SEACHANGE INTERNATIONAL INC
Form 10-K
April 14, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended January 31, 2008

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

Commission File Number: 0-21393

SEACHANGE INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**04-3197974**
(State or other jurisdiction	**(IRS Employer**

of incorporation or organization) **Identification No.)**

50 Nagog Park, Acton, MA 01720

(Address of principal executive offices, including zip code)

(978)-897-0100

(Registrant s telephone number, including area code)

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

Common Stock, $.01 par value

Securities Registered Pursuant To Section 12(g) Of The Act:

None

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

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

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 x No ¨

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

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

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨	Smaller reporting company ¨

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

As of July 31, 2007, the aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price for the registrant s Common Stock on the Nasdaq Global Select Market on such date was $181,791,880. The number of shares of the registrant s Common Stock outstanding as of the close of business on April 9, 2008 was 31,074,450.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement (which is expected to be filed within 120 days after the Company s fiscal year end) relating to the registrant s Annual Meeting of Stockholders to be held on or about July 16, 2008 to be filed pursuant to Regulation 14A are incorporated by reference into Part III of this Annual Report on Form 10-K.

PART I

ITEM 1. Business

SeaChange International, Inc. (SeaChange , we or us), a Delaware corporation founded on July 9, 1993, is a leading developer, manufacturer and marketer of digital video systems and services. These products and services facilitate the management, aggregation, licensing, storage, and distribution of video, television programming, gaming and advertising content. We sell our products and services worldwide to cable system operators, including Cablevision, Comcast, Cox Communications, Virgin Media, and Time Warner Cable; telecommunications companies, including Nippon Telephone & Telegraph (NTT), Telekom Austria and Verizon Communications; and broadcast television companies, including ABC Disney, CNBCUK, Ascent Media, Clear Channel, and China Central Television.

Our digital video systems are designed to enable our customers to reduce subscriber turnover and access new revenue-generating opportunities from subscribers, advertisers and electronic commerce initiatives. Using our products and services, we believe our customers can increase their revenues by offering additional services such as on demand television, which allows, for example, the operator to offer a variety of programming for viewing whenever a subscriber chooses and incorporates the ability for subscribers to pause and rewind live television shows. Our systems also allow our customers to insert advertising, known as spot advertising, into their local and on-demand programming. As on-demand continues to grow, our advertising systems will allow our customers to target advertising segments to specific subscribers in a particular geographic and/or demographic market. In addition, our systems enable broadband system operators to offer other interactive television services that allow subscribers to customize and/or dynamically interact with their television, enhancing their viewing experience.

The primary thrust of our business has been supplying systems to deliver video assets in the evolving On Demand television environment. Through acquisitions and partnerships we have expanded our products and services to address the needs of video content owners, broadcasters, and aggregators. We refer to this flow of video assets from the content owner to the subscriber as the Content Pipeline . Our products and services include middleware that drives set top box applications such as Game Now SM services, hardware and software for content management and delivery systems, advertising systems to pay for content, and services that involve the acquisition and distribution of video content. We believe that our strategy of expanding our product line will position SeaChange to support and maintain our existing customer base, take advantage of new customers entering the on demand marketplace and to enter adjacent markets.

Our core technologies provide a foundation for products and services that can be deployed in next generation systems capable of increased levels of subscriber interactivity. We have received several awards for technological excellence, including an Emmy Award in 2001 for our patented MediaCluster ® technology and an Emmy Award in 2004 for our video-on-demand system.

Since 2004, we have made a number of strategic acquisitions and investments to expand our portfolio of products and services. These acquisitions and investments position SeaChange to offer customers of our video-on-demand systems a broader set of products and services. We have expanded our product line to cover the complete Content Pipeline including middleware and applications, and media services.

Industry Background

Cable System Operators and Telecommunications Companies

The number of households paying for TV access, such as cable subscription but excluding satellite, has been estimated at 94 million in the Americas and approximately 408 million worldwide. Over the last several years, cable system operators and telecommunications companies have spent billions of dollars to upgrade their networks from analog to digital, yielding a significant increase in available bandwidth, channel capacity and two-way interactive capability. We believe this investment reflects their intent to provide video-on-demand, advertising insertion, Internet access and other value-added services to their customers that will differentiate them from competing service providers, including satellite delivery systems.

