible stock compensation expense	326	267
Other non-deductible items	406	347
Innovative technology and development incentive	(298)	(317)
Foreign tax rate differential	447	(388)
Tax gain on restructuring activities	4,196	—
Goodwill impairment	—	3,647
Current fiscal year impact of FIN 48	21	(639)
Income tax provision (benefit)	<u>\$ 48</u>	<u>\$ (2,018)</u>

The U.S. Tax Cuts and Job Act (the “Tax Reform Act”) introduced significant changes to U.S. income tax law. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system and a one-time tax on the mandatory deemed repatriation of cumulative foreign earnings (the “Transition Tax”) as of December 31, 2017.

We are subject to additional requirements of the Tax Reform Act in years after January 31, 2019. Those provisions include a tax on global intangible low-taxed income (“GILTI”), a limitation on certain executive compensation, and other immaterial provisions. We have elected to account for GILTI as a period cost, and therefore included GILTI expense in our effective tax rate calculation. In the current year GILTI had no tax impact.

As a result of the Tax Reform Act, foreign earnings may now generally be repatriated back to the U.S. without incurring U.S. federal income tax. We assert to indefinitely reinvest the cumulative undistributed earnings of our foreign subsidiaries with a carve out for our Irish operations.

The components of deferred income taxes are as follows:

	As of January 31,	
	2020	2019
(Amounts in thousands)		
Deferred tax assets:		
Accruals and reserves	\$ 545	\$ 1,518
Deferred revenue	274	760
Stock-based compensation expense	503	1,373
U.S. federal, state and foreign tax credits	7,929	7,949
Property and equipment	119	278
Intangible assets	—	54
Loss carryforwards	29,373	29,909
Deferred tax assets	38,743	41,841
Less: Valuation allowance	(38,248)	(41,979)
Net deferred tax assets	495	(138)
Deferred tax liabilities:		
Other	46	46
Intangible assets	449	—
Total net deferred tax liabilities	\$ —	\$ (184)

At January 31, 2020, we had federal, state and foreign net operating loss carry forwards of \$108.9 million, \$68.5 million and \$9.8 million respectively, which can be used to offset future tax liabilities and expire at various dates beginning in fiscal 2020. Utilization of these net operating loss carry forwards may be limited pursuant to provisions of the respective local jurisdiction. In addition, at January 31, 2020, we had federal and state research and development credit carry forwards of \$3.8 million and \$1.8 million respectively, and state investment tax credit carry forwards of \$0.2 million. We have foreign tax credit carry forwards of \$2.2 million, which are available to reduce future federal regular income taxes. These credits expire at various dates beginning in fiscal 2020, except for \$0.2 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 \$38.2 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 decreased by \$3.7 million for the year ended January 31, 2020 and increased by \$3.7 million for the fiscal year ended January 31, 2019.

A reconciliation of the total amounts of gross unrecognized tax benefits, is as follows:

	For the Fiscal Years Ended January 31,	
	2020	2019
(Amounts in thousands)		
Balance of gross unrecognized tax benefits, beginning of period	\$ 4,318	\$ 4,856
Decrease due to expiration of statute of limitation	—	(477)
Effect of currency translation	(12)	(61)
Balance of gross unrecognized tax benefits, end of period	\$ 4,306	\$ 4,318

As of January 31, 2020, we have \$0.1 million unrecognized tax benefits, that if recognized, would reduce income tax expense in fiscal 2021. We recognized interest and penalties related to unrecognized tax benefits in the income tax provision (benefit) on our consolidated statements of operations and comprehensive loss. As of January 31, 2020 and 2019, total gross interest accrued was \$0.1 million.

**15. 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. 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 U.S. according to the local plans specific to each foreign location. Amounts contributed will vary. During fiscal 2020 and 2019, we contributed \$0.4 million, and \$0.5 million, respectively.

**16. Net Loss Per Share**

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:

	<u>For the Fiscal Years Ended January 31,</u>	
	<u>2020</u>	<u>2019</u>
	(Amounts in thousands)	
Stock options	1,290	3,245
Restricted stock units	51	264
Deferred stock units	10	18
Performance stock units	—	567
	<u>1,351</u>	<u>4,094</u>

**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. Yossi Aloni, our CEO and President, and Michael D. Prinn, our Chief Financial Officer, Senior Vice President and Treasurer, participated in this evaluation. Based upon that evaluation, Messrs. Aloni and Prinn concluded that our disclosure controls and procedures were effective as of January 31, 2020.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this annual report, or the evaluation date. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our management, after evaluating the effectiveness of our disclosure controls and procedures as of the evaluation date, concluded that as of the evaluation date, our disclosure controls and procedures were effective at the reasonable assurance level.

**(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 GAAP.

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, 2020. 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*. Based on this assessment and those criteria, our management concluded that as of January 31, 2020, our internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of January 31, 2020 has been audited by Marcum 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**

On February 6, 2019, we completed the acquisition of Xstream A/S. We have not yet fully incorporated the internal controls and procedures of the Xstream A/S into our internal control over financial reporting and management has excluded this from our assessment of the effectiveness of our internal control over financial reporting as of January 31, 2020. The portion of the transaction excluded constituted 6% of our total assets as of January 31, 2020 and 5% of our total revenues for the year then ended. We are continuing to integrate this acquired operations into our overall internal control over financial reporting process. There has been no other change in our internal control over financial reporting during the fiscal year ended January 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

To the Stockholders and Board of Directors of SeaChange International, Inc.

### **Opinion on Internal Control over Financial Reporting**

We have audited SeaChange International, Inc.'s (the "Company") internal control over financial reporting as of January 31, 2020, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheet as of January 31, 2020 and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows and the related notes for the year ended January 31, 2020 of the Company, and our report dated April 20, 2020 expressed an unqualified opinion on those financial statements.

As described in the accompanying Report of Management on Internal Control over Financial Reporting, management has excluded its subsidiary, Xstream A/S, from its assessment of internal control over financial reporting as of January 31, 2020 because this entity was acquired by the Company in a purchase business combination during the year ended January 31, 2020. We have also excluded Xstream A/S from our audit of internal control over financial reporting. This subsidiary's combined total assets and total revenues represent approximately 6% and 5%, respectively, of the related consolidated financial statement amounts as of and for the year ended January 31, 2020.

### **Basis for Opinion**

The Company's management is responsible 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 the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

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 the 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 degree of compliance with the policies or procedures may deteriorate.

/s/ Marcum llp

Marcum llp  
Philadelphia, Pennsylvania  
April 20, 2020

### 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 11, 2020 which will be filed with the Securities and Exchange Commission (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 below. 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.

The following is a list of our executive officers, their ages as of April 20, 2020 and their positions held with us:

Name	Age	Title
Yosef Aloni	51	Chief Executive Officer and President
Michael Prinn	46	Chief Financial Officer, Senior Vice President and Treasurer
Marek Kielczewski	43	Chief Technology Officer and Senior Vice President
Chad Hassler	46	Chief Commercial Officer and Senior Vice President

*Mr. Aloni*, 51, joined the Company on January 2, 2019 as Chief Commercial Officer and Senior Vice President, and from February 25, 2019 to April 4, 2019 served in the office of the CEO, and was appointed CEO and President effective August 29, 2019. Prior to joining SeaChange, Mr. Aloni was the Chief Corporate Operations of ATEME from January 2015 to January 2019. Mr. Aloni served as the President, Product Management & Marketing at Magnum Semiconductor from January 2010 to January 2015. Prior to joining Magnum Semiconductor, Mr. Aloni was the Vice President, Product Management & Marketing at Optibase. Mr. Aloni has held various other positions with Ted-Ad/MGM International and HOT. Mr. Aloni also served as Lieutenant, Head of Video Section for the Israel Defense Forces.

*Mr. Prinn*, 46 joined the Company on October 8, 2019 as Chief Financial Officer, Senior Vice President and Treasurer. Prior to joining SeaChange, Mr. Prinn previously served as the Vice President, Finance of Brightcove Inc. (NASDAQ: BCOV) from October 2018 to September 2019. Prior to that, from October 2012 to September 2018, Mr. Prinn served as the Executive Vice President and Chief Financial Officer of Bridgeline Digital, Inc. (NASDAQ: BLIN). In addition to his duties as Chief Financial Officer, Mr. Prinn acted as Co-Interim Chief Executive Officer and President of Bridgeline Digital from December 2015 to May 2016, when a new President and Chief Executive Officer was appointed.

*Mr. Kielczewski*, 43, joined the Company on May 5, 2016 as Senior Vice President CPE Software as part of SeaChange’s acquisition of DCC Labs in May 2016. He became Senior Vice President, Global Engineering in August 2017 and became the Chief Technology Officer in November 2018, and, from February 25, 2019 to April 4, 2019, served in the Office of the CEO. Prior to joining SeaChange, Mr. Kielczewski was the Chief Executive Officer of DCC Labs from December 2009 to May 2016. Mr. Kielczewski served as the Chief Operating Officer of Sentivision from March 2002 to July 2008. Mr. Kielczewski also served as an IT Director at 7bulls S.A.

*Mr. Hassler*, 46, joined SeaChange on February 11, 2019 as Vice President, North America, and was appointed Chief Commercial Officer on August 29, 2019. Prior to joining SeaChange, Mr. Hassler was the Vice President North America of ATEME from September 2015 to February 2019. Mr. Hassler served as the Vice President of Sales at Concurrent Computer Corporation from September 2012 to September 2015. Prior to joining Concurrent Computer, Mr. Hassler was the Director of Sales at Harmonic.

**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, 2020, 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)	3,913,419 (2)\$	2.14	3,800,023 (3)

(1) Consists of the 2011 Plan and the 2015 Employee Stock Purchase Plan (the “ESPP”).

(2) Includes 1,144,953 shares of restricted stock units, deferred stock units and performance stock units that are not included in the calculation of the weighted average exercise price.

(3) As of January 31, 2020, 2,719,297 shares remained available for issuance under the 2011 Plan and 1,080,726 shares remained available under the ESPP.

**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 ACCOUNTANT 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:

	<u>Page</u>
<a href="#">Reports of Independent Registered Public Accounting Firms</a>	47
<a href="#">Consolidated Balance Sheets as of January 31, 2019 and 2018</a>	49
<a href="#">Consolidated Statements of Operations and Comprehensive Loss for the years ended January 31, 2020 and 2019</a>	50
<a href="#">Consolidated Statements of Cash Flows for the years ended January 31, 2020 and 2019</a>	51
<a href="#">Consolidated Statements of Stockholders’ Equity for the years ended January 31, 2020 and 2019</a>	52
<a href="#">Notes to Consolidated Financial Statements</a>	53

(a)(2) 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	<a href="#"><u>Amended and Restated Certificate of Incorporation of the Company (see Exhibit 3.3 to the Company's Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission and incorporated herein by reference).</u></a>
3.2	<a href="#"><u>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 Form 10-Q previously filed on December 15, 2000 with the Commission and incorporated herein by reference).</u></a>
3.3	<a href="#"><u>Certificate of Designations, Preferences and Rights of Series A Participating Preferred Stock of the Company, filed March 5, 2019 with the Secretary of State in the State of Delaware (as Exhibit 3.1 to the Company's Current Report on Form 8-K previously filed March 5, 2019 with the Commission and incorporated herein by reference).</u></a>
3.4	<a href="#"><u>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 and incorporated herein by reference).</u></a>
4.1	<a href="#"><u>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 and incorporated herein by reference).</u></a>
4.2*	<a href="#"><u>Description of Equity Securities Registered under Section 12 of the Exchange Act.</u></a>
4.3	<a href="#"><u>Tax Benefits Preservation Plan, dated as of March 4, 2019, between the Company and Computershare Inc. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K previously filed March 5, 2019 with the Commission and incorporated herein by reference).</u></a>
4.4	<a href="#"><u>Amendment to Tax Benefits Preservation Plan, dated as of June 28, 2019, between the Company and Computershare Inc. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K previously filed June 28, 2019 with the Commission and incorporated herein by reference).</u></a>
4.5	<a href="#"><u>Amendment No.2. to Tax Benefits Preservation Plan, dated as of August 8, 2019, between the Company and Computershare Inc. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K previously filed August 8, 2019 with the Commission and incorporated herein by reference).</u></a>
10.1	<a href="#"><u>Second Amended and Restated 2011 Compensation and Incentive Plan (filed as Appendix A to the Company's Proxy Statement on Schedule 14A previously filed on May 26, 2017 with the Commission and incorporated herein by reference). **</u></a>
10.2	<a href="#"><u>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 on July 20, 2011 with the Commission and incorporated herein by reference). **</u></a>
10.3	<a href="#"><u>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 and incorporated herein by reference). **</u></a>
10.4	<a href="#"><u>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 and incorporated herein by reference). **</u></a>
10.5	<a href="#"><u>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 and incorporated herein by reference). **</u></a>

