

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number: 001-38828

SEACHANGE INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

04-3197974

(I.R.S. Employer
Identification No.)

177 Huntington Ave, Ste 1703 #73480, Boston, MA

(Address of principal executive offices)

02115

(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	The Nasdaq Global Select Market
Series A Participating Preferred Stock Purchase Rights	SEAC	The Nasdaq Global Select Market

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares outstanding of the registrant's Common Stock on June 1, 2021 was 48,405,679.

SEACHANGE INTERNATIONAL, INC.

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

	April 30, 2021	January 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,278	\$ 5,856
Marketable securities	—	252
Accounts receivable, net of allowance for doubtful accounts of \$931 and \$934 at April 30, 2021 and January 31, 2021, respectively	6,249	6,050
Unbilled receivables	8,420	9,359
Prepaid expenses and other current assets	4,427	4,372
Total current assets	40,374	25,889
Property and equipment, net	478	605
Operating lease right-of-use assets	2,707	4,968
Intangible assets, net	953	1,272
Goodwill	10,566	10,577
Unbilled receivables	5,842	6,340
Other assets	1,098	757
Total assets	<u>\$ 62,018</u>	<u>\$ 50,408</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,854	\$ 1,825
Accrued expenses	3,926	4,277
Deferred revenue	5,165	4,737
Promissory note	2,144	1,340
Total current liabilities	13,089	12,179
Deferred revenue	444	657
Operating lease liabilities	1,997	4,070
Taxes payable	772	763
Promissory note	269	1,073
Other liabilities	125	125
Total liabilities	16,696	18,867
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, \$0.01 par value; 100,000,000 shares authorized at April 30, 2021 and January 31, 2021; 48,408,342 shares issued and 48,236,422 shares outstanding at April 30, 2021; 37,811,224 shares issued and 37,639,304 shares outstanding at January 31, 2021;	484	378
Additional paid-in capital	264,147	246,446
Treasury stock, at cost; 171,920 shares at April 30, 2021 and January 31, 2021	(227)	(227)
Accumulated other comprehensive loss	(31)	(73)
Accumulated deficit	(219,051)	(214,983)
Total stockholders' equity	45,322	31,541
Total liabilities and stockholders' equity	<u>\$ 62,018</u>	<u>\$ 50,408</u>

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

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

	For the Three Months Ended April 30,	
	2021	2020
Revenue:		
Product	\$ 1,620	\$ 3,098
Service	3,432	3,817
Total revenue	5,052	6,915
Cost of revenue:		
Product	406	1,580
Service	1,815	2,826
Total cost of revenue	2,221	4,406
Gross profit	2,831	2,509
Operating expenses:		
Research and development	2,668	4,166
Selling and marketing	1,380	2,126
General and administrative	2,105	2,054
Severance and restructuring costs	484	486
Total operating expenses	6,637	8,832
Loss from operations	(3,806)	(6,323)
Other expense, net	(228)	(208)
Loss before income taxes	(4,034)	(6,531)
Income tax provision (benefit)	34	(21)
Net loss	\$ (4,068)	\$ (6,510)
Net loss per share, basic	\$ (0.10)	\$ (0.17)
Net loss per share, diluted	\$ (0.10)	\$ (0.17)
Weighted average common shares outstanding, basic	41,307	37,521
Weighted average common shares outstanding, diluted	41,307	37,521
Comprehensive loss:		
Net loss	\$ (4,068)	\$ (6,510)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	41	(24)
Unrealized gains on marketable securities	1	9
Total other comprehensive income (loss)	42	(15)
Comprehensive loss	\$ (4,026)	\$ (6,525)

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

SEACHANGE INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, amounts in thousands except number of shares)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Number of Shares	Par Value					
Balances at January 31, 2021	37,811,224	\$ 378	\$ 246,446	\$ (227)	\$ (73)	\$ (214,983)	\$ 31,541
Issuance of common stock pursuant to vesting of restricted stock units	178,096	2	(2)	—	—	—	—
Issuance of common stock pursuant to exercise of stock options	95,538	1	136	—	—	—	137
Issuance of common stock, net of issuance costs	10,323,484	103	17,359	—	—	—	17,462
Stock-based compensation expense	—	—	208	—	—	—	208
Unrealized gains on marketable securities	—	—	—	—	1	—	1
Foreign currency translation adjustment	—	—	—	—	41	—	41
Net loss	—	—	—	—	—	(4,068)	(4,068)
Balances at April 30, 2021	<u>48,408,342</u>	<u>\$ 484</u>	<u>\$ 264,147</u>	<u>\$ (227)</u>	<u>\$ (31)</u>	<u>\$ (219,051)</u>	<u>\$ 45,322</u>

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Number of Shares	Par Value					
Balances at January 31, 2020	37,303,952	373	245,067	(147)	(2,137)	(193,224)	\$ 49,932
Issuance of common stock pursuant to vesting of restricted stock units	312,717	3	(3)	—	—	—	—
Issuance of common stock pursuant to exercise of stock options	39,270	—	119	—	—	—	119
Issuance of common stock pursuant to ESPP purchases	5,702	—	18	—	—	—	18
Stock-based compensation expense	—	—	357	—	—	—	357
Unrealized gains on marketable securities	—	—	—	—	9	—	9
Foreign currency translation adjustment	—	—	—	—	(24)	—	(24)
Net loss	—	—	—	—	—	(6,510)	(6,510)
Balances at April 30, 2020	<u>37,661,641</u>	<u>\$ 376</u>	<u>\$ 245,558</u>	<u>\$ (147)</u>	<u>\$ (2,152)</u>	<u>\$ (199,734)</u>	<u>\$ 43,901</u>

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

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

	For the Three Months Ended April 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (4,068)	\$ (6,510)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	376	357
Loss on disposal of fixed assets	77	—
Gain on write-off of operating lease right-of-use assets and liabilities related to termination	(328)	—
Change in allowance for doubtful accounts	—	(316)
Stock-based compensation expense	208	357
Realized and unrealized foreign currency transaction loss (gain)	263	(29)
Other	1	14
Changes in operating assets and liabilities:		
Accounts receivable	(208)	3,111
Unbilled receivables	1,431	589
Prepaid expenses and other current assets and other assets	—	(554)
Accounts payable	34	417
Accrued expenses and other liabilities	173	(1,689)
Deferred revenue	221	(10)
Net cash used in operating activities	<u>(1,820)</u>	<u>(4,263)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(7)	(138)
Proceeds from sales and maturities of marketable securities	252	1,201
Net cash provided by investing activities	<u>245</u>	<u>1,063</u>
Cash flows from financing activities:		
Proceeds from stock option exercises	137	119
Proceeds from employee stock purchase plan	—	18
Proceeds from issuance of common stock, net of issuance costs	17,462	—
Net cash provided by financing activities	<u>17,599</u>	<u>137</u>
Effect of exchange rate on cash, cash equivalents and restricted cash	(199)	153
Net increase (decrease) in cash, cash equivalents and restricted cash	15,825	(2,910)
Cash, cash equivalents and restricted cash at beginning of period	6,084	9,297
Cash, cash equivalents and restricted cash at end of period	<u>\$ 21,909</u>	<u>\$ 6,387</u>
Supplemental disclosure of cash flow information		
Income taxes paid	<u>\$ 101</u>	<u>\$ 11</u>
Non-cash activities:		
Right-of-use assets obtained in exchange for lease obligations	<u>\$ —</u>	<u>\$ 402</u>

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

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

1. Nature of Business and Basis of Presentation

SeaChange International, Inc. (“we” or the “Company”), was incorporated under the laws of the state of Delaware 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

In the first half of fiscal 2021, we reduced our headcount across all departments in response to the COVID-19 pandemic and in the second quarter of fiscal 2021 we transferred our technical support services to our Poland location in an effort to further reduce cost. In the first quarter of fiscal 2022, we entered into a Sublease Termination Agreement (the “Termination Agreement”) which terminated the office sublease for our former headquarters in Waltham, Massachusetts, effective March 21, 2021. Additionally, in the first quarter of fiscal 2022, we issued and sold 10,323,484 shares of common stock, \$0.01 par value per share, at a public offering price of \$1.85 per share (the “Offering”). The Offering resulted in approximately \$17.5 million in proceeds, net of underwriting discounts and commissions of 6.5%, or \$0.12025 per share of common stock, and offering expenses of approximately \$0.2 million. In addition to the Offering, the Company also granted the underwriters a 45-day option to purchase up to an additional 1,548,522 shares at a purchase price of \$1.85 per share, less underwriting discounts and commissions (the “Underwriter Option”). The Underwriter Option was not exercised and has expired. These measures are important steps in restoring us to profitability and positive cash flow. We believe that existing cash and cash equivalents and cash expected to be provided by future operating results will be 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 or take advantage of unanticipated strategic opportunities in order 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 take advantage of market opportunities, to develop new products or to otherwise respond to competitive pressures.

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 alterations 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 continue to realize our on-going cost optimization efforts in response to the impact of the pandemic. 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 Act (the “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 impact that the CARES Act may have on our business, including the extent of our Paycheck Protection Program (the “PPP”) loan forgiveness eligibility.

The Paycheck Protection Program

On May 5, 2020, the Company entered into a promissory note (the “Note”) with Silicon Valley Bank (the “Lender”) evidencing an unsecured loan in an aggregate principal amount of \$2,412,890 pursuant to the PPP under the CARES Act administered by the U.S. Small Business Administration (“SBA”). The Note is included in our consolidated balance sheets.

Interest accrues on the Note at a fixed rate of one percent (1%) per annum, with the payment of the first ten months of interest and principal deferred, and is included in accrued expenses in our consolidated balance sheets. The Note has an initial term of two years, is unsecured and is guaranteed by the SBA. The Company applied to the Lender for forgiveness of the Note in March 2021, with the amount which may be forgiven equal to the sum of qualifying expenses, including payroll costs, covered rent obligations, and covered utility payments incurred by the Company during the twenty-four week period beginning on May 7, 2020, calculated in accordance with the terms of the CARES Act, however, we cannot provide assurance that the Note will be forgiven.

Subject to any forgiveness under the PPP, the Note will mature on May 5, 2022. Beginning on the seventeen-month anniversary of the date of the Note, the Company is required to make equal monthly payments of principal and interest. The Note may be prepaid at any time prior to maturity with no prepayment penalties. The Note provides for customary events of default including, among others, those relating to breaches of the Company’s obligations under the Note, including a failure to make payments, any bankruptcy or similar proceedings involving the Company, and certain material effects on the Company’s ability to repay the Note. The Note may be accelerated upon the occurrence of an event of default.