In 2001, cable system operators and telecommunications companies began the deployment of residential video-on-demand capability allowing subscribers to watch video programming at any time with pause, rewind, fast forward and a number of additional interactive capabilities. All of the top ten North American cable system operators have deployed video-on-demand services in one or more major residential markets. The various on-demand applications offered by cable system operators and, increasingly, telecommunications operators include movies-on-demand, subscription video-on-demand, such as Home Box Office (HBO), as well as news, sports, music videos, games, and time-shifted television.

Cable companies have also begun to market telephony services. In response, telecommunications operators, notably AT&T and Verizon in the U.S., have initiated efforts to provide competitive digital television services. Their public statements regarding further network investments and other initiatives signal their strategic intentions to become significant players in video-on-demand and other interactive television services. Elsewhere, international telecommunications companies with high-speed network capacity are actively exploring and launching similar television services.

In addition, because cable television programming is transmitted over broadband (high bandwidth networks), cable system and telecom operators have the opportunity to segment and target their programming to viewers in selected geographies. In the future, we believe that the ability of operators to target viewers will extend to individual household-level targeting of advertisements in video-on-demand applications, generating revenues which may help support the worldwide deployment and growth of video-on-demand content and services.

Increased demand for video and audio content over the Internet will also require a substantial increase in storage capacity and bandwidth over time. We believe that cable system operators and telecommunications companies will play an integral role in providing these broadband Internet applications. We also believe that in order to offer high quality video applications over the Internet, cable system operators and telecommunications companies will need more storage and delivery systems capable of complex management and scheduling of video streams.

Broadcast Television Companies

Both domestically and internationally, broadcast television companies face a number of new challenges to their business. In digital broadcasting, changing ownership trends, new consumer alternatives (e.g., cable television, satellite television, or Internet) and evolving viewership models (e.g., Personal Video Recorders (PVR), cell phones, Personal Digital Assistants (PDA), etc.) are creating a more complex competitive environment for our customers that calls for greater efficiencies and business innovation. We believe broadcast television companies are therefore turning away from their out-dated tape-based systems with robotic libraries, which are cumbersome and require high levels of maintenance and manual intervention.

Some television broadcasters are using digital bandwidth to originate multiple program streams. As this application further develops, television broadcasters will require more video storage and delivery systems that can effectively manage and deliver these multiple television signals. As a result, we believe that television broadcasters will continue to automate their entire programming and advertising to reduce overall operating costs and improve reliability. In the near future we expect new opportunities to emerge for broadcasters and video-on-demand operators to create new business synergies that will likely require digital video storage and delivery systems.

SeaChange Business Segments

Broadband

Our high-bandwidth network, or Broadband, business is the foundation of our company and includes our video-on-demand (VOD) system which digitally manages, stores and distributes digital video. Our video-on-demand system allows cable system operators and telecommunications companies to offer video-on-demand and other interactive television services, including interactive advertising and retrieval of Internet content through the television. Our video-on-demand system can be deployed in either a residential environment or a commercial environment (e.g., hotels, schools, etc.) to deliver a wide variety of video services. Since 2000, we have been selected to supply our video-on-demand system in over 100 domestic and international commercial deployments of video-on-demand systems, including deployments by eight of the top 10 cable system operators in the United States, as well as large cable operators in Asia, Europe and Latin America. As of the end of 2007, there were approximately 94 million homes in the Americas that subscribed to cable or TV content through a computer network infrastructure, commonly referred to as IPTV. Approximately 34 million of these homes have access to video-on-demand and some research analysts are forecasting that access to video-on-demand will grow to over 42.0 million homes by the end of 2009.

Our video-on-demand platform is comprised of hardware in the form of servers that store and deliver video content, and software that manages the video assets, the network and the back-office functions of the service.