<b>Exhibit No.</b>	<b>Description</b>
10.6	<a href="#"><u>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 and incorporated herein by reference).</u></a> **
10.7	<a href="#"><u>Form of Performance 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 filed on January 28, 2016 with the Commission and incorporated herein by reference).</u></a> **
10.8	<a href="#"><u>Form of Performance Stock Unit Agreement pursuant to the Company's 2011 Compensation and Incentive Plan (filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K previously filed on April 16, 2018 with the Commission and incorporated herein by reference).</u></a> **
10.9	<a href="#"><u>Amended and Restated 2005 Equity Compensation and Incentive Plan (filed as Appendix A to the Company's Proxy Statement on Schedule 14A previously filed on May 25, 2007 with the Commission and incorporated herein by reference).</u></a> **
10.10	<a href="#"><u>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 and incorporated herein by reference).</u></a> **
10.11	<a href="#"><u>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 April 17, 2006 with the Commission and incorporated herein by reference).</u></a> **
10.12	<a href="#"><u>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 April 17, 2006 with the Commission and incorporated herein by reference).</u></a> **
10.13	<a href="#"><u>Form of Indemnification Agreement (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K previously filed April 10, 2013 with the Commission and incorporated herein by reference).</u></a> **
10.14	<a href="#"><u>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 and incorporated herein by reference).</u></a> **
10.15	<a href="#"><u>Change-in-Control Severance Agreement, dated as of July 6, 2016, by and between the Company and Peter Faubert (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K previously filed on July 7, 2016 with the Commission and incorporated by reference).</u></a> **
10.16	<a href="#"><u>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 and incorporated herein by reference).</u></a> **
10.17	<a href="#"><u>Change-in-Control Severance Agreement, dated as of October 18, 2018, by and between the Company and Marek Kielczewski.</u></a> ** (filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K previously filed on April 12, 2019 with the Commission and incorporated herein by reference).
10.18	<a href="#"><u>Change-in-Control Severance Agreement, dated as of January 1, 2019, by and between the Company and Yossi Aloni.</u></a> ** (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K previously filed on April 12, 2019 with the Commission and incorporated herein by reference).
10.19	<a href="#"><u>Offer letter, dated as of August 29, 2019, by and between SeaChange International, Inc. and Yossi Aloni (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed on August 29, 2019 with the Commission and incorporated herein by reference).</u></a> **

<b>Exhibit No.</b>	<b>Description</b>
10.20	<a href="#">Purchase and Sale Agreement and Escrow Instructions between SeaChange International, Inc. and Calare Properties, Inc. dated November 4, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed on November 11, 2019 with the Commission and incorporated herein by reference).</a>
10.21	<a href="#">License Agreement between SeaChange International, Inc. and 50 Nagog Park Acton LLC dated December 6, 2019 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed on December 11, 2019 with the Commission and incorporated herein by reference).</a>
10.22	<a href="#">Cooperation Agreement, dated as of February 28, 2019, by and among the Company, Karen Singer and TAR Holdings LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed on March 1, 2019 with the Commission and incorporated herein by reference).</a>
10.23	<a href="#">Amendment to Cooperation Agreement, dated as of August 8, 2019, by and among the Company, Karen Singer and TAR Holdings LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed on August 8, 2019 with the Commission and incorporated herein by reference).</a>
10.23	<a href="#">Offer letter, dated as of September 6, 2019, by and between SeaChange International, Inc. and Michael Prinn (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q previously filed on December 5, 2019 with the Commission and incorporated herein by reference).</a> **
10.24	<a href="#">Change-in-Control Severance Agreement, dated as of October 8, 2019, by and between SeaChange International, Inc. and Michael Prinn (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q previously filed on December 5, 2019 with the Commission and incorporated herein by reference).</a> **
10.25*#	<a href="#">Sublease Agreement, dated as of December 19, 2019, by and between Saucony, Inc. and SeaChange International Inc.</a>
16.1	<a href="#">Letter from Grant Thornton LLP, dated September 9, 2019, to the Securities and Exchange Commission (filed as Exhibit 16.1 to the Company's Current Report on Form 8-K previously filed on September 10, 2019 with the Commission and incorporated herein by reference).</a>
21.1	<a href="#">List of Subsidiaries of the Registrant.</a>
23.1*	<a href="#">Consent of Grant Thornton LLP.</a>
23.2*	<a href="#">Consent of Marcum LLP.</a>
24.1	<a href="#">Power of Attorney (included on signature page).</a>
31.1*	<a href="#">Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance
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

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<b>Exhibit No.</b>	<b>Description</b>
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

\* Provided herewith

\*\* Management contract or compensatory plan

# Confidential portions omitted and filed separately with the U.S. Securities and Exchange Commission pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

**(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.

**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 20, 2020

By: /s/ YOSSİ ALONİ  
Yossi Aloni  
*Chief Executive Officer*  
*(Principal Executive Officer)*

**POWER OF ATTORNEY AND SIGNATURES**

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Yosef Aloni and Michael D. Prinn, 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.

<u>Signature</u>	<u>Title(s)</u>	<u>Date</u>
<u>/s/ YOSSİ ALONİ</u> Yossi Aloni	Chief Executive Officer, Director (Principal Executive Officer)	April 20, 2020
<u>/s/ MICHAEL D. PRINN</u> Michael D. Prinn	Chief Financial Officer Senior Vice President and Treasurer (Principal Financial and Accounting Officer)	April 20, 2020
<u>/s/ ROBERT M. PONS</u> Robert M. Pons	Director	April 20, 2020
<u>/s/ ANDREW SRIUBAS</u> Andrew Sriubas	Director	April 20, 2020
<u>/s/ JEFFREY M. TUDER</u> Jeffrey M. Tudor	Director	April 20, 2020

**DESCRIPTION OF SECURITIES  
REGISTERED UNDER SECTION 12  
OF THE EXCHANGE ACT**

The following information describes the common stock, par value \$0.01 per share (“Common Stock”) and Series A Participating Preferred Stock Purchase Rights of SeaChange International, Inc. (the “Company”), as well as certain provisions of our amended and restated certificate of incorporation (as amended, our “Certificate of Incorporation”) and our amended and restated bylaws (“Bylaws”). This description is only a summary. You should also refer to our Certificate of Incorporation and Bylaws, which have been filed with the Securities and Exchange Commission as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part.

**Authorized and Outstanding Capital Stock**

Our authorized capital stock consists of 100,000,000 shares of Common Stock and 5,000,000 shares of preferred stock, par value \$0.01 per share (the “Preferred Stock”), issuable in one or more series designated by the board of directors of the Company (the “Board”), of which 1,000,000 shares have been designated as Series A Participating Preferred Stock. As of the close of business on April 5, 2020, there were 37,208,434 shares of Common Stock outstanding and no shares of Preferred Stock issued and outstanding.

**Common Stock**

Holders of Common Stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Except in the case of a contested election, directors are elected if the votes cast “for” a nominee exceed the votes cast “against” the nominee’s election. Holders of Common Stock are entitled to receive ratably dividends, if any, as may be declared by the Board out of funds legally available therefor, after provision has been made for any preferential dividend rights of outstanding Preferred Stock. Upon our liquidation, dissolution or winding up, the holders of Common Stock are entitled to receive an equal portion of the net assets of the Company available for distribution to the holders of Common Stock, subject to any preferential rights of any then outstanding Preferred Stock. Holders of the Common Stock have no preemptive, subscription, redemption or conversion rights, nor are they entitled to the benefit of any sinking fund. The outstanding shares of Common Stock are, when issued and paid for, validly issued, fully paid and nonassessable. The rights, powers, preferences and privileges of holders of Common Stock are subordinate to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock which we may designate and issue in the future.

Each share of Common Stock includes Series A Participating Preferred Stock purchase rights (the “Rights”) pursuant to the Tax Benefits Preservation Plan, dated as of March 4, 2019, by and between the Company and Computershare Inc., as Rights Agent, as amended (the “Rights Agreement”). Prior to the occurrence of certain events, the Rights will not be exercisable or evidenced separately from the Common Stock. The Rights have no value except as reflected in the market price of the shares of the Common Stock to which they are attached, and can be transferred only with the shares of Common Stock to which they are attached.

Our Common Stock and the related rights to purchase Series A Participating Preferred Stock are traded on the NASDAQ Global Select Market under the symbol “SEAC”.

The transfer agent and registrar for our Common Stock and related rights to purchase Series A Participating Preferred Stock is Computershare, Inc Its address is 250 Royall Street, Canton, MA 02021.

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## Preferred Stock

The Board generally will be authorized, without further stockholder approval, to issue from time to time up to an aggregate of 5,000,000 shares of Preferred Stock, in one or more series. Each series of Preferred Stock will have the number of shares, designations, preferences, voting powers (or special, preferential or no voting powers), relative, participating, optional or other special rights and privileges and such qualifications, limitations or restrictions as is determined by the Board, which may include, among others, the right to provide that the shares of each such series may be: (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Company; (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock of the Company at such price or prices or at such rates of exchange and with such adjustments, if any; or (v) entitled to the benefit of such limitations, if any, on the issuance of additional shares of such series or shares of any other series of Preferred Stock.

Our stockholders have granted the Board authority to issue the Preferred Stock and to determine the rights and preferences of the Preferred Stock in order to eliminate delays associated with a stockholder vote on specific issuances. The rights of the holders of Common Stock will be subordinate to the rights of holders of any Preferred Stock issued in the future. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting power or other rights of the holders of Common Stock, and could make it more difficult for a third party to acquire, or discourage a third party from attempting to acquire, a majority of our outstanding voting stock.

### *Series A Participating Preferred Stock Purchase Rights*

*The Rights; Exercise Period.* We do not have any shares of Preferred Stock outstanding, but have designated shares of Series A Participating Preferred Stock in connection with our Rights Agreement. The Rights Agreement imposes a significant penalty upon any person or group which acquires 4.9% or more of the outstanding Common Stock (such event, a "Triggering Event") without the approval of the Board as described in Section 11(a)(ii) of the Rights Agreement. Stockholders who own 4.9% or more of the outstanding Common Stock as of the open of business on March 5, 2019, will not constitute a Triggering Event so long as such stockholders do not change their ownership of Common Stock in a transaction or series of transactions to an amount equal to or greater than the greater of (i) 4.9% or (ii) the sum of (x) the lowest beneficial ownership of such person as a percentage of the outstanding Common Stock as of any date on or after March 5, 2019 plus (y) 0.5%. Upon a Triggering Event, each Right entitles the registered holder thereof to purchase from the Company one one-hundredth of a share of Series A Participating Preferred Stock, par value \$0.01 per share (the "Series A Participating Preferred Stock"), of the Company, at a price of \$8.00 per one one-hundredth of a Preferred Share (the "Purchase Price"), subject to adjustment. Because of the nature of the Series A Participating Preferred Stock's dividend, liquidation and voting rights, the value of the one one-hundredth interest in a Preferred Share purchasable upon exercise of each Right should approximate the value of one Common Share (as such term is defined in the Rights Agreement). From and after the occurrence of a Triggering Event if the Rights evidenced by the Right Certificate (as defined below) are or were acquired or beneficially owned by an Acquiring Person or an Associate or Affiliate of an Acquiring Person (as such terms are defined in the Rights Agreement), such Rights shall become null and void, and any holder of such Rights shall thereafter have no right to exercise such Rights. However, Rights are not exercisable following the

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occurrence of a Triggering Event until such time as the Rights are no longer redeemable by the Company as set forth below. A copy of the Certificate of Designations, Preferences and Rights of the Series A Participating Preferred Stock of SeaChange International, Inc. filed by the Company with the Secretary of State of the State of Delaware to designate the Series A Participating Preferred Stock was filed as Exhibit 3.3 to the Registration Statement on Form 8-A filed by the Company on March 5, 2019. We subsequently amended the Rights Agreement (i) on June 28, 2019 to provide that the Final Expiration Date in no event would be later than the close of business on March 4, 2022 and (ii) on August 8, 2019 to provide that certain stockholders shall not be considered Acquiring Persons.