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

The accompanying unaudited consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to applicable rules and regulations. In the opinion of management, all adjustments of a normal recurring nature which were considered necessary for a fair presentation have been included. The year-end consolidated balance sheet data as of January 31, 2021 was derived from our audited consolidated financial statements and may not include all disclosures required by U.S. GAAP. The results of operations for the three months ended April 30, 2021 are not necessarily indicative of the results to be expected for the entire year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2021, filed with the SEC on April 15, 2021.

2. Significant Accounting Policies

Use of Estimates

The preparation of these consolidated financial statements in conformity with U.S. 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, the valuation of stock-based awards, and management’s assessment of the Company’s ability to continue as a going concern. 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.

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 U.S. bank and the landlord of our Poland facility.

The following table 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 April 30, 2021 and 2020:

	As of April 30,	
	2021	2020
	(Amounts in thousands)	
Cash and cash equivalents	\$ 21,278	\$ 6,187
Restricted cash	631	200
Total cash, cash equivalents and restricted cash	<u>\$ 21,909</u>	<u>\$ 6,387</u>

Restricted cash is included as a component of other assets in the consolidated balance sheets.

Marketable Securities

Our investments in 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 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 consolidated 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 U.S. 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. The carrying values of our accounts and other receivables, unbilled receivables, accounts payable, accrued expenses, and the Note 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 and 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 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. Two customers accounted for 18% and 16% of total revenue for the three months ended April 30, 2021 and two customers accounted for 15% and 13% of total revenue for the three months ended April 30, 2020. Three customers accounted for 22%, 16%, and 15% of the accounts receivable balance as of April 30, 2021. Two customers accounted for 18% and 16% of the accounts receivable balance as of January 31, 2021.

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 tested for impairment annually and more frequently if events and circumstances indicate that the asset might be impaired. We have determined that there is a single reporting unit for the purpose of conducting the goodwill impairment assessment. Goodwill impairment is recorded if the amount of our carrying value exceeds our fair value, not to exceed the carrying amount of goodwill. Factors that could lead to a future impairment include material uncertainties such as a significant reduction in projected revenues, a deterioration of projected financial performance, future acquisitions and/or mergers, and a decline in our market value as a result of a significant decline in our stock price. There were no impairment charges recorded in fiscal 2021 or the first quarter of fiscal 2022.

Intangible assets are recorded at their estimated fair values at the date of acquisition. We amortize 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 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.

Revenue Recognition

Overview

We adopted Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers, effective February 1, 2018, using the modified retrospective method. Our revenue is derived from sales of software licenses and associated third party hardware and support services, as well as professional services and support fees related to our software licenses.

The Company recognizes revenue from contracts with customers using a five-step model, which is described below:

- identify the customer contract;
- identify performance obligations that are distinct;
- determine the transaction price;
- allocate the transaction price to the distinct performance obligations; and
- recognize revenue as the performance obligations are satisfied.

Identify the customer contract

A customer contract is generally identified when there is approval and commitment from both the Company and its customer, the rights have been identified, payment terms are identified, the contract has commercial substance and collectability and consideration is probable.

Identify performance obligations that are distinct

A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer, and a company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

Determine the transaction price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding sales and VAT taxes that are collected on behalf of government agencies.

Allocate the transaction price to distinct performance obligations

The transaction price is allocated to each performance obligation based on the relative standalone selling prices ("SSP") of the goods or services being provided to the customer. Our contracts typically contain multiple performance obligations, for which we account for individual performance obligations separately, if they are distinct.

Recognize revenue as the performance obligations are satisfied

We enter into contracts that include combinations of license, support and professional services, and third-party products, which are accounted for as separate performance obligations with differing revenue recognition patterns. Revenue is recognized when or as control of the promised goods or services is transferred to customers. Our software licenses are primarily delivered on a perpetual basis, whereby the customer receives rights to use the software for an indefinite time period or a specified term and delivery and revenue recognition occurs at the point in time when the customer has the ability to download or access the software. Our customers may also contract with us for a Software as a Service ("SaaS") type license whereby the customer only has a right to access the software for a defined term. SaaS licenses are recognized ratably over the subscription period beginning on the date the license is made available to customers.

Our services revenue is comprised of support services and professional services. Support services consist of software upgrades on a when-and-if available basis, telephone support, bug fixes or patches and general hardware maintenance support. Revenue related to support services is recognized ratably over the term of the contract. Professional services are recognized as the services are performed.

Revenues attributable to third party products typically consist of hardware and related support contracts. Hardware products are 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. Revenue attributable to third-party support contracts is recognized ratably over the term of the contract.

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. The transaction price is then allocated to each performance obligation in the contract based on the SSP. The corresponding revenue is recognized as the related performance obligations are satisfied.

Judgment is required to determine the SSP for each distinct performance obligation. We determine SSP based on the price at which the performance obligation is sold separately and the methods of estimating SSP under the guidance of ASC 606-10-32-33. If the SSP is not observable through past transactions, we estimate the SSP, taking into account available information such as market conditions, expected margins, and internally approved pricing guidelines related to the performance obligations. In February 2019, we began selling a new software bundle called the Framework in addition to our legacy software products and services. Our legacy products were historically sold on a standalone basis and therefore the SSP and revenue recognition may differ from the Framework. A typical Framework deal licenses our software products and services, including upgrades for one fixed price. Management considers the pricing of our Framework perpetual licenses as highly variable and uncertain and we do

not have a history of selling the Framework software on a standalone basis. We recognize the portion of the transaction price allocated to the Framework software on a residual basis, as we have at least one performance obligation for which the SSP is observable. The Company notes that both hardware and support services represent observable pricing. The SSP for our legacy software is also recognized on a residual basis, as we have observable SSP for the associated support services sold with the software license based on historical observable data of selling support contracts on a standalone basis. We may also license our software as a SaaS type license, whereby our customer only has a right to access the software over a specified time period and the service includes technical support and unspecified upgrades and bug fixes. We recognize the full value of the contract ratably over the contractual term of the SaaS license.

Our services revenue is comprised of support services, 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.

We utilize the cost-plus margin method to determine the SSP for our Framework support services offerings and hardware sales. For Framework support services, we calculate the average cost of support to within a small range to arrive at an average expected cost. Legacy support services are priced as a percentage of the list price of the related software license and hardware. Historically, we determined the SSP of the support services based on this pricing relationship and observable data from standalone sales of support contracts. The expected cost-plus margin for hardware is based on the cost of the hardware from third parties, plus a reasonable markup that the Company believes is reflective of a market-based reseller margin.

The SSP for services in time and materials contracts is determined by observable prices in standalone services arrangements. We estimate the SSP 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.

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 an average standard industry discount rate that reflects the customer's creditworthiness.

Payment terms with customers typically require payment 30 days from invoice date. Our agreements with customers do not provide for any refunds for services or products and therefore no specific reserve for such is maintained. In the infrequent instances where customers raise a concern over delivered products or services, we have endeavored to remedy the concern and all costs related to such matters have been insignificant in all periods presented.

We occasionally enter into amendments to previously executed contracts that may constitute contract modifications. The amendments are assessed to determine if (1) the additional products and services are distinct from the product and services in the original arrangement; and (2) the amount of consideration expected for the added products and services reflects the SSP of those products and services. An amendment or 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.

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 (see Note 10).

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 April 30, 2021 or January 31, 2021. 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. Total deferred capitalized commission costs were \$504 thousand as of April 30, 2021 compared to \$553 thousand as of January 31, 2021. Current deferred capitalized commission costs are included in prepaid expense and other current assets in our consolidated balance sheets and non-current deferred capitalized commission costs are included in other assets in our consolidated balance sheets. Capitalized commissions expensed during the three months ended April 30, 2021 and 2020 included in the consolidated statement of operations and comprehensive loss were \$49 thousand and \$135 thousand, respectively.

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. 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 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 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.

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:

	For the Three Months Ended April 30,	
	2021	2020
	(Amounts in thousands)	
Stock options	1,897	766
Restricted stock units	135	58
Deferred stock units	41	81
	<u>2,073</u>	<u>905</u>

Recently Issued Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2019-12 *Income Taxes (Topic 740)*, which simplifies the accounting for income taxes and removes certain exceptions and improves consistent application of accounting principles for certain areas in Topic 740. ASU 2019-12 was effective in the first quarter of fiscal 2022 and did not have an effect on our consolidated financial statements.

Pending 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 2024. 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 April 30, 2021 Using	
		Level 1	Level 2
(Amounts in thousands)			
Assets:			
Cash equivalents	\$ 46	\$ 46	\$ —
Total	<u>\$ 46</u>	<u>\$ 46</u>	<u>\$ —</u>
	Total	Fair Value at January 31, 2021 Using	
		Level 1	Level 2
(Amounts in thousands)			
Assets:			
Cash equivalents	\$ 46	\$ 46	\$ —
Marketable securities:			
U.S. Treasury Notes and bonds	252	252	—
Total	<u>\$ 298</u>	<u>\$ 298</u>	<u>\$ —</u>

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

There were no marketable securities as of April 30, 2021. Marketable securities by security type consisted of the following as of January 31, 2021:

	As of January 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(Amounts in thousands)				
U.S. Treasury Notes and bonds	\$ 249	\$ 3	\$ —	\$ 252
	<u>\$ 249</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 252</u>

4. Consolidated Balance Sheet Detail

Property and Equipment, Net

Property and equipment, net consists of the following:

	As of	
	April 30, 2021	January 31, 2021
(Amounts in thousands)		
Computer equipment, software and demonstration equipment	\$ 3,182	\$ 9,765
Office furniture and equipment	259	306
Leasehold improvements	154	238
	3,595	10,309
Less: Accumulated depreciation and amortization	(3,117)	(9,704)
Total property and equipment, net	<u>\$ 478</u>	<u>\$ 605</u>

Depreciation expense was \$60 thousand and \$73 thousand for the three months ended April 30, 2021 and April 30, 2020, respectively.