In 2006, we began selling our SeaChange Axiom video-on-demand software, independent of our VOD hardware and offering subscription services for the software in an effort to increase market share and enhance revenue stability through more recurring revenues. By porting our software to other third party hardware platforms, we expect to increase our market share through opportunities at competitive vendors installations.

Our Broadband business segment also includes our SPOT System for the insertion of advertisements and other short-form video into television network streams. Our advertising insertion products are available for both the traditional analog environment (the way that video signals have been transmitted for the past 60 years), and for the digital environment which provides the cable operator with a significant increase in available bandwidth, channel capacity and two-way capability. Based on currently available industry sources and our internal data, we believe our SPOT System is the leading analog video insertion system in the United States in the multichannel television market for advertisements and other short-form video. Over the last several years, our customers have begun to migrate to digital video ad insertion, and we believe our digital video ad insertion system is establishing a strong market position as well. The SPOT System automates the management and distribution process, which we believe reduces operating costs, provides high accuracy, high video image quality, and permits geographic and demographic specificity of advertisements. While the majority of our customers consist of major cable system operators and telecommunications companies in the United States, we have sold SPOT Systems to support over 55,000 channels throughout the world. Migration from the analog environment to the digital environment (particularly in the U.S.) has slowed demand for analog advertisement systems while accelerating demand for digital advertisement systems. In the future, we believe that our expertise in both the analog and digital advertising insertion market positions us well as the opportunities continue to develop for delivering interactive and targeted advertisements into television streams and into new media formats such as video-on-demand streams, games, and other applications.

A third component of our broadband business segment is our Seachange AdPulse On Demand advertising software platform that consists of two parts that include:

- An advertising and inventory management system called the SeaChange AdPulse On Demand Ad Manager; and

- A package of enhancements for the core VOD system called SeaChange Axiom Content Dynamics software that provides functions tailored to the special needs of managing, propagating, playing out and tracking of ads.

This system allows operators to generate new advertising revenue from inserting ads, dynamically, in on demand content while it provides detailed tracking and reporting on views and usage of inserted ads. 2007 saw the first commercial deployment of our SeaChange AdPulse On Demand advertising software platform.

Within our broadband business, our middleware and application business is focused on producing set-top client middleware software products and end-to-end interactive television applications, and performing system integration and software customization services. Our middleware and applications team is comprised of engineers located in Fort Washington, PA and San Mateo, CA. Our client middleware solutions include the VODlink® Platform Suite built for and deployed on common North American cable set top boxes and the TV Navigator platform deployed in Europe. We have also developed software that will allow us to deploy middleware for IPTV solutions in the telecom space.

Our middleware products consist of standards-based set top applications, head-end server components, software developer tools and a set of user applications. We have an open middleware architecture that can span both telecom and cable service provider deployments and is able to produce and facilitate a broad offering of applications that realize an end-to-end solution with other technologies. These include advanced asset management systems, our DVD on Demand services, electronic program guides that include support for video-on-demand, subscription video-on-demand like HBO (SVOD), Personal Video Recording (PVR) and Network Personal Video Recording (nPVR), advertising insertion in video-on-demand, and our Game Now game management system and streaming game technology. SeaChange middleware is currently deployed in over 2 million homes in North America and over 3 million homes in Europe.

In June of 2005, SeaChange made an $8.2 million investment in preferred stock of Casa Systems, Inc. representing a 19.8% ownership interest. Founded in 2003, Casa is a privately held technology company that has developed next generation broadband networking devices targeted at the growing market opportunity in interactive digital video and IP services over broadband networks. Based on innovative technologies, we believe that Casa s products may increase the efficiency while reducing the capital and operating expense of large scale deployments of video-on-demand, Interactive TV, Digital Video Recording (DVR), Switched Digital Video Broadcast (SDV), Video over Internet (video over IP) and broadband services.