Until the earlier to occur of (i) ten (10) business days following a public announcement that a person or group of affiliated or associated persons has acquired beneficial ownership of 4.9% or more of the outstanding Common Stock (or if already the beneficial owner of at least 4.9% of the outstanding Common Stock, by acquiring additional Common Stock in a transaction or series of transactions representing 0.5% or more of the Common Stock then outstanding) (an "Acquiring Person") or (ii) ten (10) business days (or such later date as may be determined by action of the Board prior to such time as any Person becomes an Acquiring Person) following the commencement of, or announcement of an intention to commence, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 4.9% or more of such outstanding Common Stock (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date (as such term is defined in the Rights Agreement) and book entry accounts reflecting ownership of Common Stock outstanding as of the Record Date, by such Common Share certificate or book entry account position, as applicable. For these purposes, beneficial ownership is determined based on the number of Common Stock that a person is deemed to directly, indirectly or constructively own pursuant to Section 382 of the Internal Revenue Code of 1986, as amended ("Section 382"), including any shares owned by any other person treated as one entity under applicable treasury regulations.

Each of the following persons will not be deemed to be an Acquiring Person, even if they have acquired, or obtained the right to acquire, beneficial ownership of 4.9% or more of the outstanding Common Stock: (i) the Company; (ii) any subsidiary of the Company; (iii) any employee benefit plan of the Company or any subsidiary of the Company, or any person holding outstanding Common Stock for or pursuant to the terms of any such plan; (iv) any person who would otherwise be an Acquiring Person upon the first public announcement by the Company of the adoption of the Rights Agreement, unless and until such person, or any Affiliate of such person, changes their beneficial ownership of Common Stock in a transaction or series of transactions to an amount equal to or greater than the greater of (1) 4.9% or (2) the sum of (x) the lowest beneficial ownership of such person as a percentage of the outstanding Common Stock as of any date on or after March 5, 2019, plus (y) 0.5% (other than as a result of an acquisition by the Company or any of its Subsidiaries of Common Stock); or (v) any person who as the result of an acquisition of Common Stock by the Company which, by reducing the number of Common Stock outstanding, increases the proportionate number of Common Stock beneficially owned by the person to 4.9% or more of the Common Stock then outstanding, or a stock dividend, rights dividend, stock split or similar transaction effected by the Company unless and until such person, or any Associate or Affiliate of such person, following the first public announcement by the Company of such share acquisition, acquires beneficial ownership of an additional 0.5% or more of the then-outstanding Common Stock (other than pursuant to a stock split, reverse stock split, stock dividend, reclassification or similar transaction effected by the Company). If the Board determines in good faith that a person who would otherwise be an Acquiring Person, has become such inadvertently, and such person, within ten (10) business days of being requested by the Company to do so, certifies that such person became an Acquiring Person inadvertently or without knowledge of the terms of the Rights and who thereafter, within ten (10) business days following such certification, divests as promptly as practicable a sufficient number of Common Stock that such person would no longer be an Acquiring Person, then such person shall

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not be deemed to be an Acquiring Person for any purpose of the Rights Agreement; provided that, if such person requested to so certify or divesCommon Stock fails to do so within ten (10) business days, such person shall be deemed to be an Acquiring Person. Additionally, any person that has become an Acquiring Person shall not be treated as an Acquiring Person for any purpose of the Rights Agreement if the Board, in its sole discretion, determines that such person's acquisition of beneficial ownership of Common Stock does not jeopardize or endanger the Company's ability to utilize the NOLs (as such term is defined in the Rights Agreement). A person (other than any "direct public group" within the meaning of treasury regulations Section 1.382-2T(j)(2)(ii)) will be treated as the beneficial owner of 4.9% or more of the Common Stock if, in the determination of the Board, that person (individually, or together with other persons) would be treated as a "5-percent stockholder" for purposes of Section 382 (substituting "4.9" for "5" each time "five" or "5" is used in or for purposes of Section 382).

The Rights Agreement provides that, until the Distribution Date, the Rights will be transferred by, and only in connection with, the transfer of Common Stock. Until the Distribution Date (or earlier redemption or expiration of the Rights), new Common Share certificates and book entry accounts reflecting ownership of Common Stock issued after the Record Date or upon transfer or new issuance of Common Stock will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for Common Stock outstanding as of the Record Date or book entry accounts reflecting ownership of Common Stock outstanding as of the Record Date, even without such notation, will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate or book entry position, as applicable. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on the earliest of (i) the date on which all of the Rights are redeemed as described below, (ii) the date on which the Rights are exchanged as described below, (iii) the consummation of a reorganization transaction entered into by the Company resulting in the imposition of stock transfer restrictions that the Board determines, in its sole discretion, will provide protection for the NOLs similar to that provided by the Rights Agreement, (iv) the close of business on the effective date of the repeal of Section 382, or any other change, if the Board determines, in its sole discretion, that the Rights Agreement is no longer necessary or desirable for the preservation of the NOLs, (v) the date on which the Board otherwise determines, in its sole discretion, that the Rights Agreement is no longer necessary to preserve the NOLs, (vi) the beginning of a taxable year of the Company to which the Board determines, in its sole discretion, that none of the NOLs may be carried forward, (vii) the fifth business day after the filing by the Company of a Current Report on Form 8-K reporting the results of the 2019 annual meeting of stockholders of the Company (including any postponement or adjournment thereof) should the Rights Agreement not be approved by a majority of the Common Stock present and voting at such meeting on such matter and (viii) the close of business on March 4, 2022 (the "Final Expiration Date").

*Purchase Price; Adjustments.* The Purchase Price payable, and the number of Series A Participating Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series A Participating Preferred Stock, (ii) upon the grant to holders of the Series A Participating Preferred Stock of certain rights or warrants to subscribe for or purchase Series A Participating Preferred Stock at a price, or securities convertible into Series A Participating Preferred Stock with a conversion price, less than the then current market price of the Series A Participating Preferred Stock or (iii) upon the distribution to holders of the Series A Participating Preferred Stock of securities (including evidences of indebtedness) or assets (other than a regular quarterly cash dividend or a dividend payable in Series A Participating Preferred Stock) or of rights, options or

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warrants (other than those referred to above). With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price.

The number of outstanding Rights and the number of one one-hundredths of a Preferred Share issuable upon exercise of each Right are also subject to adjustment in the event of a stock split of the Common Stock or a stock dividend on the Common Stock payable in Common Stock or subdivisions, consolidations or combinations of the Common Stock occurring, in any such case, prior to the Distribution Date. No fractional Series A Participating Preferred Stock will be issued (other than fractions which are integral multiples of one one-hundredth of a Preferred Share, which may, at the election of the Company, be evidenced by depository receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Series A Participating Preferred Stock on the last trading day prior to the date of exercise. Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, all holders of Rights except such person or group of affiliated or associated persons and their transferees may, upon exercise of a Right, purchase for the Purchase Price Common Stock with a market value of two times the Purchase Price, based on the market price of the Common Stock on the date such person or group of affiliated or associated persons became an Acquiring Person. If the Company does not have sufficient Common Stock to satisfy such obligation to issue Common Stock, the Company shall take all actions necessary to authorize additional Common Stock for issuance as soon as possible upon exercise of the Rights. In the event the Company shall, after reasonable best efforts, be unable to take all such actions as may be necessary to authorize such additional Common Stock, the Company shall deliver upon payment of the exercise price of a Right a number of Common Stock to the extent available and then units or other equity securities of the Company other than Common Stock, or cash, a reduction in the Purchase Price, debt securities of the Company, other assets or a combination of the foregoing in proportions determined by the Company, so that the aggregate value received is equal to twice the Purchase Price.

*Exchange; Redemption; Amendment.* At any time after any Person becomes an Acquiring Person and prior to the acquisition by any person or group of a majority of the outstanding Common Stock, the Board may exchange the Rights (other than Rights owned by such person or group which have become null and void), in whole or in part, at an exchange ratio of one Common Share per Right (subject to adjustment).

At any time prior to ten (10) business days after the time any Person becomes an Acquiring Person, the Board may redeem the Rights in whole, but not in part, at a price of \$0.0001 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The terms of the Rights may be amended by the Board without the consent of the holders of the Rights, except that from and after such time any person becomes an Acquiring Person no such amendment may adversely affect the interests of the holders of the Rights (other than the Acquiring Person and its Affiliates and Associates).

The foregoing description of the terms of the Rights Agreement is qualified in its entirety by reference to the complete text of the Rights Agreement. A copy of the Rights Agreement was attached as Exhibit 4.1 to the Current Report the Company filed on Form 8-K on March 5, 2019.

#### **Anti-Takeover Effects of Some Provisions of Delaware Law**

Provisions of Delaware law and our Certificate of Incorporation and Bylaws could make the acquisition of the Company through a tender offer, a proxy contest or other means more difficult and could make the removal of incumbent officers and directors more difficult. We expect these provisions to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of the Company to first negotiate with our Board. We believe that the benefits provided by our ability to negotiate with the proponent of an unfriendly or unsolicited proposal outweigh the disadvantages of discouraging

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these proposals. We believe the negotiation of an unfriendly or unsolicited proposal could result in an improvement of its terms.

We are subject to Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the date the person became an interested stockholder, unless:

- the board of directors of the corporation approves either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, prior to the time the interested stockholder attained that status;
- upon the closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding, for purposes of determining the number of shares outstanding, those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock that is not owned by the interested stockholder.

With certain exceptions, an "interested stockholder" is a person or group who or which owns 15% or more of the corporation's outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of 15% or more of such voting stock at any time within the previous three years.

In general, Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
  - any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
  - subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
  - any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
  - the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.
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A Delaware corporation may “opt out” of this provision with an express provision in its original certificate of incorporation or an express provision in its amended and restated certificate of incorporation or bylaws resulting from a stockholders’ amendment approved by at least a majority of the outstanding voting shares. However, the Company has not “opted out” of this provision. Section 203 could prohibit or delay mergers or other takeover or change-in-control attempts and, accordingly, may discourage attempts to acquire the Company.

#### **Anti-Takeover Effects of Our Charter Documents**

Our Certificate of Incorporation empowers our Board, when considering a tender offer or merger or acquisition proposal, to take into account any factors that it determines to be relevant, including, without limitation:

- the interests of our stockholders, including the possibility that these interests might be best served by our continued independence;
- whether the proposed transaction might violate federal or state laws;
- not only the consideration being offered in the proposed transaction, in relation to the then current market price for our outstanding capital stock, but also to the market price for our capital stock over a period of years, the estimated price that might be achieved in a negotiated sale of our business as a whole or in part or through orderly liquidation, the premiums over market price for the securities of other corporations in similar transactions, current political, economic and other factors bearing on securities prices and our financial condition and future prospects; and
- the social, legal and economic effects upon employees, suppliers, customers, creditors and others having similar relationships with us, upon the communities in which we conduct our business and upon the economy of the state, region and nation.

These provisions may discourage a third party from making a tender offer for our Common Stock, as these provisions could decrease the likelihood that our Board would find such a transaction to be in the interests of our stockholders.

Our Certificate of Incorporation does not allow stockholders to act by written consent in lieu of a meeting. Without the availability of stockholder action by written consent, a holder of the requisite number of shares of our capital stock would not be able to amend our Bylaws or remove directors without holding a stockholders’ meeting. Our Certificate of Incorporation provides that only our President, Chairman of the Board (if any) or a majority of the Board may call a special meeting of stockholders and notice of any such meeting must satisfy the notice periods as set forth in the Bylaws. Additionally, business transacted at any special meeting of stockholders is limited to matters relating to the purpose or purposes stated in the notice of meeting. Because our stockholders do not have the right to call a special meeting, a stockholder could not force stockholder consideration of a proposal over the opposition of the Board by calling a special meeting of stockholders prior to such time as our President, Chairman of the Board or a majority of the Board believed the matter should be considered or until the next annual meeting provided that the requestor met the notice and other requirements. The restriction on the ability of stockholders to call a special meeting means that a proposal to replace the Board also could be delayed until the next annual meeting.

Our Board is authorized to issue, without further action by the stockholders, additional shares of Preferred Stock with rights and preferences, including voting rights, designated from time to time by the Board. The existence of authorized but unissued shares of Preferred Stock enables our Board to render more difficult or to discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise.

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The affirmative vote of the holders of at least 75% of the total voting power of all outstanding shares of our voting stock is generally required for stockholders to amend our Certificate of Incorporation. This provision makes it more difficult to circumvent the anti-takeover provisions of our Certificate of Incorporation.

Our Bylaws provide for our Board to be divided into three classes serving staggered terms. Approximately one-third of the Board will be elected each year. The provision for a classified board could prevent a party who acquires control of a majority of the outstanding voting stock from obtaining control of the Board until the second annual stockholders meeting following the date the acquirer obtains the controlling stock interest. The classified board provision could discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company and could increase the likelihood that incumbent directors will retain their positions.