Accrued Expenses

Accrued expenses consist of the following:

	As of	
	April 30, 2021	January 31, 2021
	(Amounts in thousands)	
Accrued employee compensation and benefits	\$ 825	\$ 742
Accrued professional fees	111	575
Sales tax and VAT payable	365	271
Current obligation - right of use operating leases	866	1,387
Accrued other	1,759	1,302
Total accrued expenses	<u>\$ 3,926</u>	<u>\$ 4,277</u>

5. Goodwill and Intangible Assets

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 an impairment test related to our goodwill annually, which we perform during the third quarter of each fiscal year or sooner if we identify certain 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 since January 31, 2021:

	Goodwill (Amounts in thousands)
Balance as of January 31, 2021	\$ 10,577
Translation adjustment	(11)
Balance as of April 30, 2021	<u>\$ 10,566</u>

Intangible assets, net, consisted of the following at April 30, 2021:

	As of April 30, 2021			Net
	Gross	Accumulated Amortization	Cumulative Translation Adjustment	
	(Amounts in thousands)			
Finite-lived intangible assets:				
Acquired customer contracts	\$ 2,205	\$ (1,665)	\$ 48	\$ 588
Acquired existing technology	1,364	(1,032)	33	365
Total finite-lived intangible assets	<u>\$ 3,569</u>	<u>\$ (2,697)</u>	<u>\$ 81</u>	<u>\$ 953</u>

We recognized amortization expense of intangible assets in operating expense categories on the consolidated statements of operations and comprehensive loss as follows:

	For the Three Months Ended April 30,	
	2021	2020
	(Amounts in thousands)	
Selling and marketing	\$ 195	\$ 175
Research and development	121	109
	<u>\$ 316</u>	<u>\$ 284</u>

Future estimated amortization expense of intangibles as of April 30, 2021 was \$953 thousand to be recognized in fiscal 2022.

6. Commitments and Contingencies

Litigation

Certain conditions may exist as of the date the consolidated financial statements are issued which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. We assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against us, or unasserted claims that may result in such proceedings, we evaluate the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in our consolidated financial statements. If our assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed.

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 into agreements in the ordinary course of business with customers, resellers, distributors, integrators and suppliers. Most of our historical 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.

7. Operating Leases

The Company has operating leases for facilities and equipment expiring at various dates through 2025.

The components of lease expense are as follows:

	For the Three Months Ended April 30,	
	2021	2020
	(Amounts in thousands)	
Operating lease cost	\$ 283	\$ 322
Short term lease cost, net	5	31
Total lease cost	\$ 288	\$ 353

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

	For the Three Months Ended April 30,	
	2021	2020
	(Amounts in thousands)	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 473	\$ 322

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

	As of April 30, 2021	As of January 31, 2021
	(Amounts in thousands)	
Operating lease right-of-use assets	\$ 2,707	\$ 4,968
Current portion, operating lease liabilities	866	1,387
Operating lease liabilities, long term	1,997	4,070
Total operating lease liabilities	<u>\$ 2,863</u>	<u>\$ 5,457</u>
Weighted average remaining lease term (years)	3.7	4.0
Weighted average incremental borrowing rate	5.0 %	5.0 %

The current portion, operating lease liabilities is included in the balance of accrued expenses at April 30, 2021. Rent payments for continuing operations were approximately \$0.4 million for the three months ended April 30, 2021. Future minimum lease payments for operating leases, with initial or remaining terms in excess of one year at April 30, 2021, are as follows:

For the Fiscal Years Ended January 31,	Payments for Operating Leases	
	(Amounts in thousands)	
2022	\$	663
2023		823
2024		812
2025		838
Total lease payments		3,136
Less interest		273
Total operating lease liabilities	<u>\$</u>	<u>2,863</u>

In the first quarter of fiscal 2022, we entered into the Termination Agreement which terminated the sublease with respect to our former headquarters in Waltham, Massachusetts, effective March 21, 2021. In connection with the early termination of the sublease, the Company is to pay the sublandlord a termination payment of approximately \$0.4 million, of which \$0.3 million was paid during the three months ended April 30, 2021, and the remaining \$0.1 million was paid subsequent to quarter end. The Company also wrote off all related operating lease right-of-use assets and liabilities as of the termination date, resulting in a \$0.3 million non-cash gain, which partially offset the loss on the termination payments. The net \$0.1 million loss on lease termination is reported as a component of severance and restructuring expense on the consolidated statements of operations and comprehensive loss for the three months ended April 30, 2021. Prior to the execution of the Termination Agreement, the sublease had been scheduled to expire in February 2025.

8. Severance and Restructuring Costs

During the three months ended April 30, 2021, we incurred severance and restructuring costs of \$0.1 million and \$0.4 million, respectively, primarily for employee-related termination benefits in relation to the restructuring of our finance department and expenses related to the closure of our leased facility in Waltham, Massachusetts.

The following table shows the change in accrued restructuring balances since January 31, 2021 primarily related to our finance department restructuring efforts and closure of our leased headquarters facility, reported as a component of accrued expenses on the consolidated balance sheets:

	Employee- Related Benefits	Closure of Leased Facilities	Total
	(Amounts in thousands)		
Accrued balance as of January 31, 2021	\$ —	\$ —	\$ —
Restructuring charges incurred	147	463	610
Cash payments	(72)	(337)	(409)
Accrued balance as of April 30, 2021	<u>\$ 75</u>	<u>\$ 126</u>	<u>\$ 201</u>

9. Stock-Based Compensation Expense

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 the 2005 Equity Compensation and Incentive Plan that, since adoption of the 2011 Plan, expire, terminate, or are surrendered or canceled without having been fully exercised are available for issuance under the 2011 Plan. As of April 30, 2021, there were 3,359,383 shares available for future grant.

Nonemployee members of the Board of Directors may elect to receive DSUs or stock options 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, 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 1,075,024 remain available under the ESPP as of April 30, 2021. Under the ESPP, 5,702 shares were purchased during the first three months of fiscal 2021. There were no shares purchased under the ESPP during the first three months of fiscal 2022 as the Company suspended the ESPP as of April 1, 2020 and is still evaluating when the suspension will be lifted, if at all.

Award Activity

In the first three months of fiscal 2022, we granted 830,000 option awards and 109,489 RSU awards with a total grant date fair value of \$1.2 million. In the first three months of fiscal 2022, we canceled 802,500 option awards and 171,308 RSU awards, including PSUs.

Stock-Based Compensation

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

	For the Three Months Ended April 30,	
	2021	2020
	(Amounts in thousands)	
Cost of revenue	\$ 1	\$ (8)
Research and development	(77)	67
Sales and marketing	18	40
General and administrative	266	258
	<u>\$ 208</u>	<u>\$ 357</u>

As of April 30, 2021, unrecognized stock-based compensation expense related to unvested stock options was approximately \$0.4 million, which is expected to be recognized over a weighted average period of 2.2 years. As of April 30, 2021, unrecognized stock-based compensation expense related to unvested RSUs and DSUs was \$0.5 million, which is expected to be recognized over a weighted average amortization period of 0.9 years. Additionally, as of April 30, 2021, unrecognized stock-based compensation expense related to unvested PSUs was less than \$0.1 million, which is expected to be recognized over a weighted average amortization period of 1.1 years.

10. Accounts Receivables, Contract Assets, and Contract Liabilities

Receivables

The following table summarizes our accounts receivable, net and unbilled receivables:

	As of April 30,	As of January 31,
	2021	2021
	(Amounts in thousands)	
Accounts receivable, net	\$ 6,249	\$ 6,050
Unbilled receivables, current	8,420	9,359
Unbilled receivables, long-term	5,842	6,340
	<u>\$ 20,511</u>	<u>\$ 21,749</u>

Contract Assets

Contract assets consist of unbilled receivables and are customer committed amounts for which revenue recognition precedes billing, and billing is solely subject to the passage of time.

Unbilled receivables are expected to be billed in the future as follows (amounts in thousands, except percentage amounts):

	As of April 30,	
	2021	Percentage
1 year or less	\$ 8,420	59 %
1-2 years	4,623	32 %
2-5 years	1,219	9 %
Total unbilled receivables	<u>\$ 14,262</u>	<u>100 %</u>

Contract Liabilities

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. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as deferred revenue, long-term. The change in deferred revenue in the first quarter ended April 30, 2021 is due to new billings in advance of revenue recognition offset by revenue recognized during the period.

	Deferred Revenue	
	Current	Long-Term
	(Amounts in thousands)	
Balance as of January 31, 2021	\$ 4,737	\$ 657
Increase (decrease)	428	(213)
Balance as of April 30, 2021	<u>\$ 5,165</u>	<u>\$ 444</u>

We recognized \$1.7 million of revenue related to deferred billings in the first quarter of fiscal 2022.

Remaining 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 April 30, 2021 is \$27.7 million. This amount includes amounts billed for undelivered services that are included in deferred revenue reported on the consolidated balance sheets. Revenue recognized in the first quarter of fiscal 2022 related to remaining performance obligations as of the previous fiscal year ended January 31, 2021 was \$3.3 million.

11. Disaggregated Revenue and Geographic Information

Disaggregated Revenue

The following table summarizes our revenue disaggregated by revenue stream:

	For the Three Months Ended April 30,	
	2021	2020
	(Amounts in thousands)	
Product revenue:		
Framework	\$ 1,016	\$ 968
Online video platform and other	604	837
Hardware	—	1,293
Total product revenue	<u>1,620</u>	<u>3,098</u>
Service revenue:		
Maintenance and support	2,038	2,605
Framework and support services	939	931
Professional services and other	455	281
Total service revenue	<u>3,432</u>	<u>3,817</u>
Total revenue	<u>\$ 5,052</u>	<u>\$ 6,915</u>

Geographic Information

The following summarizes revenue by customers' geographic locations:

	For the Three Months Ended April 30,			
	2021	%	2020	%
	(Amounts in thousands, except percentages)			
Revenue by customers' geographic locations:				
North America (1)	\$ 2,701	53%	\$ 3,578	52%
Europe and Middle East	1,961	39%	1,982	29%
Latin America	213	4%	1,133	16%
Asia Pacific	177	4%	222	3%
Total revenue	<u>\$ 5,052</u>		<u>\$ 6,915</u>	

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

	For the Three Months Ended April 30,	
	2021	2020
	(Amounts in thousands, except percentages)	
US Revenue	\$ 2,198	\$ 2,343
% of total revenue	44 %	34 %

The following summarizes long-lived assets by geographic locations:

	As of April 30, 2021	%	As of January 31, 2021	%
(Amounts in thousands, except percentages)				
Long-lived assets by geographic locations(1):				
North America	\$ 7,955	72%	\$ 10,864	79%
Europe and Middle East	3,092	28%	2,819	21%
Asia Pacific	31	0%	31	0%
Total long-lived assets by geographic location	\$ 11,078		\$ 13,714	

(1) Excludes goodwill.