Broadcast

Our Broadcast network business segment includes our Broadcast MediaCluster® system, which allows broadcast television companies to directly transmit content, such as commercials and other programming, for broadcast television companies, to their viewers through either single, multichannel or satellite-based delivery systems. We believe that our Broadcast MediaCluster system will effectively eliminate the need for analog tape libraries and provide broadcasters with the automated storage and playback features that they require and are seeking. Since 1998, we have installed our Broadcast MediaCluster system at more than 250 customer locations including network affiliates and multichannel operations in Asia, Europe and the Americas. In addition, we provide media companies, including studios, television networks, stations and cable and telecom operators, with the ability to interoperate with other devices (e.g., video editing and production equipment) within their customers enterprise as part of a client-server architecture with our SeaChange MediaClient system to support the streaming and storage requirements of digital video applications. As media companies take advantage of new video services, including video-on-demand, Internet video streaming, and High-Definition television, we believe that they will derive greater benefit from storing media in a digital format. Our MediaLibrary and MediaClient systems are designed to support the storage, streaming and conversion of digital media files for a variety of video services.

Services

SeaChange also provides and continues to expand its media content services, consisting of content aggregation and distribution, through the acquisition of On Demand Group Limited (ODG), completed in

September of 2005. ODG is a leader in Europe in the development and deployment of interactive media services. ODG specializes in aggregating content for video-on-demand and network video-on-demand (NVOD) platforms, and has provided services to cable operators in several countries in Europe. In December of 2007 ODG sold its 33% equity interest in FilmFlex Movies Limited (FilmFlex), a movie video-on-demand service that supplies movies to the UK cable industry, to FilmFlex s other investors Walt Disney Company Limited and Columbia Pictures Corporation Limited for approximately $18 million.

ODG also sources, acquires, packages, markets and accounts for Virgin Media s (the largest cable operator in the U.K.) video-on-demand services in the areas of music, children s, comedy and dramatic content. ODG has developed its own content rights management system and a content preparation center for incorporating video content from all of the major content suppliers around the world.

In Germany, the largest European market, ODG launched its own Pay-per-View service for Kabel Deutschland Germany (KDG) in fiscal 2007. KDG has approximately 9 million subscribers and has just begun to deploy digital services. We expect to transition the Pay-per-View service to a full fledged VOD service as the digital roll-out occurs. In addition, to augment the amount and variety of video content to be made available for KDG s Pay-per-View services and other prospective German service providers, ODG entered into a joint venture in fiscal 2008 with TeleMunchen Gruppe, a German media company whose activities include the production and acquisition of German-language feature films, television productions and classical music programs. In addition to providing pay-per -view services to KDG, the joint venture provided pay-per-view on VOD services to two additional customers during fiscal 2008.

In addition to media content services, SeaChange installs, maintains, and supports its hardware and software products in North America, Asia, South America and Europe. We currently provide installation, maintenance and technical support services to all our Broadband and Broadcast segment customers. With the addition of our middleware software products, we are also performing system integration, software customization and other professional services. We offer maintenance and technical support to customers, agents and distributors of our products on a 24-hour, seven-day a week basis, and our systems generally include at least one year of warranty support. We also offer basic and advanced on-site training for our customers.

Financial information about our business segments is included in Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements.

The SeaChange Solution

We are a leading developer, manufacturer and marketer of digital video systems and services. Our digital video systems, which include hardware, such as servers, as well as operations and applications software, automate the storage, management and distribution of video content such as movies, broadcast programming, games, advertising and other video content types. We market our products and services to cable system operators, telecommunications companies and broadcast television companies, and are actively exploring the marketing of our products to new customers that are entering the video-on-demand market. Our solutions are based on the following five core areas of functionality:

- Content aggregation, management and distribution;
- Storage and retrieval of video content to and from digital libraries;
- Automated distribution of video streams between digital libraries by means of local and wide-area data networks;
- Delivery of video streams over single and multiple channels; and
- Management of video sales, scheduling, billing and execution of related business transactions and services.