Our Bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual or special meeting of our stockholders, including proposed nominations of persons for election to the Board. Among other requirements, the advance notice provisions provide that (i) a stockholder must provide to the secretary of the Company timely notice (generally 120-150 days prior to the one-year anniversary of the previous year's annual meeting of stockholders or 60-90 days prior to a special meeting) of any business, including director nominations, proposed to be brought before the annual or special meeting, which notice must conform to the substantive requirements set forth in the Bylaws, (ii) a stockholder must deliver certain information regarding the person(s) making the proposal, and in the case of any nominee for election to the Board, information regarding such nominee, in each case as set forth in the Bylaws, and (iii) any nominee for election to the Board must provide a completed written questionnaire regarding his or her background, qualifications, stock ownership and independence. These provisions may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of the Company.

Our Board is expressly authorized to adopt, amend or repeal our Bylaws. Absent Board approval, the Bylaws may not be repealed, amended or altered in any respect without the affirmative vote of the holders of at least 75% of the voting power of all of the then-outstanding shares of our voting stock entitled to vote.

#### **Anti-Takeover Effects of Our Rights Agreement**

The Tax Benefits Preservation Plan could render more difficult, or discourage a merger, tender offer, or assumption of control of the Company that is not approved by our Board. The Tax Benefits Preservation Plan, however, should not interfere with any merger, tender or exchange offer or other business combinations approved by our Board. Additionally, the Tax Benefits Preservation Plan does not prevent our Board from considering any offer that it considers to be in the best interests of the Company's stockholders.

**CONFIDENTIAL TREATMENT REQUESTED:** Certain portions of this document have been omitted pursuant to a request for confidential treatment and, where applicable, have been marked with an asterisk (“[\*\*\*]”) to denote where omissions have been made. The confidential material has been filed separately with the Securities and Exchange Commission.

**SUBLEASE AGREEMENT**

Sublease Agreement made as of December 19, 2019, between Saucony, Inc., a Massachusetts corporation, having a usual place of business at 9341 Courtland Drive, N.E., Rockford, Michigan 49351 (“Tenant”), and SeaChange International Inc., a Delaware corporation, having a usual place of business at 50 Nagog Park, Acton, MA 01720 (“Subtenant”). This Sublease Agreement shall be referred to herein as this “Sublease”.

Whereas, by that certain Index to Lease with an execution date of July 3, 2014 (such lease, including any rules or regulations that have been or may be promulgated thereunder, being referred to herein as the “Original Lease”), between Bryan J. Koop, Michael A. Cantalupa and Mortimer B. Zuckerman, as Trustees of the Zee Em Trust II, under a Declaration of Trust dated May 28, 1997 and recorded with the Middlesex South District Registry of Deeds in Book 27342, Page 76 (as the same has been and may be amended from time to time, “Landlord”), and Stride Rite Investment Corporation, a Massachusetts corporation (“Original Tenant”), as amended by that certain First Amendment to Lease dated as of November 18, 2014, by and between Landlord and Original Tenant (collectively, the “Main Lease”), Original Tenant leased certain space in the building located at 500 Totten Pond Road, Waltham, Massachusetts (the “Building”), which is commonly known as 10 CityPoint, comprising the entire second, third, fourth and fifth floors of the Building (collectively, “Tenant’s Premises”), which Tenant Premises contains approximately 180,033 rentable square feet; and

Whereas, Tenant, as successor by assignment to Original Tenant, is the current tenant under the Main Lease; and

Whereas, Subtenant wishes to sublease from Tenant, pursuant to the provisions of this Sublease, a portion of Tenant’s Premises consisting of approximately 17,077 rentable square feet of space located on the fourth (4<sup>th</sup>) floor of the Building, and more particularly shown on the plan attached hereto as Exhibit A (such subleased portion of Tenant’s Premises being referred to herein as the “Subleased Premises”).

Now, therefore, it is agreed between the parties hereto as follows:

1. **Agreement to Sublease for Term.** Tenant hereby subleases to Subtenant, and Subtenant hereby takes and subleases from Tenant, the Subleased Premises for a term of five (5) years and three (3) months, commencing on December 1, 2019 (the “Commencement Date”) and ending February 28, 2025 (the “Initial Term”). The Initial Term, as the same may be extended pursuant to the terms and conditions of this Sublease, is sometimes referred to herein as the “Term”.

Subtenant shall have the right to extend the term of this Sublease upon all of the terms, covenants and conditions contained herein for one (1) extension period from March 1, 2025 through February 29, 2028 (the “Extension Period”), by written notice given to Tenant not less than nine (9) months prior to the expiration of the Initial Term. Subtenant’s right to extend the term of this Sublease shall be void and any notice given by Subtenant in connection thereto will be ineffective (i) if this Sublease is not in full force and effect when any such right is exercised, or (ii) if a default continuing beyond applicable notice and cure periods shall exist under this Sublease

at the time Subtenant's notice of the exercise of its right to extend the term of this Sublease is given to Tenant. In the event Subtenant fails to give notice in strict compliance with the terms of this paragraph, the Subtenant's option to extend shall be deemed conclusively to have been waived and the Sublease shall not be extended beyond the expiration of the Initial Term.

Subject to and upon all of the terms, provisions, agreements, covenants and conditions contained in this Sublease and the Main Lease, upon the later of the business day next following (i) the mutual execution and delivery of this Sublease, (ii) Landlord providing its written consent to this Sublease, and (iii) Subtenant delivering to Tenant the Security Deposit, first month's Base Rent, and commercially reasonable evidence that Subtenant is maintaining the Subtenant insurance required under this Sublease (the "Early Access Date"), Subtenant shall be entitled to access the Subleased Premises for the purpose of constructing Subtenant's Work (as defined herein) prior to the Commencement Date and to otherwise prepare the Subleased Premises for its occupancy (the "Early Access Period"); provided, however, Subtenant shall not be required to pay Base Rent or any utility charges during the Early Access Period, which period shall commence on the Early Access Date and continue until the Commencement Date.

"Subtenant's Work" means the construction of a new data closet and all related power, cabling, and HVAC in the location and manner approved by Tenant prior to Subtenant's commencement of Subtenant's Work. To the extent Subtenant's Work involves any construction within the Building, Subtenant shall take out and maintain (or cause the contractor under its construction contract(s) to take out and maintain) public liability insurance in a minimum amount of Three Million and No/100 Dollars (\$3,000,000.00) combined single limit. Said liability insurance shall name Landlord and Tenant as an additional insureds with Subtenant (and shall contain a cross-liability endorsement) and shall be non-cancelable with respect to Landlord and Tenant except upon thirty (30) days' notice to Landlord and Tenant. Subtenant shall also take out and maintain (or cause the contractor under its construction contract(s) to take out and maintain) all builder's risk insurance to the full insurable value of improvements constructed by Subtenant and materials stored at the Subleased Premises. Said builder's risk insurance shall name Landlord and Tenant as an additional insureds and shall be non-cancelable with respect to Landlord and Tenant. Certificates of all such insurance shall be delivered by Subtenant to Landlord and Tenant within a reasonable period of time following Subtenant's entering into any such construction contract(s) (but in all events prior to Subtenant or Subtenant's general contractor commencing construction).

2. **Incorporation of Main Lease.**

a. Subtenant acknowledges that it has been provided both a copy of the Main Lease and an opportunity to review the Main Lease. Except as otherwise expressly provided in this Sublease, the provisions of the Main Lease are incorporated into and made a part of this Sublease as they relate to the Subleased Premises and also to the Building and any land on which the Building is located (the "Land" and, together with the Building, the "Property") which serve or are available to occupants of the Subleased Premises. The provisions of the Main Lease which are so incorporated into this Sublease pursuant to the preceding sentence shall, coincident with their incorporation, be amended so that references in the Main Lease to "Landlord" and "Tenant" shall be deemed to refer to Tenant and Subtenant respectively, all references to the "Premises" in the Main Lease shall be deemed references to the Subleased Premises herein, all references to the

term of the Main Lease shall be deemed references to the Term of this Sublease, unless the context indicates that such amendment should not be made or such amendment would have an illogical effect on the provision being so amended. All uses of the term "Sublease" in this Sublease shall be regarded as referring to this Sublease, into which the Main Lease has been so incorporated. Subtenant hereby covenants to Tenant that, except as may be otherwise expressly provided in this Sublease, Subtenant shall comply with, and shall faithfully perform all of the obligations of the Main Lease with respect to the Subleased Premises (and the Building and Common Areas, to the extent applicable) arising on or after the Early Access Date and relating to the periods after the date thereof to the extent that the same are not modified or amended by this Sublease. The relationship between, and rights of, Subtenant and Tenant shall, except as may be otherwise expressly provided in this Sublease, be governed by the Main Lease, and, without limiting the generality of the foregoing, Tenant shall have all of the rights granted to Landlord under the Main Lease and be entitled to exercise such rights with respect to the enforcement of the provisions of this Sublease and Subtenant shall have all of the rights granted to Tenant with respect to the Subleased Premises under the Main Lease and be entitled to exercise such rights with respect to the enforcement of the provisions of this Sublease, except as set forth in subsection b below or as otherwise set forth in this Sublease.

b. Notwithstanding any of the foregoing provisions of this section to the contrary, the following provisions of the Main Lease are not incorporated into or made a part of this Sublease:

Sections 2.1.1, 2.1.2, 2.1.3, 2.1.4, 2.3 - 2.6; Article III; Article IV; the first paragraph and proviso of the third paragraph of Section 5.1; Sections 6.2, 6.3, 7.5, 7.6, 16.4, 16.5, 16.18, 16.21, Article XVII, Article XVIII, and Exhibits B-1, H, K-1, K-2, K-3, Q.

c. In addition to the foregoing, unless caused by Tenant's failure to perform its obligations under the Main Lease, Tenant shall not be responsible for any failure or interruption, for any reason whatsoever, of the services or facilities that may be appurtenant to or supplied at the Building or Subleased Premises by Landlord or otherwise, including, without limitation, heat air conditioning, water, electricity, elevator service and cleaning service, if any; and no failure to furnish, or interruption of, any such services or facilities shall give rise to any liability on the part of Tenant; provided, however, Tenant agrees to use commercially reasonable efforts to enforce Landlord's obligations under the Main Lease. Whenever consent or approval or other action on the part of Tenant is required hereunder, Tenant shall not be obligated or required to give any such consent or approval or take any action if the consent or approval or other action of Landlord is also required by the provisions of the Main Lease, unless and until Landlord shall have given such consent or approval or taken such action. If, however, Landlord refuse to grant such consent, Tenant will have no liability to Subtenant hereunder, nor shall rent abate, nor shall the obligations of the parties hereto to each other be affected by reason thereof.

3. **Subordination to Main Lease and Conflicts.** Notwithstanding any other provisions of this Sublease to the contrary, this Sublease, and the interest of Subtenant in the Subleased Premises under this Sublease, shall in all respects be subject and subordinate to all of the provisions of the Main Lease. To the extent that any provision of this Sublease modifies or differs from any of the provisions of the Main Lease, the provisions of this Sublease shall be controlling, provided, however, that if any provision of this Sublease violates the Main Lease as

incorporated herein, or asserts authority in one of the parties beyond the authority provided to such party by the Main Lease, the provisions of the Main Lease shall be deemed to limit the provisions hereof. Nothing in this section shall, however, be deemed to confer upon Subtenant any greater rights than those set forth in this Sublease or to limit any of Subtenant's obligations under this Sublease. All of the rights granted to Subtenant under this Sublease are limited to the extent that Tenant has reserved those rights in the Main Lease.

4. **Termination of Main Lease and Sublease.** If this Sublease has not previously terminated by its terms, this Sublease shall terminate upon the expiration of the Main Lease. If the Main Lease shall terminate during the term of this Sublease, which termination is not due to a default of Tenant under the Main Lease, subject to any applicable election by Landlord to have Subtenant attorn to Landlord, this Sublease shall simultaneously terminate on the date of such termination of the Main Lease with the same force and effect as if such termination date had been specified herein as the termination date hereof. If such early termination of the Main Lease is due to the exercise by Landlord or an express right to do so under the Main Lease (other than due to a default of Tenant under the Main Lease), Tenant shall give notice to Subtenant of such early termination promptly after Tenant learns of same. Tenant shall faithfully and promptly perform, or cause to be performed, all obligations required of Tenant under the Main Lease, except for those obligations undertaken by Subtenant hereunder, which are solely in the control of Landlord, or which otherwise require possession of the Subleased Premises to perform. If this Sublease is terminated due to an event of default by Tenant under the Main Lease, Subtenant shall be entitled to seek from Tenant any and all remedies permitted by law.