12. Income Taxes

Each interim period is considered an integral part of the annual period and, accordingly, we measure our income tax expense using an estimated annual effective tax rate. A company is required, at the end of each interim reporting period, to make its best estimate of the annual effective tax rate for the full fiscal year and use that rate to provide for income taxes on a current year-to-date basis, as adjusted for discrete taxable events that occur during the interim period.

We recorded an income tax provision of less than \$0.1 million and an income tax benefit of less than \$0.1 million for the three months ended April 30, 2021 and April 30, 2020, respectively. Our effective tax rate in fiscal 2022 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.

We review all available evidence to evaluate the recovery of deferred tax assets, including the recent history of losses in all tax jurisdictions, as well as our ability to generate income in future periods. As of April 30, 2021, due to the uncertainty related to the ultimate use of certain deferred income tax assets, we have recorded a valuation allowance on certain deferred assets.

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

On March 4, 2019, our Board of Directors approved and adopted a tax benefits preservation plan (the "Tax Benefits Preservation Plan") to 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 expires no later than March 4, 2022, and was approved by our stockholders at our 2019 annual meeting of stockholders on July 11, 2019.

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

Forward-Looking Statements

This Form 10-Q contains or incorporates forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and such statements involve risks and uncertainties. The following information should be read in conjunction with the unaudited consolidated financial information and the notes thereto included in this Form 10-Q. You should not place undue reliance on these forward-looking statements. Actual events or results may differ materially due to competitive factors and other factors referred to in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K (the "Form 10-K") for our fiscal year ended January 31, 2021 and elsewhere in this Form 10-Q. These factors may cause our actual results to differ materially from any forward-looking statement. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industry and markets in which we operate, and management's beliefs and assumptions. We undertake no obligation to publicly update or revise the statements in light of future developments. In addition, other written or oral statements that constitute forward-looking statements may be made by us or on our behalf. Words such as "expect," "seek," "anticipate," "intend," "plan," "believe," "could," "estimate," "may," "target," "project," or variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict.

Business Overview

SeaChange International, Inc., a Delaware corporation founded on July 9, 1993, is an industry leader in the delivery of multiscreen, advertising and premium OTT video management solutions. Our software products and services facilitate the aggregation, licensing, management and distribution of video and advertising content for service providers, telecommunications companies, satellite operators, broadcasters, and other content providers. 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 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 VOD programming on a variety of consumer devices, including televisions, smart phones, 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 increasingly required, consumer device options are evolving rapidly, and viewing habits are ever-shifting. The primary driver of our business is enabling the delivery of video content in the changing multiscreen television environment. 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.

We continue to initiate restructuring efforts to improve operations and optimize our cost structure. In the first quarter of fiscal 2022, we restructured our finance department and terminated the lease to our Waltham, Massachusetts headquarters. In the first half of fiscal 2021, we reduced our headcount across all departments in response to the COVID-19 pandemic, for which we expect approximately \$7.6 million of annualized savings. Additionally, in the second quarter of fiscal 2021 we transferred our technical support services to our Poland location in an effort to further reduce cost.

In February 2019, we entered into a cooperation agreement (the "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 up to eight members, appointed Robert Pons to the Board as a Class II Director with an initial term that expired at the 2019 annual meeting of stockholders, and appointed Jeffrey Tudor to the Board as a Class III Director with an initial term that expired at the 2020 annual meeting of stockholders. Messrs. Pons and Tudor were subsequently re-elected in the 2019 and 2020 annual meeting of stockholders, respectively. On January 8, 2021, our Chief Executive Officer resigned, and Mr. Pons was subsequently appointed Executive Chairman and Principal Executive Officer in the interim. Mr. Tudor resigned from the Board on May 14, 2021 and was replaced by David Nicol.

In March 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 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.

In February 2021, the Company filed a Registration Statement on Form S-3 with the SEC, which registered an indeterminate number of Securities using a “shelf” registration or continuous offering process. Under this shelf registration, we may, from time to time, sell any combination of the securities in one or more offerings up to a total aggregate offering price of \$200 million. The shelf registration was declared effective on March 16, 2021.

In connection with the shelf registration statement, the Company entered into an underwriting agreement with Aegis Capital Corp. on March 30, 2021, to issue and sell 10,323,484 shares of common stock, \$0.01 par value per share, at a public offering price of \$1.85 per share (the “Offering”). The Offering closed on April 1, 2021 and resulted in approximately \$17.5 million in proceeds, net of underwriting discounts and commissions of 6.5%, or \$0.12025 per share of common stock, and offering expenses of approximately \$0.2 million. In addition to the Offering, the Company also granted the underwriters a 45-day option (the “Underwriter Option”) to purchase up to an additional 1,548,522 shares of common stock at a purchase price of \$1.85 per share, less underwriting discounts and commissions. The Underwriter Option was not exercised and has expired.

In March 2021, we entered into a Sublease Termination Agreement (the “Termination Agreement”) which terminated the sublease with respect to our former headquarters in Waltham, Massachusetts, effective March 21, 2021. In connection with the early termination of the sublease, the Company is to pay the sublandlord a termination payment of approximately \$0.4 million, of which \$0.3 million was paid during the three months ended April 30, 2021, and the remaining \$0.1 million was paid subsequent to quarter end. The Company also wrote off all related operating lease right-of-use assets and liabilities as of the termination date, resulting in a \$0.3 million non-cash gain, which partially offset the loss on the termination payments. The net \$0.1 million loss on lease termination is reported as a component of severance and restructuring expenses on the consolidated statements of operations and comprehensive loss as of April 30, 2021. Prior to the execution of the Termination Agreement, the sublease had been scheduled to expire in February 2025. As a result of the Termination Agreement, we expect annualized savings of approximately \$600 thousand in facilities costs for each of the next four years.

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 Three Months Ended April 30,		Change	
	2021	2020	\$	%
(Amounts in thousands, except for percentage data)				
Revenue:				
Product revenue:				
Framework	\$ 1,016	\$ 968	\$ 48	5.0%
Online video platform and other	604	837	(233)	(27.8%)
Hardware	—	1,293	(1,293)	(100.0%)
Total product revenue	1,620	3,098	(1,478)	(47.7%)
Service revenue:				
Maintenance and support	2,038	2,605	(567)	(21.8%)
Framework and support services	939	931	8	0.9%
Professional services and other	455	281	174	61.9%
Total service revenue	3,432	3,817	(385)	(10.1%)
Total revenue	5,052	6,915	(1,863)	(26.9%)
Cost of product revenue	406	1,580	(1,174)	(74.3%)
Cost of service revenue	1,815	2,826	(1,011)	(35.8%)
Total cost of revenue	2,221	4,406	(2,185)	(49.6%)
Gross profit	\$ 2,831	\$ 2,509	\$ 322	12.8%
Gross product profit margin	74.9%	49.0%		25.9%
Gross service profit margin	47.1%	26.0%		21.2%
Gross profit margin	56.0%	36.3%		19.8%

Two customers accounted for 18% and 16% of total revenue for the three months ended April 30, 2021 and two customers accounted for 15% and 13% of total revenue for the three months ended April 30, 2021. See Part I Item I, Note 2, "Significant Accounting Policies," to this Form 10-Q for more information.

International revenue accounted for 56% and 66% of total revenue in the three months ended April 30, 2021 and 2020, respectively. The decrease in international sales as a percentage of total revenue in the three months ended April 30, 2021 as compared to the three months ended April 30, 2020 is primarily due to a decrease in international revenue at a higher rate than U.S. revenue primarily due to the COVID-19 pandemic.

Product Revenue

Product revenue decreased by \$1.5 million for the three months ended April 30, 2021 as compared to the three months ended April 30, 2020. The decrease for the three months ended April 30, 2021 was primarily due to the shift to our Framework sales model, which did not include any third-party hardware, and a decrease in legacy product sales in which we would procure and sell third-party hardware to our customers.

Service Revenue

Service revenue decreased by \$0.4 million for the three months ended April 30, 2021 as compared to the three months ended April 30, 2020. The decrease for the three months ended April 30, 2020 was primarily due to a decrease in our maintenance and support revenue provided on post warranty contracts as customers continue to provide their own solutions and legacy products are decommissioned.

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 relating to the assembly, testing and implementation and ongoing maintenance of complete systems.

Our gross profit margin increased from 36% to 56% for the three months ended April 30, 2021 as compared to the three months ended April 30, 2020 primarily due to the lower cost of product and service revenue. Gross product profit margin increased from 49% to 75% for the three months ended April 30, 2021 as compared to the three months ended April 30, 2020 primarily due to a reduction in third-party hardware costs and an increase in higher margin software sales. Gross service profit margins increased from 26% to 47% for the three months ended April 30, 2021 as compared to the three months ended April 30, 2020 primarily due to a reduction in headcount in relation to our cost-saving efforts driven by the COVID-19 pandemic which drove higher margins.

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 Three Months Ended April 30,		Change	
	2021	2020	\$	%
(Amounts in thousands, except for percentage data)				
Research and development expenses	\$ 2,668	\$ 4,166	\$ (1,498)	(36.0%)
% of total revenue	52.8%	60.2%		

Research and development expenses decreased by \$1.5 million for the three months ended April 30, 2021 as compared to the three months ended April 30, 2020 primarily due to a \$1.2 million decrease in labor and compensation costs associated with the reduction in headcount and outside services and a reduction in other research and development expenditures in relation to our cost-saving efforts driven by the COVID-19 pandemic.

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 Three Months Ended April 30,		Change	
	2021	2020	\$	%
(Amounts in thousands, except for percentage data)				
Selling and marketing expenses	\$ 1,380	\$ 2,126	\$ (746)	(35.1%)
% of total revenue	27.3%	30.7%		

Selling and marketing expenses decreased by \$0.7 million for the three months ended April 30, 2021 as compared to the three months ended April 30, 2020 primarily due to a \$0.6 million decrease in labor and compensations costs associated with the reduction in headcount, a \$0.1 million decrease in travel expenses, and a reduction in other sales and marketing expenditures in relation to our cost-saving efforts driven by the COVID-19 pandemic.

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 Three Months Ended April 30,		Change	
	2021	2020	\$	%
(Amounts in thousands, except for percentage data)				
General and administrative expenses	\$ 2,105	\$ 2,054	\$ 51	2.5%
% of total revenue	41.7%	29.7%		

General and administrative expenses increased by \$0.1 million for the three months ended April 30, 2021 as compared to the three months ended April 30, 2020 primarily due to a \$0.1 million increase in outside professional services and no bad debt expense or recoveries as compared to the \$0.3 million recovery of bad debt in the prior period offset by a \$0.3 million reduction in salaries and compensation and a reduction in other general expenditures driven by the COVID-19 pandemic.

Severance and Restructuring Costs

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

	For the Three Months Ended April 30,		Change	
	2021	2020	\$	%
	(Amounts in thousands, except for percentage data)			
Severance and restructuring costs	\$ 484	\$ 486	\$ (2)	(0.4%)
% of total revenue	9.6%	7.0%		

Severance and restructuring costs remained constant for the three months ended April 30, 2021 as compared to the three months ended April 30, 2020. Severance and restructuring costs for the three months ended April 30, 2021 consisted primarily of employee related termination benefits for the restructuring of our finance department and facility related closure costs, including a \$0.1 million net loss on our Waltham lease termination. Severance and restructuring costs for the three months ended April 30, 2020 consisted primarily of employee related termination benefits due to a reduction in headcount driven by the COVID-19 pandemic.

Other Expense, Net

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

	For the Three Months Ended April 30,		Change	
	2021	2020	\$	%
	(Amounts in thousands, except for percentage data)			
Interest income, net	26	119	(93)	(78.2%)
Foreign exchange loss, net	(263)	(331)	68	(20.5%)
Miscellaneous income, net	9	4	5	125.0%
	<u>\$ (228)</u>	<u>\$ (208)</u>	<u>\$ (20)</u>	

The principal components of other expense, net were interest income, net of less than \$0.1 million and foreign exchange loss, net of \$0.3 million for the three months ended April 30, 2021 and interest income, net of \$0.1 million and foreign exchange loss, net of \$0.3 million for the three months ended April 30, 2020. Our foreign exchange loss, net is primarily due to the revaluation of intercompany notes.

Income Tax Provision (Benefit)

We recorded an income tax provision of less than \$0.1 million and an income tax benefit of less than \$0.1 million for the three months ended April 30, 2021 and April 30, 2020, respectively. Our effective tax rate in fiscal 2022 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.

We review all available evidence to evaluate the recovery of deferred tax assets, including the recent history of losses in all tax jurisdictions, as well as our ability to generate income in future periods. As of April 30, 2021, due to the uncertainty related to the ultimate use of certain deferred income tax assets, we have recorded a valuation allowance on certain deferred assets.

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

Liquidity and Capital Resources

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

	For the Three Months Ended April 30,	
	2021	2020
	<i>(Amounts in thousands)</i>	
Net cash used in operating activities	\$ (1,820)	\$ (4,263)
Net cash provided by investing activities	245	1,063
Net cash provided by financing activities	17,599	137
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(199)	153
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>\$ 15,825</u>	<u>\$ (2,910)</u>

Historically, we have financed our operations and capital expenditures primarily with our cash and investments. Our cash, cash equivalents, and restricted cash and marketable securities totaled \$21.9 million at April 30, 2021.

In the first half of fiscal 2021, we reduced our headcount across all departments in response to the COVID-19 pandemic, which will result in approximately \$7.6 million of annualized cost savings, and transferred our technical support services to our Poland location in an effort to further reduce cost. In the first quarter of fiscal 2022, we entered into the Termination Agreement which terminated the sublease for our former headquarters in Waltham, Massachusetts, effective March 21, 2022. In connection with the early termination of the sublease the Company will pay the sublandlord a termination payment of approximately \$430 thousand against an obligation of approximately \$2.8 million. Prior to the execution of the Termination Agreement, the sublease had been scheduled to expire in February 2025. As a result of the Termination Agreement, we expect annualized savings of approximately \$600 thousand in facilities costs for each of the next four years. Additionally, in the first quarter of fiscal 2022, we issued and sold 10,323,484 shares of common stock, \$0.01 par value per share, at a public offering price of \$1.85 per share. The Offering resulted in approximately \$17.5 million in proceeds, net of underwriting discounts and commissions of 6.5%, or \$0.12025 per share of common stock, and offering expenses of approximately \$0.2 million.

We believe that existing cash and cash equivalents and cash expected to be provided by future operating activities will be 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 or take advantage of unanticipated strategic opportunities in order 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 take advantage of market opportunities, to develop new products or to otherwise respond to competitive pressures.

Net cash used in operating activities

Net cash used in operating activities was \$1.8 million for the three months ended April 30, 2021. Net cash used in operating activities was primarily the result of our net loss of \$4.1 million, a \$0.4 million non-cash expense for depreciation and amortization, a \$0.2 million non-cash expense for stock-based compensation, a \$0.3 million non-cash gain on the write-off of our operating lease right-of-use assets and liabilities in relation to the Waltham lease termination, a \$0.3 million non-cash foreign currency transaction loss, and changes in working capital, which include a \$0.2 million increase in accounts receivable, a \$1.4 million decrease in unbilled receivables, a \$0.2 million decrease in accrued expenses and other liabilities, and a \$0.2 million increase in deferred revenue.

Net cash used in operating activities was \$4.3 million for the three months ended April 30, 2020. Net cash used in operating activities was primarily the result of our net loss of \$6.5 million, a \$0.4 million non-cash expense for depreciation and amortization, a \$0.3 million non-cash recovery of allowance for doubtful accounts, a \$0.4 million non-cash expense for stock-based compensation, and changes in working capital, which include a \$3.1 million decrease in accounts receivable, a \$0.6 million decrease in unbilled receivables, a \$0.6 million decrease in prepaid expenses and other current assets and other assets, a \$0.4 million increase in accounts payable, and a \$1.7 million decrease in accrued expenses and other liabilities.

Net cash provided by investing activities

Net cash provided by investing activities was \$0.2 million and \$1.1 million for the three months ended April 30, 2021 and April 30, 2020, respectively, due to proceeds from the sales and maturities of our marketable securities partially offset by purchases of property and equipment.

Net cash provided by financing activities

Net cash provided by financing activities was \$17.6 million for the three months ended April 30, 2021 due to \$0.1 million in proceeds from stock option exercises and \$17.5 million in net proceeds from the issuance of common stock in relation to the Offering. Net cash provided by financing activities was \$0.1 million for the three months ended April 30, 2020 due to proceeds from stock option exercises and purchases through the Company's Employee Stock Purchase Plan.

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 alterations 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 continue to realize our on-going cost optimization efforts in response to the impact of the pandemic. 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 Act (the "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 impact that the CARES Act may have on our business, including the extent of our PPP loan forgiveness eligibility.

The Paycheck Protection Program

On May 5, 2020, the Company entered into a promissory note (the "Note") with Silicon Valley Bank (the "Lender") evidencing an unsecured loan in an aggregate principal amount of \$2,412,890 pursuant to the PPP under the CARES Act administered by the U.S. Small Business Administration ("SBA").

Interest accrues on the Note at a fixed rate of one percent (1%) per annum, with the payment of the first ten months of interest and principal deferred. The Note has an initial term of two years, is unsecured and is guaranteed by the SBA. The Company applied to the Lender for forgiveness of the Note in March 2021 with the amount which may be forgiven equal to the sum of qualifying expenses, including payroll costs, covered rent obligations, and covered utility payments incurred by the Company during the twenty-four week period beginning on May 7, 2020, calculated in accordance with the terms of the CARES Act. Management believes we have properly satisfied all eligibility requirements for full forgiveness, however, we cannot provide assurance that the Note will be forgiven.

Subject to any forgiveness under the PPP, the Note will mature on May 5, 2022. Beginning on the seventeen-month anniversary of the date of the Note, the Company is required to make equal monthly payments of principal and interest. The Note may be prepaid at any time prior to maturity with no prepayment penalties. The Note provides for customary events of default including, among others, those relating to breaches of the Company's obligations under the Note, including a failure to make payments, any bankruptcy or similar proceedings involving the Company, and certain material effects on the Company's ability to repay the Note. The Note may be accelerated upon the occurrence of an event of default.

Critical Accounting Policies and Significant Judgments and Estimates

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management.

There have been no material changes to our critical accounting policies and estimates from those disclosed in our financial statements and the related notes and other financial information included in our Form 10-K on file with the Securities and Exchange Commission (the “SEC”).

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

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 to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company, as defined in Rule 12b-2 under 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 4. Controls and Procedures

Evaluation of disclosure controls and procedures. We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. 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.

Based on the evaluation of our disclosure controls and procedures as of April 30, 2021, our principal executive officer and principal financial officer concluded that, as of that date, our disclosure controls and procedures were effective.

Changes in internal control over financial reporting. There were no changes in our internal controls over financial reporting during the three months ended April 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

We enter into agreements in the ordinary course of business with customers, resellers, distributors, integrators and suppliers. Most of our historical agreements require us to defend and/or indemnify the other party against intellectual property infringement claims brought by a third party with respect to our products. From time to time, we also indemnify customers and business partners for damages, losses and liabilities they may suffer or incur relating to personal injury, personal property damage, product liability, and environmental claims relating to the use of our products and services or resulting from the acts or omissions of us, our employees, authorized agents or subcontractors. Management cannot reasonably estimate any potential losses, but these claims could result in material liability for us (see Note 6 to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q).

ITEM 1A. Risk Factors

In addition to other information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, "Item 1A. Risk Factors" in our Form 10-K for the fiscal year ended January 31, 2021, which could materially affect our business, financial conditions, and results of operations. The risks described in our Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

The following list of exhibits includes exhibits submitted with this Form 10-Q as filed with the SEC and those incorporated by reference to other filings.

Index to Exhibits

No.	Description
3.1*	<u>Amended and Restated Certificate of Incorporation of the Company.</u>
3.2	<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 May 18, 2021 with the Commission and incorporated herein by reference).</u>
10.1#	<u>Sublease Termination Agreement, dated March 21, 2021, by and between Saucony, Inc. and SeaChange International, Inc. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K previously filed on March 25, 2021 with the Commission and incorporated herein by reference).</u>
31.1*	<u>Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	Inline XBRL Instance Document. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 filed herewith).

* Filed herewith.

Portions of this exhibit have been redacted in compliance with Regulation S-K Item 601(b)(10).

SIGNATURES

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

Dated: June 11, 2021

SEACHANGE INTERNATIONAL, INC.

by: /s/ ROBERT PONS
Robert Pons
Executive Chairman
(Principal Executive Officer)

by: /s/ MICHAEL PRINN
Michael Prinn
Chief Financial Officer, Senior Vice President and Treasurer
(Principal Financial and Accounting Officer)

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED ARE TRUE AND CORRECT COPIES OF ALL DOCUMENTS FILED FROM AND INCLUDING THE RESTATED CERTIFICATE OR A MERGER WITH A RESTATED CERTIFICATE ATTACHED OF "SEACHANGE INTERNATIONAL, INC." AS RECEIVED AND FILED IN THIS OFFICE.