5. **Rent.**

a. Except as otherwise expressly provided in this Sublease, commencing on December 1, 2019 (the "**Rent Commencement Date**"), and continuing throughout the term of this Sublease, Subtenant shall pay to Tenant, as rent, base rent (the "**Base Rent**") in such amounts and otherwise accordance with the schedule set forth below. Subtenant shall make equal monthly payments of Base Rent in advance on the day of each month on which rent is required to be paid by Tenant under the Main Lease. Subtenant shall make such payments without notice, demand, abatement, deduction, counterclaim, or setoff.

<u>Months</u>	<u>Rental Rate</u>	<u>Annual Rent</u>	<u>Monthly Rent</u> <sup>1</sup>
1-3	[***]	[***]	[***]
4-15	[***]	[***]	[***]
16-27	[***]	[***]	[***]
28-39	[***]	[***]	[***]

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<sup>1</sup> Figures are rounded.

40-51	[***]	[***]	[***]
52-63	[***]	[***]	[***]
Extension Period	[***]	[***]	[***]

b. For the avoidance of doubt, no Base Rent for the Subleased Premises is being charged for the first three (3) calendar months of the Initial Term. The foregoing will have no effect on additional rent, which rent will continue to be due commencing on the Rent Commencement Date.

c. Except as otherwise expressly provided in this Sublease, commencing on and as of the Commencement Date, and continuing throughout the term of this Sublease, Subtenant shall pay to Tenant, as additional rent, (i) [\*\*\*] of the amount payable by Tenant (the “Subtenant’s OpEx Share”) on account of any increase in Landlord’s Operating Expenses (as defined in Section 7.4(d) of the Main Lease) over the Landlord’s Operating Expenses for calendar year 2020, and (ii) [\*\*\*] of the amount payable by Tenant (the “Subtenant’s Tax Share”) on account of any increase in real estate taxes (as defined in Section 6.1(d) of the Main Lease) over real estate taxes for Tax Year 2021, and other regular additional sums payable by Tenant to Landlord under the Main Lease (the “Escalations”, with Subtenant’s OpEx Share and Subtenant’s Tax Share of such Escalations being referred to herein as the “Subescalations”). If Tenant is required under the Main Lease to make estimated payments on account of any of the Escalations, Subtenant shall also pay to Tenant Subtenant’s applicable share (i.e., Subtenant’s OpEx Share or Subtenant’s Tax Share) of such estimated payments (which payments shall be included within the meaning of the term “Subescalations” as used herein) at the time and in the manner provided for Base Rent, and Subtenant shall be entitled to Subtenant’s applicable share of any refund made to Tenant corresponding to any overpayment made in connection with such estimated payments. Tenant shall provide Subtenant with copies of all back up documentation Tenant receives with respect to any Subescalations.

d. Under this Sublease, payments of Base Rent and Subescalations and other additional rent constitute payments of “rent”. Any payments that are required to be paid by Subtenant to Tenant under this Sublease other than Base Rent shall be deemed to be additional rent payable hereunder by Subtenant to Tenant, and shall, unless otherwise expressly provided in this Sublease, be due and payable thirty (30) days after Subtenant’s receipt of an invoice therefor from Tenant.

e. From and after the Commencement Date, subject to the remainder of this paragraph, Subtenant shall pay for all electricity provided by Tenant to the Subleased Premises at a flat rate of [\*\*\*]per month (the “Monthly Electric Charge”). The Monthly Electrical Charge will be paid to Tenant each month concurrently with the payment of Base Rent. To the extent Subtenant constructs an additional server room in the Subleased Premises, Subtenant will, at Subtenant’s cost and expense, seek to have such additional sever room separately metered (or if not possible, sub-metered) and the costs of utilities supplied thereto billed directly to Subtenant. To the extent the foregoing cannot be accomplished and Tenant incurs any utility or similar charges in connection with the additional server room, including, without limitation, additional HVAC

charges, Subtenant will reimburse Tenant for the actual costs incurred by Tenant within twenty (20) business days of submission of an invoice therefor (provided, however, if such additional server room cannot be separately metered or sub-metered, Tenant may reasonably estimate the additional cost and Subtenant will reimburse Tenant based upon such reasonable undisputed estimate).

f. If Tenant shall not have received any payment or installment of Base Rent, Subescalations or other payment (the "Outstanding Amount") on or before the date on which the same first becomes payable under this Sublease (the "Due Date"), the amount of such payment or installment shall incur interest on the Outstanding Amount from the Due Date through and including the date such payment or installment is received by Tenant, at a rate (the "Default Interest Rate") equal to the lesser of (i) the rate announced by Bank of America, N.A. (or its successor) from time to time as its prime or base rate (or if such rate is no longer available, a comparable rate reasonably selected by Tenant), plus two percent (2%), or (ii) the maximum applicable legal rate, if any. In addition, if any rent remains unpaid five (5) business days following Subtenant's receipt of notice that such rent is overdue, Subtenant shall pay to Landlord a late charge equal to five percent (5%) of the amount due plus any reasonable attorneys' fees incurred by Tenant by reason of Tenant's failure to pay such rent. Such late charge and interest shall be deemed additional rent and shall be paid by Subtenant to Tenant upon demand.

g. If the term of this Sublease begins or ends on any day other than the first day of a calendar month, then all amounts to be paid by Subtenant to Tenant under this Sublease, including Base Rent and Subescalations, for the resulting fractions of a full calendar month shall be prorated on a per diem basis.

h. Except as otherwise expressly provided in this Sublease, all payments to be made by Subtenant pursuant to this Sublease shall be made to Tenant in United States legal tender and addressed to 9341 Courtland Drive, N.E., Rockford, Michigan 49351, Attn: Accounts Payable.

i. "Fair Market Rent" shall be determined: (A) by agreement between Tenant and Subtenant, negotiating in good faith, no later than thirty (30) days after Tenant's timely exercise of the Extension Period, or (B) if Tenant and Subtenant shall not have agreed upon the Fair Market Rent by said date as aforesaid (an "Impasse"), then Fair Market Rent for the Extension Period shall be fixed by means of an Appraisers' Determination, as more particularly addressed in Exhibit B hereto.

j. The parties hereby stipulate that the Subleased Premises, the office portion of the Building, and the Building contain 17,077 rentable square feet, 230,000 rentable square feet, and 245,000 rentable square feet, respectively, and that such square footage amounts are not subject to adjustment or re-measurement by Subtenant or Tenant. Accordingly, there shall be no adjustment in the Base Rent or other amounts set forth in this Lease which are determined based upon rentable or usable square feet of the Subleased Premises.

k. To the extent Subtenant requests and is provided any after-hours services (e.g., after hours HVAC) or other services for which an additional charge may be collected under the Main Lease, Tenant may collect such charge from Subtenant for those services (such charge

not to be duplicative of any amount actually charged directly to Subtenant by Landlord under the Main Lease) and Subtenant shall pay such undisputed charge after having been billed by Tenant within thirty (30) days.

6. **Delivery of Possession and Adjustment of Term.** Tenant shall deliver the Subleased Premises to Subtenant in vacant, broom clean condition, with all systems in good working order, condition and repair, and otherwise in "as is" condition. Notwithstanding any other provisions of this Sublease to the contrary, if for any reason whatsoever Tenant is unable to deliver possession of the Subleased Premises to Subtenant on the Early Access Date, Tenant will not be subject to any liability nor shall the validity of this Sublease nor the obligations of Subtenant hereunder be affected. If delivery of the Subleased Premises has not occurred by the Commencement Date for any reason other than a Force Majeure (as hereinafter defined) or the actions or failure to act of Subtenant, Subtenant will receive a credit against Base Rent next due in an amount equal to one (1) day of Base Rent due during month 4 of the Initial Term for each day Tenant fails to deliver possession of the Subleased Premises to Subtenant. Additionally, if the Subleased Premises have not been delivered to Subtenant by December 15, 2019, Subtenant at its option may terminate this Sublease upon ten (10) business days prior written notice to Tenant provided that the delivery date does not occur within such ten (10) business day period. Upon such termination, Tenant shall return all sums paid by Subtenant upon the execution of this Sublease, and, upon such return and except as otherwise expressly provided herein, this Sublease shall terminate and the parties shall have no further recourse against each other in connection with this Sublease.

7. **Use of Premises.** Subtenant shall use the Subleased Premises for general office use and lawful uses ancillary thereto, as may be permitted under the Main Lease and in accordance with applicable law, permits or approvals, and for no other purpose. Subject to the terms, conditions and limitations of the Main Lease, Subtenant will be provided the same rights as Tenant to use the Amenities.

8. **Parking.** Tenant shall make available to Subtenant for the use of its employees and guests, on a non-exclusive basis, parking made available to Tenant under the Main Lease in an amount equal to 3.5 spaces per 1,000 square feet of rentable square foot of the Subleased Premises (i.e., 60 unreserved parking spaces), subject to the terms, rules and conditions of the Main Lease.

9. **Subtenant Identification.** At Tenant's sole cost and expense, Tenant shall arrange for Subtenant's name to be included, in the Building-standard format, in the Building directories maintained by Landlord for the identification of the Building's occupants, which signage shall include, without limitation, the Building lobby and the fourth (4th) floor tenant directory, if any.

10. **Condition of Premises and Improvement Work; Use of Furniture.** Subtenant accepts the Subleased Premises "as is" without any obligation on Landlord or Tenant to prepare the same for Subtenant's use or to make any improvements or alterations to the Subleased Premises or any other portion of the Building. Although Tenant shall have no obligation or responsibility for furnishing the Subleased Premises, Tenant grants Subtenant the right to utilize during the Term (but only for purposes of occupying and operating in the Subleased Premises) the furniture, fixtures

and equipment currently located in the Subleased Premises (“Tenant’s Furniture”), which furniture is identified and listed with their condition and quantities in Exhibit D attached hereto. No warranty or guarantee of condition of said Tenant’s Furniture is being provided by Tenant. There shall be no additional charge to Subtenant for the use of Tenant’s Furniture. Subtenant will leave Tenant’s Furniture in the Subleased Premises upon expiration of the Term in good condition and repair, ordinary wear and tear excluded.

11. **Maintenance of Premises.** Subtenant shall, at its sole expense, keep the Subleased Premises and the equipment, facilities, fixtures, and furniture therein neat, clean, and in as good condition and repair as when Subtenant first was granted access to the Subleased Premises, reasonable wear and tear, and damage from fire and other casualty not Subtenant’s obligation to repair excepted, and shall perform all obligations of Tenant under the Main Lease with respect to the Subleased Premises and Subtenant’s activities in and about the Subleased Premises and the Building. Subtenant agrees that Tenant shall not be obligated to furnish for Subtenant any services of any nature whatsoever, including without limitation, climate control, elevator service, cleaning services, security, electrical energy, and miscellaneous power services, water and other public utilities, or to perform any of the Landlord’s obligations under the Main Lease.

12. **Tenant’s Obligations Limited.** The Main Lease specifies certain obligations, representations, and warranties of Landlord thereunder. Notwithstanding the incorporation of the Main Lease into this Sublease as provided elsewhere herein or any other provisions of this Sublease to the contrary, (a) Tenant is not obligated to perform, or guarantee the performance by Landlord of, Landlord’s obligations under the Main Lease, and Landlord’s representations and warranties in the Main Lease are not to be considered the representations and warranties of Tenant under this Sublease, (b) except as otherwise expressly set forth in this Sublease, Tenant shall have no liability for any damage, loss, claim, liability, or expense arising out of the failure of Landlord to perform its obligations under the Main Lease, the breach by Landlord of its representations and warranties under the Main Lease, the acts or omissions of Landlord, or any other circumstance or event beyond Tenant’s control. Upon written notice from Subtenant to Tenant of Landlord’s failure to so perform its obligations or of Landlord’s breach of such representations and warranties, Tenant shall notify Landlord to that effect and demand Landlord’s performance or rectification of such breach. Upon such written request of Subtenant, Tenant shall use diligent efforts to cause the Landlord to observe and/or perform the obligations of the Landlord under the Main Lease which relate to the Subleased Premises and shall, upon Subtenant’s written request, exercise any and all remedies available to Tenant (but not termination) under the Main Lease in connection therewith; provided, however Tenant shall not be required to expend unreasonable amounts, in Tenant’s commercially reasonable judgement, in connection with the exercise of such remedies. In any circumstance in which Tenant’s consent is required under this Sublease and Tenant has agreed herein not to unreasonably withhold or delay such consent, and in which a corresponding consent of Landlord is required pursuant to the Main Lease in order to avoid having the Tenant’s consent constitute a breach of the Main Lease, then Tenant shall not be deemed to have unreasonably withheld or delayed its consent if such corresponding consent of Landlord has not been obtained.