THE FOLLOWING DOCUMENTS HAVE BEEN CERTIFIED:

RESTATED CERTIFICATE, FILED THE EIGHTH DAY OF NOVEMBER, A.D. 1996, AT 12 O`CLOCK P.M.

CERTIFICATE OF AMENDMENT, FILED THE TWENTY-FIFTH DAY OF MAY, A.D. 2000, AT 9 O`CLOCK A.M.

CERTIFICATE OF OWNERSHIP, FILED THE TWENTY-SIXTH DAY OF DECEMBER, A.D. 2006, AT 11:30 O`CLOCK A.M.

CERTIFICATE OF OWNERSHIP, FILED THE TWENTY-SIXTH DAY OF DECEMBER, A.D. 2006, AT 12:16 O`CLOCK P.M.

CERTIFICATE OF OWNERSHIP, FILED THE TWENTY-SIXTH DAY OF DECEMBER, A.D. 2006, AT 12:17 O`CLOCK P.M.



A handwritten signature in black ink, appearing to read "JBullock", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed in a small font.

2343307 8100X
SR# 20211433657

You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication:203048308
Date: 04-23-21

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Page 2

CERTIFICATE OF OWNERSHIP, FILED THE TWENTY-SEVENTH DAY OF DECEMBER, A.D. 2006, AT 2:03 O`CLOCK P.M.

CERTIFICATE OF OWNERSHIP, FILED THE TWENTY-FOURTH DAY OF JANUARY, A.D. 2013, AT 3:27 O`CLOCK P.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF OWNERSHIP IS THE THIRTY-FIRST DAY OF JANUARY, A.D. 2013 AT 11:59 O`CLOCK P.M.

CERTIFICATE OF MERGER, FILED THE SECOND DAY OF FEBRUARY, A.D. 2015, AT 5:40 O`CLOCK P.M.

CERTIFICATE OF DESIGNATION, FILED THE FIFTH DAY OF MARCH, A.D. 2019, AT 8:03 O`CLOCK A.M.



A handwritten signature in black ink, appearing to read "JBullock", is written over a horizontal line. Below the line, the text "Jeffrey W. Bullock, Secretary of State" is printed in a small font.

2343307 8100X
SR# 20211433657

You may verify this certificate online at corp.delaware.gov/authver.shtml

Authentication:203048308
Date: 04-23-21

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF
SEACHANGE INTERNATIONAL, INC.**

**Incorporated July 9, 1993
as Seaview Technology, Inc.**

* * * * *

I, William C. Styslinger, III, President of SeaChange International, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, do hereby certify that the Certificate of Incorporation of SeaChange International, Inc., as amended, originally incorporated under the name Seaview Technology, Inc., has been further amended, and restated as amended, in accordance with provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware, and, as amended and restated, is set forth in its entirety as follows:

FIRST. The name of the Corporation is SeaChange International, Inc.

SECOND. The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH. The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 55,000,000 shares, consisting of 50,000,000 shares of Common Stock with a par value of \$.01 per share (the "Common Stock") and 5,000,000 shares of Preferred Stock with a par value of \$.01 per share (the "Preferred Stock").

A description of the respective classes of stock and a statement of the designations, powers, preferences and rights, and the qualifications, limitations and restrictions of the Preferred Stock and Common Stock are as follows:

A. COMMON STOCK

1. General. All shares of Common Stock will be identical and will entitle the holders thereof to the same rights, powers and privileges. The rights, powers and privileges of the holders of the Common Stock are subject to and qualified by the rights of holders of the Preferred Stock.

2. **Dividends.** Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

3. **Dissolution, Liquidation or Winding Up.** In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, each issued and outstanding share of Common Stock shall entitle the holder thereof to receive an equal portion of the net assets of the Corporation available for distribution to the holders of Common Stock, subject to any preferential rights of any then outstanding Preferred Stock.

4. **Voting Right.** Except as otherwise required by law or this Amended and Restated Certificate of Incorporation, each holder of Common Stock shall have one vote in respect of each share of stock held of record by such holder on the books of the Corporation for the election of directors and on all matters submitted to a vote of stockholders of the Corporation Except as otherwise required by law or provided herein, holders of Common Stock shall vote together with holders of the Preferred Stock as a single class, subject to any special or preferential voting rights of any then outstanding Preferred Stock. There shall be no cumulative voting.

B. PREFERBED STOCK

The Preferred Stock may be issued in one or more series at such time or times and for such consideration or considerations as the Board of Directors of the Corporation may determine. Each series shall be so designated as to distinguish the shares thereof from the shares of all other series and classes. Except as otherwise provided in this Amended and Restated Certificate of Incorporation, different series of Preferred Stock shall not be construed to constitute different classes of shares for the purpose of voting by classes.

The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the undesignated Preferred Stock in one or more series. each with such 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 thereof as shall be stated in the resolution or resolutions adopted by the Board of Directors to create such series, and a certificate of said resolution or resolutions (a "Certificate of Designation") shall be filed in accordance with the General Corporation Law of the State of Delaware. The authority of the Board of Directors with respect to each such series shall include, without limitation of the foregoing, 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 noncumulative) 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 Corporation; (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 Corporation at such price or prices or at such rates of exchange and with such adjustments, if any; (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; or (vi) entitled to such other preferences, powers, qualifications, rights and privileges, all as the Board of Directors may deem advisable and as are not inconsistent with law and the provisions of this Amended and Restated Certificate of Incorporation.

FIFTH. The Corporation is to have perpetual existence.

SIXTH. The following provisions are included for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its Board of Directors and stockholders:

1. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors of the Corporation.

2. The Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal the By-laws of the Corporation, subject to any limitation thereof contained in the By-laws. The stockholders shall also have the power to adopt, amend or repeal the By-laws of the Corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least seventy-five percent (75 %) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the By-laws of the Corporation.

3. Stockholders of the Corporation may not take any action by written consent in lieu of a meeting.

4. Special meetings of stockholders may be called at any time only by the President, the Chairman of the Board of Directors (if any) or a majority of the Board of Directors. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

5. The books of the Corporation may be kept at such place within or without the State of Delaware as the By-laws of the Corporation may provide or as may be designated from time to time by the Board of Directors of the Corporation.

SEVENTH. No director (including any advisory director) of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director notwithstanding any provision of law imposing such liability; provided, however, that, to the extent provided by applicable law, this provision shall not eliminate the liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware. or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

EIGHTH. The Board of Directors of the Corporation, when evaluating any offer of another party (a) to make a tender or exchange offer for any equity security of the Corporation or (b) to effect a business combination, shall in connection with the exercise of its judgment in determining what is in the best interests of the Corporation as a whole be authorized to give due consideration to any such factors as the Board of Directors determines to be relevant, including, without limitation:

- (i) the interests of the Corporation's stockholders including the possibility that these interests might be best served by the continued independence of the Corporation;
- (ii) whether the proposed transaction might violate federal or state laws;
- (iii) not only the consideration being offered in the proposed transaction, in relation to the then current market price for the outstanding capital stock of the Corporation, but also to the market price for the capital stock of the Corporation over a period of years, the estimated price that might be achieved in a negotiated sale of the Corporation *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 the Corporation's financial condition and future prospects; and
- (iv) the social, legal and economic effects upon employees, suppliers, customers, creditors and others having similar relationships with the Corporation, upon the communities in which the Corporation conducts its business and upon the economy of the state, region and nation.

In connection with any such evaluation, the Board of Directors is authorized to conduct such investigations and engage in such legal proceedings as the Board of Directors may determine.

NINTH.

1. Action1, Suits and Proceedings Other than by or in the Bight of the Corporation. The Corporation shall indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he is or was, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement conviction or upon a plea of nolo contendere or its equivalent, shall not of, itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. Notwithstanding anything to the contrary in this Article, except as set forth in Section 6 below, the

Corporation shall not indemnify an Indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the Corporation.

2. **Actions or Suits by or in the Right of the Corporation.** The Corporation shall indemnify any Indemnitee who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was, or has agreed to become a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation. as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture. trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware or such other court shall deem proper.

3. **Indemnification for Expenses of Successful Party.** Notwithstanding the other provisions of this Article, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, he shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the Corporation, (iii) a plea of guilty or nolo contendere by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purpose hereof to have been wholly successful with respect thereto.

4. **Notification and Defense of Claim.** As a condition precedent to his right to be indemnified, the Indemnitee must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the Corporation to the Indemnitee of its election so to assume such defense, the Corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Section 4. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the Corporation of its

assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and the Indemnitee in the conduct of the defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Article. The Corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

5. **Advance of Expenses.** Subject to the provisions of Section 6 below, in the event that the Corporation does not assume the defense pursuant to Section 4 of this Article of any action, suit, proceeding or investigation of which the Corporation receives notice under this Article, any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom shall be paid by the Corporation in advance of the final disposition of such matter, provided, however, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article. Such undertaking may be accepted without reference to the financial ability of such person to make such repayment.

6. **Procedure for Indemnification.** In order to obtain indemnification or advancement of expenses pursuant to Section 1, 2, 3 or 5 of this Article, the Indemnitee shall submit to the Corporation a written request, including in such request such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the Corporation of the written request of the Indemnitee, unless with respect to requests under Section 1, 2 or 5 the Corporation determines, by clear and convincing evidence, within such 60-day period that the Indemnitee did not meet the applicable standard of conduct set forth in Section 1 or 2, as the case may be. Such determination shall be made in each instance by (a) a majority vote of the directors of the Corporation who are not at that time parties to the action, suit or proceeding in question ("disinterested directors"), even though less than a quorum, (b) if there are no such disinterested directors, or if such disinterested directors so direct, by independent legal counsel (who may be regular legal counsel to the corporation) in a written opinion, (c) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, or (d) a court of competent jurisdiction.

7. **Remedies.** The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnitee in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within the 60-day period referred to above in Section 6. Unless otherwise provided by law, the burden of proving that the Indemnitee is not entitled to indemnification or advancement of expenses under this Article shall be on the Corporation. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the

Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Section 6 that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The Indemnitee's expenses (including attorneys' fees) incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the Corporation.

8. Subsequent Amendment. No amendment, termination or repeal of this Article or of the relevant provisions of the General Corporation Law of the State of Delaware or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

9. Other Rights. The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stock holders or disinterested directors or otherwise; both as to action in his official capacity and as to action in any other capacity while holding office for the Corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of the Indemnitee.