13. **Notice from Landlord of Default.** Subtenant shall do nothing (which includes, without limitation, failing to take any action required under the Sublease) that will subject the Main Lease to termination by Landlord under the provisions of the Main Lease. If Tenant shall receive notice from Landlord of any default occurring under the Main Lease with respect to the Subleased

Premises, or if there is a default by Subtenant hereunder, Tenant shall notify Subtenant of such default and Subtenant shall be entitled to the same notice and cure periods as Tenant is afforded under the Main Lease for an event of default under the Sublease; provided, however, in no event shall any notice and cure period available to Subtenant be less than five (5) business days. If any such default by Subtenant remains uncured after Tenant has given Subtenant notice and an opportunity to cure as aforesaid, Tenant shall have, (i) all of the rights and remedies in its dealings with Subtenant as Landlord has under the Main Lease, including without limitation Article 13 of the Main Lease and (ii) in addition to any other rights and remedies available to Tenant under the Main Lease, the right but not any obligation to cure such default and recover from Subtenant as additional rent all expenses, including without limitation reasonable attorneys' fees, incurred by Tenant in connection with such cure, together with interest at the Default Interest Rate. By so curing any such default of Subtenant on behalf of and for the account of Subtenant, Tenant shall not be deemed to have waived any of its rights or released Subtenant from any of its obligations under this Sublease. All damages and expenses, including without limitation reasonable attorneys' fees, incurred by Tenant in connection with any such cure, together with interest at the Default Interest Rate, shall be paid by Subtenant to Tenant, as additional rent hereunder, immediately upon Tenant's written demand therefor. No remedy or election hereunder shall be deemed exclusive, but shall, whenever possible, be cumulative with all other remedies at law or in equity. The expiration or termination of this Sublease and/or the termination of Subtenant's right to possession of the Subleased Premises shall not relieve Subtenant of liability under any indemnity provisions of this Sublease as to matters occurring or accruing during the term of the Sublease or by reason of Subtenant's occupancy of the Subleased Premises.

14. **Insurance.** Subtenant shall, at its sole expense, obtain and maintain insurance policies with respect to the Subleased Premises only, the same insurance Tenant is required to obtain and maintain under the Main Lease. Tenant shall use the proceeds of such policies in the manner required of Tenant under the Main Lease. Other than Subtenant's worker's compensation insurance, Subtenant shall name Tenant and Landlord as additional insureds under all such policies. Such policies shall be primary and non-contributing with any insurance maintained by Tenant and shall provide that they shall not be modified without thirty (30) days' prior written notice to Tenant. Commercially reasonable evidence of the existence and amount of each of such required insurance policies shall be delivered by Subtenant to Tenant before the date on which Subtenant is first given access to or possession of the Subleased Premises. With respect to each of such required insurance policies, Subtenant shall provide Tenant will proof of renewal or qualified replacement insurance policies at least ten (10) business days before termination of the insurance policy that was previously in effect. All of such insurance policies shall be maintained throughout the term of this Agreement.

15. **No Waste or Nuisance.** Subtenant shall not commit or suffer to be committed any physical waste upon the Subleased Premises or any nuisance or other unreasonable action which may disturb the quiet enjoyment of any other tenant or occupant in the Building.

16. **Tenant's Right of Entry.** In addition to any right of entry to the Subleased Premises that Tenant may have under the provisions of the Main Lease, Tenant reserves the right to enter the Subleased Premises during regular business hours from time to time, and upon at least forty-eight (48) hours prior notice (except in the event of emergency, in which case no notice shall be required), to determine whether Subtenant is in compliance with this Sublease.

17. **Subleasing, Assignment, or Transfer.** Subtenant shall not have the right to sublease, assign, or transfer the Subleased Premises or any portion thereof, and shall not suffer or permit the Subleased Premises or any portion thereof to be subleased, assigned, or transferred by operation of law or otherwise except in accordance with the terms set forth in the Main Lease applicable to Tenant and further provided that consent from Tenant, not to be unreasonably withheld, conditioned or delayed, shall be required where consent of the Landlord is required under the Main Lease.

18. **Subtenant Indemnification.** Subtenant shall indemnify Tenant against, and hold Tenant harmless from, any damage, loss, claim, liability, or expense, including without limitation reasonable attorneys' fees, arising out of (a) any claim by Landlord under the Main Lease resulting from Subtenant's (i) negligence, (ii) willful misconduct or (iii) use and occupancy of the Subleased Premises by Subtenant and/or its officers, employees, contractors, agents, or invitees (the "Subtenant Parties") ((i), (ii) and (iii), collectively, the "Causes"), and (b) any claim for injury to persons (including without limitation death) or property damage arising out of the Causes, in all case, unless resulting from the negligence or willful misconduct of Tenant.

19. **Tenant Not Liable.** Except in connection with the negligence or willful misconduct of Tenant or Tenant's officers, employees, contractors, agents and invitees, in no event shall Tenant or any of its officers, employees, contractors, agents, or invitees be liable for any damage, loss, claim, liability, or expense sustained by Subtenant or any of its officers, employees, contractors, agents, or invitees (or anyone claiming through them or on their behalf) resulting directly or indirectly from (a) any latent defect in the Subleased Premises or the Building, or in any equipment, facilities, fixtures, or furniture located therein, or (b) any accident or other occurrence in or about the Subleased Premises or the Building, or (c) any negligent acts or omissions of any owner, tenant, or other occupant of the Building (other than Tenant and its employees, contractors, officers, agents and invitees with respect to its own activities on the Subleased Premises) or of any invitee or other person in the Building. All property placed in the Subleased Premises by Subtenant or any of its officers, employees, contractors, agents, or invitees shall be so placed at the sole risk of such party, and Tenant shall have no liability whatsoever for any damage thereto. Notwithstanding the above, Tenant agrees to indemnify and save harmless Subtenant to the extent provided in this Section 19 from and against any claims of whatever nature by a third party arising from any injury to any person or property damage occurring in or in the Subleased Premises after the Commencement Date and until the expiration of earlier termination of the Sublease Term from the negligence or willful misconduct of Landlord or Landlord's agents, employees or contractors, or from any breach of default by Landlord in the performance or observance of its covenants or obligations under this Sublease or the Main Lease, provided, however, that in no event shall the aforesaid indemnity render Tenant responsible or liable for any loss or damage to fixtures, personal property or other property of Subtenant, and Tenant shall in no event be liable for any indirect or consequential damages. Subtenant shall provide notice of any such third party claim to Tenant as soon as practicable. Tenant shall have the right, but not the duty, to defend the claim. Notwithstanding anything contained herein to the contrary, Tenant shall not be obligated to indemnify Subtenant for any claims to the extent that Subtenant's damages result from the negligence or willful misconduct or breach of this Sublease by Subtenant or any of the Subtenant Parties. The terms of this Section 19 shall survive any termination or expiration of this Sublease. The foregoing indemnity and hold harmless agreement shall include indemnity for all costs, expenses and liabilities (including, without limitation, attorneys' fees and disbursements)

incurred by Subtenant in connection with any such claim or any action or proceeding brought thereon, and defense thereof. In addition, in the event that any action or proceeding shall be brought against Subtenant by reason of any such claim, Tenant shall resist and defend such action or proceeding on behalf of Subtenant by counsel appointed by Tenant's insurer (if such claim is covered by insurance without reservation) or otherwise by counsel reasonably satisfactory to Subtenant. Subtenant shall not be bound by any compromise or settlement of any such claim, action or proceeding without the prior written consent of Subtenant. Tenant's obligation, indemnification and liability shall be limited to actual recovery from, or cure by, Landlord under the Master Lease, the intent being for Tenant's liability to be limited to a pass through of the indemnification it receives from Landlord for Landlord's actions under the Main Lease.

20. **Covenant of Quiet Enjoyment.** Tenant covenants that for so long as Subtenant makes timely payment of the rent and additional rent due under this Sublease and timely performs all of Subtenant's other obligations under this Sublease, Subtenant may peaceably and quietly have, hold, and enjoy the Subleased Premises throughout the term of this Sublease subject to the terms and provisions of this Sublease, the incorporated provisions of the Main Lease, and any senior encumbrance to this Sublease. Subtenant acknowledges that Subtenant has no right, and by this Sublease is granted no right, to exercise any right to expand the Subleased Premises which may be or have been granted by Landlord to Tenant under the Main Lease.

21. **Surrender of Premises.** Unless otherwise instructed by Tenant at least sixty (60) days prior to the termination of the Term, Subtenant shall at its own expense and before the end of the term hereof (a) remove any alterations and improvements made to the Subleased Premises by Subtenant (including, without limitation Subtenant's Work), but excluding any alterations that are expressly permitted to stay pursuant to the terms of this Sublease or that Tenant waived the right to have remove as part of granting its consent to construct, (b) remove all of its contents from the Building, including trade fixtures, machinery, equipment, furniture (but excluding Tenant's Furniture), and furnishing, (c) repair all damage resulting from the removal of the items specified in the preceding clauses (a) and (b), and close all floor, ceiling, and roof openings, and (d) surrender the Subleased Premises to Tenant in as good condition and repair as the Subleased Premises were in at the Commencement Date, reasonable wear, tear and damage from fire or other casualty not Subtenant's obligation to repair excepted. All property of Subtenant remaining on the Subleased Premises after the termination of the term hereof shall be deemed to have been abandoned by Subtenant, provided, however, that if any such property so remains on the Subleased Premises and the removal of such property would impose an expense on Tenant, then, at Tenant's election, Tenant shall be entitled, but not obligated, to remove such property on behalf of and for the account of Subtenant, in which case all expenses so incurred by Tenant in connection therewith shall be paid by Subtenant to Tenant, as additional rent hereunder, immediately upon Tenant's demand therefor.

22. **Holding Over by Subtenant.** If Subtenant (including without limitation any subtenant, successor, or assignee of Subtenant) holds over and remains in possession of the Subleased Premises or any part thereof beyond the earlier of the expiration of the Term or the termination of this Sublease, (a) unless and until Tenant and Subtenant have otherwise expressly agreed, such holding over shall under no circumstances be deemed to constitute a tenancy at will, a month-to-month tenancy, or any other form of tenancy, and, instead, such holding over shall be regarded as occurring over Tenant's objection, and Subtenant shall be (i) a tenant at sufferance, or

(ii) a holdover tenant, whichever is deemed by the law of the pertinent jurisdiction to hold the least rights to, or estate in, the Subleased Premises, (b) in addition to any other amounts payable in connection with this Sublease, Subtenant shall pay to Tenant, as a charge for the occupancy of the Subleased Premises objected to by Tenant, an amount equal to one hundred and fifty percent (150%) of the Base Rent in effect during the month immediately preceding the termination of the term of this Sublease, and such payments shall be made on the same schedule and in accordance with the same procedures as were in effect concerning such payments prior to the commencement of such holding over, (c) in addition to and without limiting any other rights and remedies that Tenant may have on account of such holding over, provided that Subtenant has held-over in the Subleased Premises for more than (i) forty-five (45) days, then commencing on such forty sixth day of such holdover in the case of the expiration of the Term of the Sublease or (ii) one hundred and eighty (180) days beyond written notice of the termination date in the case of an earlier termination of the Sublease (other than due to a Subtenant default), then commencing on such one hundred and eighty first day of such holdover in the case of an earlier termination of the Sublease, Subtenant shall pay to Tenant all direct, indirect and consequential damages, costs, and expenses incurred by Tenant as a result of such holding over, including without limitation any costs and expenses that Landlord charges to Tenant on account thereof, and (d) indemnify Tenant against, and hold Tenant harmless from, any damage, loss, claim, liability, or expense, including without limitation reasonable attorneys' fees, arising out of such holding over.

23. **Fire, Casualty, and Eminent Domain.** With respect to any damage or destruction by fire or other casualty, or any taking by eminent domain, the provisions of the Main Lease shall govern; provided, however, Tenant shall obtain Subtenant's consent, to make whatever elections are provided to Tenant under the Main Lease with respect to the Subleased Premises. Notwithstanding the foregoing, in the event that material damage or destruction by fire or other casualty, or any material taking by eminent domain shall occur with respect to the Subleased Premises during the last twelve months of the term of the Sublease or the casualty is such that repairs to the Subleased Premises cannot reasonably be completed within one (1) year of the date of damage, Subtenant shall have the right to terminate the Sublease upon thirty (30) days prior written notice to Tenant.