Nothing contained in this Article shall be deemed to prohibit, and the Corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article. In addition, the Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

10. Partial Indemnification. If an Indemnitee is entitled under any provision of this Article to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify the Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnitee is entitled.

11. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

12. Merger or Consolidation. If the Corporation is merged into or consolidated with another corporation and the Corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the Corporation under this Article with respect to any action, suit,

proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

13. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the Corporation, to the fullest extent permitted by an applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

14. Definitions. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of the State of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

15. Subsequent Legislation. If the General Corporation Law of the State of Delaware is amended after adoption of this Article to expand further the indemnification permitted to Indemnitees, then the Corporation shall indemnify such persons to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

TENTH. The Corporation reserves the right to amend or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation, provided, however, that in addition to any vote of the holders of any class or series of stock of the Corporation required by law, this Amended and Restated Certificate of Incorporation or a Certificate of Designation with respect to a series of Preferred Stock, the affirmative vote of the holders of shares of voting stock of the Corporation representing at least seventy-five percent (75%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to (i) reduce or eliminate the number of authorized shares of Common Stock or the number of authorized shares of Preferred Stock set forth in Article FOURTH or (ii) amend or repeal, or adopt any provision inconsistent with, Parts A and B of Article FOURTH and Articles FIFTH, SIXTH, SEVENTH, EIGHTH, NINTH and this Article TENTH of this Amended and Restated Certificate of Incorporation.

IN WITNESS WHEREOF, the undersigned has hereunto signed his name and affirms that the statements made in this Amended and Restated Certificate of Incorporation are true under the penalties of perjury this 8th day of November 1996.

/s/ William C. Styslinger, III
William C. Styslinger, III
President

**CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
SEACHANGE INTERNATIONAL, INC.**

SeaChange International, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Corporation adopted resolutions proposing and declaring advisable the following amendments to the Amended and Restated Certificate of incorporation of the Corporation:

RESOLVED: That the first paragraph of Article FOURTH of the Corporation's Amended and Restated Certificate of Incorporation as amended to date shall be amended to read in its entirety as follows:

"FOURTH. The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 105,000,000 shares, consisting of 100,000,000 shares of Common Stock with a par value of \$.01 per share (the "Common Stock") and 5,000,000 shares of Preferred Stock with a par value of \$.01 per share (the "Preferred Stock").

SECOND: The foregoing amendment to the Amended and Restated Certificate of Incorporation of the Corporation was duly adopted by vote of the stockholders of the Corporation in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

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IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by William C. Styslinger, III, its President, this 24th day of May, 2000.

By: /s/ William C. Styslinger, III
William C. Styslinger, III
President

CERTIFICATE OF OWNERSHIP

AND

MERGER OF SUBSIDIARY INTO PARENT

THIS MERGER, pursuant to Section 253 of the General Corporation Law of Delaware, is entered into as of December 22, 2006 merges SeaChange Securities Corporation, a Massachusetts corporation, with and into SeaChange International, Inc., a Delaware corporation (the "Corporation").

The Corporation does hereby certify:

FIRST: That the Corporation is incorporated pursuant to the General Corporation Law of the State of Delaware.

SECOND: That the Corporation owns all of the outstanding shares of each class of the capital stock of SeaChange Securities Corporation.

THIRD: That the Corporation, by the following resolutions of its Board of Directors, duly adopted by unanimous written consent on December 20, 2006, determined to, and effective upon the filing of this Certificate of Ownership and Merger of Subsidiary into Parent with the Secretary of State of the State of Delaware does, merge SeaChange Securities Corporation with and into the Corporation on the conditions set forth in such resolutions:

RESOLVED: That the Corporation merge its wholly-owned subsidiary, SeaChange Securities Corporation, with and into itself and assume all of said subsidiary's liabilities and obligations.

RESOLVED: That the Plan and Agreement of Merger (the "Merger Agreement") by and between the Corporation and SeaChange Securities Corporation, be, and hereby is, approved, and that each of the Chief Executive Officer and Chief Financial Officer is hereby authorized to execute and deliver the Merger Agreement.

RESOLVED: That the Certificate of Ownership and Merger of Subsidiary into Parent (the "Certificate"), be, and hereby is, approved, and that each of the Chief Executive Officer and Chief Financial Officer is hereby authorized to execute and deliver the Certificate, and to file the same with the Secretary of State of Delaware.

RESOLVED: That the Articles of Merger (the "Articles of Merger") effecting the merger of SeaChange Securities Corporation with and into the Corporation, be, and hereby are, approved, and that each of the Chief Executive Officer and Chief Financial Officer is hereby authorized to execute and deliver the Articles of Merger, and file the same with the Secretary of the Commonwealth of Massachusetts.

RESOLVED: That the officers of the Corporation be, and each of them hereby is, authorized to execute all such instruments, make all such payments and filings and do all such other acts and things as in their opinion, or in the opinion of any of them, may be necessary or appropriate in order to carry out the intent and purposes of the foregoing resolutions, and that all such acts and things heretofore done by such officers and any one or more of them, acting alone in connection with and in furthermore of the purpose and intent of the foregoing resolutions be, and hereby are, ratified, confirmed and approved as the act and deed of the Corporation.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by the undersigned officer, hereunto duly authorized, as of the date first set forth above.

SEACHANGE INTERNATIONAL, INC.
(a Delaware corporation)

By: /s/ Kevin M. Bisson
Name: Kevin M. Bisson
Title: Chief Financial Officer, Secretary,
Treasurer and Senior Vice President, Finance and
Administration

[SIGNATURE PAGE TO CERTIFICATE OF OWNERSHIP & MERGER RE: SEACHANGE SECURITIES]

CERTIFICATE OF OWNERSHIP

AND

MERGER OF SUBSIDIARY INTO PARENT

THIS MERGER, pursuant to Section 253 of the General Corporation Law of Delaware, is entered into as of December 22, 2006 merges SeaChange Systems, Inc., a Delaware corporation, with and into SeaChange International, Inc., a Delaware corporation (the "Corporation").

The Corporation does hereby certify:

FIRST: That the Corporation is incorporated pursuant to the General Corporation Law of the State of Delaware.

SECOND: That the Corporation owns all of the outstanding shares of each class of the capital stock of SeaChange Systems, Inc..

THIRD: That the Corporation, by the following resolutions of its Board of Directors, duly adopted by unanimous written consent on December 20, 2006, determined to, and effective upon the filing of this Certificate of Ownership and Merger of Subsidiary into Parent with the Secretary of State of the State of Delaware does, merge SeaChange Systems, Inc. with and into the Corporation on the conditions set forth in such resolutions:

RESOLVED: That the Corporation merge its wholly-owned subsidiary, SeaChange Systems, Inc., with and into itself and assume all of said subsidiary's liabilities and obligations.

RESOLVED: That the Certificate of Ownership and Merger of Subsidiary into Parent (the "Certificate"), be, and hereby is, approved, and that each of the Chief Executive Officer and Chief Financial Officer is hereby authorized to execute and deliver the Certificate, and to file the same with the Secretary of State of Delaware.

RESOLVED: That the officers of the Corporation be, and each of them hereby is, authorized to execute all such instruments, make all such payments and filings and do all such other acts and things as in their opinion, or in the opinion of any of them, may be necessary or appropriate in order to carry out the intent and purposes of the foregoing resolutions, and that all such acts and things heretofore done by such officers and any one or more of them, acting alone in connection with and in furthermore of the purpose and intent of the foregoing resolutions be, and hereby are, ratified, confirmed and approved as the act and deed of the Corporation.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by the undersigned officer, hereunto duly authorized, as of the date first set forth above.

SEACHANGE INTERNATIONAL, INC. (a Delaware corporation)

By: /s/ Kevin M. Bisson
Name: Kevin M. Bisson
Title: Chief Financial Officer, Secretary,
Treasurer and Senior Vice President, Finance and
Administration

[SIGNATURE PAGE TO CERTIFICATE OF OWNERSHIP & MERGER RE: SEACHANGE SYSTEMS]

CERTIFICATE OF OWNERSHIP

AND

MERGER OF SUBSIDIARY INTO PARENT

THIS MERGER, pursuant to Section 253 of the General Corporation Law of Delaware, is entered into as of December 22, 2006 merges GuestServe Networks, Inc., a California corporation, with and into SeaChange International, Inc., a Delaware corporation (the "Corporation").

The Corporation does hereby certify:

FIRST: That the Corporation is incorporated pursuant to the General Corporation Law of the State of Delaware.

SECOND: That the Corporation owns all of the outstanding shares of each class of the capital stock of GuestServe Networks, Inc.

THIRD: That the Corporation, by the following resolutions of its Board of Directors, duly adopted by unanimous written consent on December 20, 2006, determined to, and effective upon the filing of this Certificate of Ownership and Merger of Subsidiary into Parent with the Secretary of State of the State of Delaware and with the Secretary of State of California, does merge GuestServe Networks, Inc. with and into the Corporation on the conditions set forth in such resolutions:

RESOLVED: That the Corporation merge its wholly-owned subsidiary, GuestServe Networks, Inc., with and into itself and assume all of said subsidiary's liabilities and obligations.

RESOLVED: That the Certificate of Ownership and Merger of Subsidiary into Parent (the "Certificate"), be, and hereby is, approved, and that each of the Chief Executive Officer and Chief Financial Officer is hereby authorized to execute and deliver the Certificate, and to file the same with the Secretary of State of Delaware and the Secretary of State of California.

RESOLVED: That the officers of the Corporation be, and each of them hereby is, authorized to execute all such instruments, make all such payments and filings and do all such other acts and things as in their opinion, or in the opinion of any of them, may be necessary or appropriate in order to carry out the intent and purposes of the foregoing resolutions, and that all such acts and things heretofore done by such officers and any one or more of them, acting alone in connection with and in furthermore of the purpose and intent of the foregoing resolutions beand hereby are, ratifiedconfirmed and approved as the act and deed of the Corporation.

[Signature Page Follows]

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by the undersigned officer, hereunto duly authorized, as of the date first set forth above.

SEACHANGE INTERNATIONAL, INC. (a Delaware corporation)

By: /s/ Kevin M. Bisson
Name: Kevin M. Bisson
Title: Chief Financial Officer, Secretary,
Treasurer and Senior Vice President, Finance and
Administration

[SIGNATURE PAGE TO CERTIFICATE OF OWNERSHIP & MERGER RE: GUESTSERVE NETWORKS, INC.]

CERTIFICATE OF OWNERSHIP

AND

MERGER OF SUBSIDIARY INTO PARENT

THIS MERGER, pursuant to Section 253 of the General Corporation Law of Delaware, is entered into as of December 27, 2006 merges Digital Video Arts, Ltd., a Delaware corporation, with and into SeaChange International, Inc., a Delaware corporation (the "Corporation").

The Corporation does hereby certify:

FIRST: That the Corporation is incorporated pursuant to the General Corporation Law of the State of Delaware.

SECOND: That the Corporation owns all of the outstanding shares of each class of the capital stock of Digital Video Arts, Ltd.

THIRD: That the Corporation, by the following resolutions of its Board of Directors, duly adopted by unanimous written consent on December 20, 2006, determined to, and effective upon the filing of this Certificate of Ownership and Merger of Subsidiary into Parent with the Secretary of State of the State of Delaware does, merge Digital Video Arts, Ltd. with and into the Corporation on the conditions set forth in such resolutions:

RESOLVED: That the Corporation merge its wholly-owned subsidiary, Digital Video Arts, Ltd., with and into itself and assume all of said subsidiary's liabilities and obligations.

RESOLVED: That the Certificate of Ownership and Merger of Subsidiary into Parent (the "Certificate"), be, and hereby is, approved, and that each of the Chief Executive Officer and Chief Financial Officer is hereby authorized to execute and deliver the Certificate, and to file the same with the Secretary of State of Delaware.

RESOLVED: That the officers of the Corporation be, and each of them hereby is, authorized to execute all such instruments, make all such payments and filings and do all such other acts and things as in their opinion, or in the opinion of any of them, may be necessary or appropriate in order to carry out the intent and purposes of the foregoing resolutions, and that all such acts and things heretofore done by such officers and any one or more of them, acting alone in connection with and in furthermore of the purpose and intent of the foregoing resolutions be, and hereby are, ratified, confirmed and approved as the act and deed of the Corporation.

[Signature Page Follows]

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by the undersigned officer, hereunto duly authorized, as of the date first set forth above.

SEACHANGE INTERNATIONAL, INC. (a Delaware corporation)

By: /s/ Kevin M. Bisson
Name: Kevin M. Bisson
Title: Chief Financial Officer, Secretary,
Treasurer and Senior Vice President, Finance and
Administration

[SIGNATURE PAGE TO CERTIFICATE OF OWNERSHIP & MERGER RE: DIGITAL VIDEO ARTS, LTD]

STATE OF DELAWARE
CERTIFICATE OF OWNERSHIP

SUBSIDIARY INTO PARENT
Section 253

CERTIFICATE OF OWNERSHIP
MERGING

VIVIDLOGIC, INC.

INTO

SEACHANGE INTERNATIONAL, INC.

(Pursuant to Section 253 of the General Corporation Law of Delaware)

SEACHANGE INTERNATIONAL, INC.

a corporation incorporated on the 9 day of July, 1993,
pursuant to the provisions of the General Corporation Law of the State of Delaware;

DOES HEREBY CERTIFY that this corporation owns 90% of the capital stock of VIVIDLOGIC, INC., a corporation incorporated on the 14 day of December, 1999 A.D., pursuant to the provisions of the General Corporation law of Delaware _____, and that this corporation, by a resolution of its Board of Directors duly adopted at a meeting held on the 22 day of January, 2013 A.D., determined to and did merge into itself said VIVIDLOGIC, INC. which resolution is in the following words to wit:

WHEREAS this corporation lawfully owns 90% of the outstanding stock of VIVIDLOGIC, INC., a corporation organized and existing under the laws of Delaware and

WHEREAS this corporation desires to merge into itself the said VIVIDLOGIC, INC., and to be possessed of all the estate, property, rights, privileges and franchises of said corporation,

NOW, THEREFORE, BE IT RESOLVED, that this corporation merge into itself said VIVIDLOGIC, INC. and assumes all of its liabilities and obligations, and

FURTHER RESOLVED, that an authorized officer of this corporation be and he/she is hereby directed to make and execute a certificate of ownership setting forth a copy of the resolution to merge said VIVIDLOGIC, INC. and assume its liabilities and obligations, and the date of adoption thereof, and to file the same in the office of the Secretary of State of Delaware; and a certified copy thereof in the office of the Recorder of Deeds of New Castle County; and

FURTHER RESOLVED, that the officers of this corporation be and they hereby are authorized and directed to do all acts and things whatsoever, whether within or without the State of Delaware; which may be in any way necessary or proper to effect said merger.

The merger shall be effective as of 11:59 pm EST on January 31, 2013

IN WITNESS WHEREOF, said parent corporation has caused its corporate seal to be affixed and this certificate to be signed by an authorized officer this 22 day of January, 2013 A.D.

By: /s/ Anthony Dias
Authorized Officer

Name: Anthony Dias
Print or Type

Title: Vice President

CERTIFICATE OF MERGER OF
DOMESTIC LIMITED LIABILITY COMPANY
INTO A
DOMESTIC CORPORATION

Pursuant to Title 8, Section 264(c) of the Delaware General Corporation Law and Title 6, Section 18-209 of the Delaware Limited Liability Company Act, the undersigned corporation executed the following Certificate of Merger:

FIRST: The name of the surviving corporation is SeaChange International, Inc, a Delaware Corporation, and the name of the limited liability company being merged into this surviving corporation is TLL, LLC.

SECOND: The Agreement of Merger has been approved, adopted, certified, executed and acknowledged by the surviving corporation and the merging limited liability Company.

THIRD: That the name of the surviving corporation is SeaChange International, Inc., a Delaware corporation.

FOURTH: The merger is to become effective upon the filing of this Certificate of Merger with the Delaware Secretary of State.

FIFTH: A copy of the Agreement of Merger is on file at the office of the Surviving Company located at 50 Nagog Park, Acton, MA 01720.

SIXTH: A copy of the Agreement of Merger will be furnished by the Surviving Company on request, without cost, to any stockholder of any constituent corporation or member of any constituent limited liability company.

SEVENTH: The Certificate of Incorporation of the surviving corporation shall be its Certificate of Incorporation.

[*Signature Page Follows*]

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by an authorized officer, as of the 2nd of February, 2015.

SEACHANGE INTERNATIONAL, INC.
(a Delaware corporation)

By: /s/ Anthony Dias
Name: Anthony Dias
Title: Chief Financial Officer

[SIGNATURE PAGE TO CERTIFICATE OF MERGER TLL, LLC INTO SEAC]

CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS

of

SERIES A PARTICIPATING PREFERRED STOCK

of

SEACHANGE INTERNATIONAL, INC.

(Pursuant to Section 151 of the

Delaware General Corporation Law)

SeaChange International, Inc. (hereinafter called the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation (the "Board") as required by Section 151 of the DGCL at a meeting duly called and held on March 4, 2019:

RESOLVED: that, pursuant to authority expressly granted to and vested in the Board by the provisions of its certificate of incorporation and applicable law, a series of the Corporation's undesignated Preferred Stock, par value \$0.01 per share (the "Preferred Stock"), be and is hereby designated as Series A Participating Preferred Stock, which Series A Participating Preferred Stock shall consist of 1,000,000 shares of Preferred Stock and shall have the powers, preferences and rights, and the qualification, limitations or restrictions thereof, as set forth on Exhibit A hereto.

State of Delaware
Secretary of State
Division of Corporations
Delivered 08:03 AM 03/05/2019
FILED 08:03 AM 03/05/2019
SR 20191746920 - File Number 2343307

IN WITNESS WHEREOF, this Certificate of Designation is executed on behalf of the Corporation by its Chief Financial Officer this 5th day of March, 2019.

SEACHANGE INTERNATIONAL, INC.

By: /s/ Peter Faubert
Name: Peter Faubert
Title: Chief Financial Officer

[Signature Page to Form of Certificate of Designation of Series A Participating Preferred Stock of SeaChange International, Inc]

Exhibit A

Section 1. Designation and Amount. The shares of this series of Preferred Stock pursuant to this certificate of designations, preferences and rights (the "Certificate of Designations") shall be designated as "Series A Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be one million (1,000,000). Such number of shares may be increased or decreased by resolution of the Board provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares of Series A Preferred Stock then outstanding plus the number of shares of Series A Preferred Stock reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any other stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, in preference to the holders of shares of common stock, par value \$0.01 per share, of the Corporation (the "Common Stock"), quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount (if any) per share (rounded to the nearest cent), subject to the provision for adjustment hereinafter set forth, equal to one hundred (100) times the aggregate per share amount of all cash dividends, and one hundred (100) times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(c) Dividends due pursuant to paragraph (A) of this Section shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than sixty (60) days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to one hundred (100) votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided in the Certificate of Incorporation, including any other certificate of designations creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) Except as set forth herein, or as otherwise required by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board) to all holders of such shares upon such terms as the Board, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein or in the Certificate of Incorporation, including any Certificate of Designations creating a series of Preferred Stock or any similar stock, or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, the holders of shares of Series A

Preferred Stock shall be entitled to receive, prior to any distribution made to the holders of shares of stock ranking junior to the Series A Preferred Stock, an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to one hundred (100) times the aggregate amount to be distributed per share to holders of shares of Common Stock plus an amount equal to any accrued and unpaid dividends (the “Series A Liquidation Preference”). In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, that rank on a parity with the Series A Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to one hundred (100) times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Amendment. So long as any share of the Series A Preferred Stock is outstanding, neither the Company's Certificate of Incorporation nor this Certificate of Designation shall be amended in any manner, including in a merger or consolidation, which would alter, change, or repeal the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and upon liquidation, dissolution and winding up, junior to all series of Preferred Stock, unless the terms of any such series shall provide otherwise.

Section 10. Fractional Shares. The Series A Preferred Stock may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

CERTIFICATION

I, Robert Pons, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SeaChange International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 11, 2021

By: /s/ ROBERT PONS

Robert Pons

Executive Chairman

(Principal Executive Officer)

CERTIFICATION

I, Michael D. Prinn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SeaChange International, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 11, 2021

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 Quarterly Report of SeaChange International, Inc. (the "Company") on Form 10-Q for the period ending April 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Pons, Principal 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 Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 11, 2021

/s/ ROBERT PONS

Robert Pons

Executive Chairman

(Principal Executive 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 Quarterly Report of SeaChange International, Inc. (the "Company") on Form 10-Q for the period ending April 30, 2021 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 Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 11, 2021

/s/ MICHAEL D. PRINN

Michael D. Prinn

*Chief Financial Officer, Senior Vice President and Treasurer
(Principal Financial and Accounting Officer)*