24. **Force Majeure.** This Sublease and the obligation hereunder of Subtenant to pay Base Rent, Subescalations and additional rent, and to perform under all other provisions of this Sublease shall in no way be affected, impaired, or excused because Tenant is unable to fulfill any of the obligations that, under this Sublease, are expressly or implicitly to be performed by Tenant if Tenant is delayed or prevented from so doing by reason of accident, inclement weather, fire, flood, strike, other labor dispute, war, act of God, act of government, or any other cause beyond the control of Tenant (such events being collectively referred to herein as a "**Force Majeure**"), unless Subtenant is unable to pay Base Rent, Subescalations and additional rent or perform under all other provisions of this Sublease due to a Force Majeure.

25. **Security Deposit.**

a. On or before the earlier of the Early Access Date and the Commencement Date, Subtenant shall deliver to Tenant a security deposit in the amount of One Hundred Fifty Thousand Dollars (\$150,000.00) (the "**Security Deposit**") to be held by Tenant as security for Subtenant's performance of its obligations hereunder, including without limitation the surrender

of possession of the Subleased Premises to Tenant as herein provided. In no instance shall the amount of the Security Deposit be considered a measure of liquidated damages. All or any part of the Security Deposit may be applied by Tenant in total or partial satisfaction of any obligation or default (after expiration of applicable notice and cure periods) hereunder by Subtenant. The application of all or any part of the Security Deposit to any obligation or default of Subtenant under this Sublease shall not deprive Tenant of, or constitute a waiver by Tenant of, any other rights or remedies to which Tenant may be entitled.

b. If Subtenant defaults beyond applicable notice and cure periods under any of the provisions of this Sublease, including without limitation the provisions pertaining to the payment of rent, additional rent, and other amounts, Tenant may apply or retain the whole or any part of the Security Deposit to the extent required for the satisfaction of Subtenant's obligations under this Sublease or for any expenditures that Tenant may expend by reason of such default by Subtenant, including without limitation any damages or deficiencies incurred by Tenant that arise out of the re-leasing of the Subleased Premises, regardless of whether or not such damages or deficiencies accrue before or after summary proceedings or other re-entry by Tenant. If Tenant applies or retains any part of the Security Deposit, Subtenant shall, within ten (10) business days after notice from Tenant, deposit with Tenant the amount so applied or retained so that Tenant shall have the full amount of the original Security Deposit on hand at all times during the term hereof. The failure of Subtenant to so deposit such additional amount within such ten (10) business day period shall continue a default under this Sublease which will entitle Tenant to all of its rights and remedies under this Sublease (which incorporates the Main Lease). If Subtenant fully complies with all of the provisions of this Sublease, the unapplied portion of the Security Deposit held by Tenant shall be returned to Subtenant within thirty (30) days after the later of (x) termination of the term of this Sublease and (y) Subtenant fully surrendering possession of the Subleased Premises to Tenant in the delivery condition required hereunder and with all of Tenant's furniture, fixtures and equipment removed from the Subleased Premises.

c. If Tenant assigns its interest in the Main Lease to an assignee, Tenant shall transfer the Security Deposit to such assignee, and thereupon Tenant shall be released by Subtenant from any liability concerning the Security Deposit, and Subtenant shall look solely to such assignee for the return of the Security Deposit. The provisions of this section shall further apply to every successive transfer made of the Security Deposit to a new assignee. Subtenant shall not assign or encumber or attempt to assign or encumber the Security Deposit, and neither Tenant nor its successors or assigns shall be bound by any such assignment or encumbrance or attempted assignment or encumbrance.

26. **Broker or Brokers.** Each party hereto represents to the other that it has dealt with no broker or agent in connection with this Sublease other than Cresa and Cushman Wakefield (the "**Brokers**"). Each party hereto covenants that it shall indemnify the other party against, and hold the other party harmless from, any damage, loss, claim, liability, or expense, including without limitation reasonable attorneys' fees, arising out of any breach by the party making such covenant of the foregoing representation. Tenant acknowledges and agrees that it shall pay the broker's fees due the Brokers in connection with this Sublease pursuant to separate agreement(s) with the Brokers.

27. **Successors and Assigns.** This Sublease shall be binding upon and inure to the

benefit of the parties hereto and their respective successors, assigns, heirs, and legal representatives, provided, however, that this provision shall not operate to permit any subleasing, assignment, mortgage, lien, charge, or other transfer or encumbrance that is contrary to the provisions of this Sublease.

28. **Subtenant to Attorn to Landlord.** In the event that the Main Lease is terminated for any reason other than the election by Tenant to terminate the Main Lease pursuant to any right of election possessed by Tenant under the Main Lease, then, at Landlord's election, Subtenant shall attorn to Landlord and this Sublease shall be deemed to be and shall become a direct lease between Landlord and Subtenant.

29. **Time of the Essence.** Time is of the essence of each provision of this Sublease.

30. **Notices.** Unless otherwise expressly provided in this Sublease, any notice, demand, approval, or other communication required or permitted to be given hereunder shall be in writing and be deemed to have been sufficiently given for all purposes hereunder if hand delivered with written proof of delivery, mailed by U.S. Postal Service certified or registered mail with postage prepaid and return receipt requested, or sent via a reputable commercial overnight delivery service with shipment prepaid and written proof of delivery, and addressed to the parties at the addresses for each of them that are specified below, which addresses may be changed by the giving of notice as provided in this section:

If to Tenant:           Saucony, Inc.  
                                  9341 Courtland Drive, N.E.  
                                  Rockford, Michigan 49351  
                                  Attn: General Counsel

If to Subtenant:       Before <move date>:  
                                  SeaChange International, Inc.  
                                  50 Nagog Park  
                                  Acton, Massachusetts 01720  
                                  Attn: Legal Department  
  
                                  After <move date>:  
                                  SeaChange International, Inc.  
                                  10 City Point  
                                  500 Totten Pond Road  
                                  Waltham, Massachusetts 02451  
                                  Attn: Legal Department

31. **Waivers.** No waiver by any party of a breach of any provision of this Sublease, and no failure by any party to exercise any right or remedy relating to a breach of any provision of this Sublease, shall (a) constitute a waiver or relinquishment for the future of such provision, (b) constitute a waiver of or consent to any subsequent breach of such provision, or (c) bar any right or remedy of such party relating to any such subsequent breach. The exercise by any party of any right or election under this Sublease shall not preclude such party from exercising any other right or election that it may have under this Sublease.

32. **Sublease Terminology.** Except as otherwise expressly provided in this Sublease, capitalized terms used but not defined herein shall have the meanings assigned to them in the Main Lease. Wherever it is required by, or appears to be logically sensible in, the context of the language used in this Sublease, singular numbers and terms shall include the corresponding plural numbers and terms, masculine terms shall include the corresponding feminine and neuter terms, and the term “person” shall include “corporation”, “company”, “firm”, “organization”, “association”, “entity”, and analogous terms. Captions and headings in this Sublease are used for convenience of reference only, do not form a part of this Sublease, and shall not affect in any way the meaning or interpretation of this Sublease.

33. **Invalid Provisions.** If any provision of this Sublease, or the application of such provision to any party or circumstance, is found by a court of competent jurisdiction to be invalid or unenforceable, (a) the remainder of this Sublease shall not be affected and shall remain in full force and effect, (b) such invalid provision or application shall be deemed to be stricken from this Sublease, and (c) the parties shall use good faith efforts to preserve the intent of this Sublease by substituting a reasonably comparable provision for the benefit of the party or parties that the invalid or unenforceable provision was intended to benefit.

34. **Alterations.**

a. Except for Subtenant’s Work or as otherwise expressly provided below, Subtenant shall not make, perform or cause to be performed any interior or exterior improvements to the Subleased Premises (“Subtenant Alterations”) without the prior written consent of Landlord (in accordance with the terms of the Main Lease) and Tenant, to be granted or withheld in Landlord’s or Tenant’s sole and absolute discretion. However, provided that Subtenant provides Landlord and Tenant with at least fifteen (15) business days’ prior written notice of its intent to make Cosmetic Subtenant Alterations (as defined below), which notice will specifically identify/include (i) the nature of such Cosmetic Subtenant Alterations, (ii) the estimated cost of each element of the proposed Cosmetic Subtenant Alterations and the estimated time to complete the same, (iii) the name of the contractor constructing the Cosmetic Tenant Alterations, together with commercially reasonable evidence that such contractor carries all insurance required under the Main Lease in connection with performing alterations at the Building, (iv) copies of any required governmental approvals, permits or licenses to perform such alterations, consent of Landlord and Tenant shall not be required with respect to the following Subtenant Alterations: (i) any interior cosmetic or decorative Subtenant Alteration (such as the installation of paint or wall coverings) or (ii) other non-structural alterations which (a) do not affect the functioning of the Building’s mechanical, electrical, plumbing or HVAC systems, (b) are not readily visible from the exterior of the Subleased Premises, (c) are of the nature of general office alterations, and (d) cost less than \$50,000.00 in the aggregate in any twelve (12) month period (“Cosmetic Subtenant Alterations”), but such Cosmetic Subtenant Alterations shall otherwise comply with all requirements of the Main Lease with respect to alterations and will be installed in a manner which minimizes disturbing any other tenants of the Building including Tenant (Tenant having the right to impose reasonable limitations on any work that may cause excessive noise, dust, etc. or that may cause interference with the normal operations of other tenants of the Building). Subtenant shall reimburse Landlord and Tenant for all reasonable costs they may incur in connection with reviewing Subtenant’s proposed Subtenant Alterations, including, without limitation, reasonable fees and costs of engineers, architects, attorneys and other consultants for Landlord and Tenant.

Tenant acknowledges that, subject to (i) Subtenant's preparation and delivery of plans and specifications, (ii) Landlord and Tenant's approval of such plan and specifications, (iii) Subtenant obtaining all required governmental permits and approvals, and (iv) compliance with all other terms of this Sublease with respect to Subtenant Alterations including obtaining and maintaining required insurance, Subtenant may install an additional server room in the Subleased Premises. Tenant may require that such additional server room, if constructed, be removed and the affected area of the Subleased Premises be restored to its condition immediately prior to such construction by providing Subtenant notice of such election at least sixty (60) days prior to the end of the Term, or given upon any earlier termination of this Sublease, which removal will be in accordance with subsection c below.

b. If Landlord and Tenant do approve the proposed Subtenant Alterations in addition to all the requirements of the Main Lease, Tenant may impose as a condition to its consent that Subtenant and/or Subtenant's contractor(s) post a payment and/or completion bond to guarantee the performance of its construction obligations. Subtenant shall pay the full cost of designing and constructing the Subtenant Alterations and shall keep the Subleased Premises and the Building free from any liens arising out of work performed, materials furnished or obligations incurred by or on behalf of Subtenant.

c. All Subtenant Alterations (including Cosmetic Subleased Alterations) will be performed at the sole cost of Subtenant. Furthermore, Tenant may, by written notice to Subtenant given at least sixty (60) days prior to the end of the Term, or given upon any earlier termination of this Sublease, require Subtenant, at Subtenant's expense, to remove any Subtenant Alterations, restore such area to its condition immediately prior to the making of the applicable Subtenant Alteration, and to repair any damage to the Subleased Premises caused by such removal; provided, however, with respect to Subtenant Alterations made or caused to be made with Tenant's consent, Subtenant shall have no obligation to remove such Subleased Alterations if Tenant's consent included a waiver of Tenant's right to elect to have such Subtenant Alterations removed, which waiver Tenant may grant or withhold in its sole and absolute discretion.. If Subtenant fails to complete any required Subtenant Alterations removal and/or to repair any damage caused by such removal, Tenant may do so and may charge the cost thereof to Subtenant. Subtenant hereby indemnifies and holds Tenant harmless from any liability, cost, obligation, expense or claim of lien in any manner relating to the installation, placement, removal or financing of any Subtenant Alterations.

35. **Entire Agreement.** This Sublease constitutes the entire agreement between the parties as to the subject matter hereof and supersedes all prior agreements as the subject matter hereof. No statement, representation, promise, or inducement as to the subject matter hereof which is not included in this Sublease shall be binding upon the parties. This Sublease may not be amended, revised, extended, or otherwise modified except by a written instrument signed by Tenant and Subtenant.

36. **Governing Law.** This Sublease shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, except for the portion of such laws having to do with conflicts of laws.

37. **Landlord's Consent as Condition Precedent.** This Sublease, and the rights and

obligations of all parties hereto, are subject to the condition precedent that Landlord consent in writing to this Sublease (“Consent”), which Consent will either be in the form attached hereto as Exhibit C or another form reasonably satisfactory to Tenant and Subtenant. In the event that the Consent is not obtained within thirty (30) days following the mutual execution and delivery of this Sublease, then either party may terminate this Sublease by giving not less than fifteen (15) days written notice to the other, which termination shall be effective on the fifteenth (15<sup>th</sup>) day following such notice if the Consent is not obtained prior to the end of such 15-day period.

38. **Authority of Subtenant.** Subtenant represents (a) that it is a valid existing corporation licensed to do business in the Commonwealth of Massachusetts and (b) that it has the power and authority to execute and deliver the Sublease and perform its obligations thereunder.

39. **Authority of Tenant.** Tenant represents (a) that it is a valid existing corporation licensed to do business in the Commonwealth of Massachusetts, (b) that it has the power and authority to execute and deliver the Sublease and perform its obligations thereunder, and (c) that as of the date hereof, to Tenant’s knowledge, the Main Lease is in full force and effect and there exist no defaults of Landlord or Tenant thereunder.

40. **Security.** Tenant shall have no responsibility to provide any type of security services to the Subleased Premises or the Building. Tenant shall have no responsibility for or with respect to the amount and type of security services, if any, provided to the Subleased Premises or the Building. Tenant shall not be liable to Subtenant, and Subtenant hereby and expressly assumes all risk of loss in connection with, and waives any claim against Tenant for: (i) any unauthorized or criminal entry of third parties into the Subleased Premises or the Building, (ii) any damage or injury to property or persons, (iii) any theft or loss of or damage to any property in or about the Subleased Premises or the Building from any unauthorized or criminal acts of third parties, regardless of any action, inaction, failure, breakdown or insufficiency of security, and (iv) the provision of security services (or lack thereof), provided that any of the acts described in (i)-(iv) above are not committed by Tenant, or any of its officers, employees, contractors, or agents.

41. **Limitation of Liability.** EXCEPT FOR SUBTENANT’S LIABILITY UNDER SECTION 22 OF THIS SUBLEASE (WHICH SHALL BE CAPPED TO THE AMOUNT SUBTENANT HAS PAID TO TENANT UNDER THIS SUBLEASE), IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES WHETHER FORESEEABLE OR UNFORESEEABLE, OF ANY KIND WHATSOEVER, WHETHER BASED ON WARRANTY, CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

42. **Right of First Offer.**

a. **Right of First Offer .** During only the Initial Term, subject to the terms and conditions of this Section 43 and any Exempt Transactions, Subtenant shall have a right of first offer on any portion of Tenant’s Premises located on the fourth (4<sup>th</sup>) floor of the Building that Tenant has elected to market for sublet (“**ROFO Space**”). If Tenant elects, at its sole and absolute discretion, to make ROFO Space available for sublease during the Initial Term, so long as Subtenant is not then in default under this Sublease, Tenant shall provide written notice of such

availability (the “**Offer Notice**”) to Subtenant and Subtenant shall have a right of first offer (“**Right of First Offer**”) to add such ROFO Space to the Subleased Premises on the then-existing terms and conditions of this Sublease, except as otherwise provided in this Section 43. The Offer Notice shall set forth (i) the ROFO Space being offered to Subtenant, with the rentable square footage calculated in a manner consistent with the calculation of the square footage of the Subleased Premises, (ii) Tenant’s proposed base rent for the ROFO Space, and (iii) the date estimated by Tenant as the anticipated commencement date (the “**Anticipated Inclusion Date**”) for such ROFO Space.

b. Conditions to Exercise. In addition to any other terms or conditions set forth herein, Subtenant’s exercise of its Right of First Offer is conditioned upon Subtenant’s compliance with the following requirements:

(i) Subtenant shall deliver to Tenant written notice exercising its right to lease the applicable ROFO Space (“**Subtenant’s ROFO Acceptance Notice**”) within ten (10) days after Subtenant’s receipt of Tenant’s Offer Notice, it being agreed and acknowledged by the parties hereto that in the event of (i) any election not to exercise the Right of First Offer or (ii) any failure by Subtenant to timely deliver Subtenant’s ROFO Acceptance Notice with respect to the ROFO Space, Tenant shall have the right to lease the applicable ROFO Space to any third party upon terms acceptable to Tenant and such third party so long as the net effective rent (taking into account only the base rent on a net basis, and any allowances and free rent amortized over the initial term) paid by such third party is no less than ninety percent (90%) of the net effective rent in Tenant’s Offer Notice. If Tenant wishes to lease the ROFO Space for less than ninety percent (90%) of the net effective rent contained in Tenant’s Offer Notice, then Tenant shall first re-offer the ROFO Space to Subtenant in accordance with this Section 43 with such revised base rent and Subtenant shall then have ten (10) days within which to elect to lease the ROFO Space on the terms and conditions set forth in re-offer;

(ii) No event of default by Subtenant is then continuing; and

(iii) Subtenant must lease all of the ROFO Space then being offered by Tenant in Tenant’s Offer Notice, subject to all of the terms in Tenant’s Offer Notice.

c. Terms. The following terms shall apply to and govern the lease of the ROFO Space:

(i) Base rent payable during the term of Subtenant’s tenancy of the ROFO Space shall be as set forth in Tenant’s Offer Notice;

(ii) The term of Subtenant’s tenancy of the ROFO Space will begin on the date set forth in Tenant’s Offer Notice and end on the earlier of the expiration date set forth in Tenant’s Offer Notice or the expiration of this Sublease, unless, if such expiration is the expiration of this Sublease, Subtenant otherwise elects to exercise any then-unexercised Extension Option under this Sublease simultaneously with the giving of its Subtenant’s ROFO Acceptance Notice, in which case the applicable ROFO Space shall be leased for a period that is co-terminus with the remainder of the Subleased Premises; and

(iii) Other terms and conditions, including, without limitation, the payment by Subtenant of additional rent and other charges but excluding the provision by Tenant of any rent concession, Subtenant improvement (including Subtenant Work) or other allowance, shall be the same as set forth in this Sublease, except as otherwise set forth in Tenant's Offer Notice.

d. Documentation. If Subtenant timely delivers Subtenant's ROFO Acceptance Notice, then, on the commencement date of Subtenant's tenancy of the ROFO Space (the "**ROFO Space Commencement Date**"), the applicable portion of the ROFO Space shall become part of the Subleased Premises, except that (i) Subtenant's OpEx Share shall thereafter be a fraction, expressed as a percentage, the numerator of which is rentable square footage of the Subleased Premises including the ROFO Space and the denominator of which is the Total Rentable Floor Area of the Office Portion of the Building and (ii) Subtenant's Tax Share shall thereafter be a fraction, expressed as a percentage, the numerator of which is rentable square footage of the Subleased Premises including the ROFO Space and the denominator of which is the Total Rentable Floor Area of the Building. Within thirty (30) days of receipt from Tenant, Subtenant shall execute and deliver to Tenant those instruments Tenant reasonably requests to evidence any sublease of ROFO Space under this Section 43 (provided that such instruments are substantially consistent with the terms of the applicable Tenant's Offer Notice, as affected by the terms of this Section 43). If Subtenant shall fail timely to deliver Subtenant's ROFO Acceptance Notice to Tenant, or if Subtenant does not timely execute the aforementioned instruments reasonably requested by Tenant (provided the same was accurate), Subtenant shall be deemed to have elected to not lease the applicable ROFO Space, Subtenant will have no further right to lease the applicable ROFO Space pursuant to this Section 43, and the Right of First Offer will be deemed void, terminated and relinquished on a going forward basis.

e. ROFO Personal to Subtenant. The Right of First Offer granted herein is personal to the Subtenant named in this Lease and is non-transferable.

f. Exempt Transactions. In no event shall Subtenant's Right of First Offer under this Section 43 apply to, and Tenant shall have no obligation to provide an Offer Notice with respect to, any ROFO Space that is subject to options to lease/sublease of other subtenants of Tenant (and their successors and assigns) that exist as of the date of this Sublease.

43. Miscellaneous.

a. Counterparts. This Sublease may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Each party is entitled to rely upon an electronically delivered counterpart of this Sublease executed by the other party with the same force and effect as if such electronic copy were an ink-signed original signed by the party sending such electronic copy and delivered to the other party. For purposes of this Section, all references to the term "electronic copy" are deemed to include a document forwarded by telecopy transmission or a document forwarded by electronic mail as a Portable Document Format (Adobe Acrobat) (also known as a PDF) attachment to such electronic mail.

b. Headings, Capitalized Terms. The headings contained in this Sublease are inserted for convenience only and shall not constitute a part hereof. Capitalized terms used herein and not otherwise defined herein will have the meaning ascribed the same in the Main Lease.

c. Time of Essence. Time is of the essence of this Sublease and each of its provisions.

Witness the execution hereof under seal as of the date first written above.

SAUCONY, INC.

SeaChange International, Inc.

By: /s/ Douglas R. Jones  
Name: Douglas R. Jones  
Title: VP & Corporate Controller

By: /s/ Michael D. Prinn  
Name: Michael D. Prinn  
Title: CFO

EXHIBIT A

Exhibit A has been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of such omitted exhibit will be furnished as a supplement to the Securities and Exchange Commission upon request.

Exhibit A      Saucony/SeaChange Sublease Agreement

\*\*\* Confidential treatment has been requested.

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EXHIBIT B

Exhibit B has been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of such omitted exhibit will be furnished as a supplement to the Securities and Exchange Commission upon request.

Exhibit B      Saucony/SeaChange Sublease Agreement

\*\*\* Confidential treatment has been requested.

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EXHIBIT C

FORM OF LANDLORD CONSENT

Exhibit C has been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of such omitted exhibit will be furnished as a supplement to the Securities and Exchange Commission upon request.

Exhibit C      Saucony/SeaChange Sublease Agreement

\*\*\* Confidential treatment has been requested.

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EXHIBIT D

Exhibit D has been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of such omitted exhibit will be furnished as a supplement to the Securities and Exchange Commission upon request.

Exhibit D      Saucony/SeaChange Sublease Agreement

\*\*\* Confidential treatment has been requested.

**SEACHANGE INTERNATIONAL, INC.  
SUBSIDIARIES OF THE REGISTRANT**

<b>Subsidiary Name</b>	<b>Subsidiary Jurisdiction</b>
SEAC Canada Limited	Canada
S.E.A.C. Germany GmbH	Germany
SeaChange India Private, Ltd.	India
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 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
SeaChange Polska Sp zoo	Poland
Xstream A/S	Denmark
Xstream Sp Zoo	Poland

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated April 12, 2019, with respect to the consolidated financial statements included in the Annual Report of SeaChange International, Inc. on Form 10-K for the year ended January 31, 2020. We consent to the incorporation by reference of said report in the Registration Statements of SeaChange International, Inc. on Forms S-3 (File No. 333-201866) 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, 333-210716 and 333-220912).

/s/ GRANT THORNTON LLP

Boston, Massachusetts  
April 20, 2020

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the following Registration Statements:

- 1) Registration Statement (Form S-3 No. 333-201866) of SeaChange International, Inc.; and
- 2) Registration Statement (Form S-8 Nos. 333-128987, 333-147970, 333-175707, 333-201867, 333-210716, and 333-220912) of SeaChange International, Inc.,

of our report dated April 20, 2020, with respect to our audit of the consolidated financial statements of SeaChange International, Inc. as of January 31, 2020 and for the year ended January 31, 2020 and our report dated April 20, 2020 with respect to our audit of the effectiveness of internal control over financial reporting of SeaChange International, Inc. as of January 31, 2020, which reports are included in this Annual Report on Form 10-K of SeaChange International, Inc. for the year ended January 31, 2020.

/s/ Marcum llp

Marcum llp  
Philadelphia, Pennsylvania  
April 20, 2020

CERTIFICATION

I, Yossi Aloni, 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 20, 2020

By: /s/ YOSSİ ALONİ  
Yossi Aloni  
Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATION

I, Michael D. Prinn, 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 20, 2020

By: /s/ MICHAEL D. PRINN

Michael D. Prinn  
Chief Financial Officer,  
Senior Vice President and Treasurer  
(Principal Financial and Accounting Officer)

**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, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “*Report*”), I, Yossi Aloni, 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/ YOSSI ALONI

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Yossi Aloni

*Chief Executive Officer*

*(Principal Executive Officer)*

Dated: April 20, 2020

**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, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “*Report*”), I, Michael D. Prinn, 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/ MICHAEL D. PRINN

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Michael D. Prinn  
*Chief Financial Officer, Senior Vice President, and Treasurer*  
*(Principal Financial and Accounting Officer)*

Dated: April 20, 2020