We use these core areas of functionality to provide solutions to a number of commercial markets and are focused on providing solutions to meet the opportunities presented by next-generation systems with increased levels of subscriber interactivity. Our systems are designed to provide a consistent set of features and benefits, including:

Viewer Targeting. Our digital video products enable broadband system operators (telecom and cable television companies) to efficiently target viewers in specific demographic or geographic groups. We believe this allows operators to capitalize on new revenue-generating opportunities from subscribers and advertisers. Using our video-on-demand system, broadband operators are able to offer interactive television services to individual residences or hotel rooms and, with our advertising system, can better target advertising campaigns to consumers.

Scalability. Our products are scalable in both video storage and video stream capacity. Our proprietary technology, including our patented single-copy storage system, the MediaCluster system, allows a single copy of content to be streamed through all available outputs without the need for duplication of content or re-routing between servers on the system. Our storage technology and distributed architecture results in a highly scalable system that reduces operational complexity and yields storage and bandwidth efficiencies as the amount of available content and the number of subscribers increase. Our products are scalable to the needs of our customers whether operating in a single channel system concentrated in one specific zone or a system with hundreds of channels serving multiple markets and a large number of users within each market.

Interoperability. Our products have been designed to be compatible with a wide range of hardware systems and software applications used by broadband system operators to deliver their digital video offerings. These include set top boxes from Motorola, Cisco Systems, Sony, Pioneer and Pace, a variety of programming guides including TV Guide, Passport and SARA, billing systems, service delivery systems and interactive application control software. Likewise, our broadcast systems interoperate with a range of systems and applications from such companies as Adobe Systems, Apple Computer, Avid Technology, Harris, Sony, Thomson and others.

Automation. Our automated system allows broadband system operators to distribute and manage content without significant human intervention. We believe this automation also allows our customers to minimize operating personnel and equipment requirements resulting in lower ongoing operating costs and opportunities for new services.

Reliability. Through the use of our proprietary MediaCluster technology and application software and low-cost standard computer industry components, our products are designed to be fault resilient, with no single point of failure, providing the high reliability required for television and video-on-demand operations.

Strategy

Our strategy is to be the leading provider of video solutions to meet the growing demand for on-demand solutions in the television industry. We develop, manufacture and market digital video systems and services that include the management, aggregation, licensing, storage, and distribution of video, television, gaming and advertising content. The key elements of our strategy are to:

Develop, *Maintain and Extend Long-term Customer Relationships*. We focus our product development, marketing and direct sales efforts on maintaining and extending long-term customer relationships with cable system operators, telecommunications companies and television broadcasters across the world. We have formed important relationships with customers that have grown from advertisement and other short-form video insertion to video-on-demand systems and other interactive television services, storage systems and streaming systems. We believe that the fundamental shift from broadcast to on-demand applications and the growing emphasis on interactive technologies will continue to present opportunities for us to develop, market and support solutions to our existing customers as well as to new additional markets.

Offer Integrated Solutions. Our customers operate complex networks that require the delivery and management of video programming across multiple channels and target zones. We believe that our integrated solutions can provide advantages in cost and implementation for digital video applications while interoperating with existing and emerging third-party equipment and software. To continue to address these needs, we intend to provide and further develop, internally and with our partners, integrated applications and support services for our customers. We believe that providing complete integrated solutions has been a significant factor in our success in the advertising and video-on-demand markets to date.

Establish and Maintain Technological Leadership. We believe our competitive position is dependent in large part on the features and performance of our systems. As a result, we focus our research and development efforts on introducing systems with improved hardware and software capabilities. We have been granted patents and have patents pending for our various technologies. We have received several awards for technological excellence, including an Emmy Award in 2001 for our patented MediaCluster storage technology and a second Emmy Award in 2004 for our video-on-demand system. As of January 31, 2008, 41% of our employees were focused on research and product development efforts.

Provide Superior Customer Service and Support. Our products operate in customer environments where continuous operation is critical. As a result, we believe that providing a high level of service and support gives us a competitive advantage and is a differentiating factor in developing and maintaining key customer relationships. Our in-depth industry and application knowledge allows us to better understand the service needs of our customers. As of January 31, 2008, 25% of our employees were dedicated to customer service and support, including project design and implementation, maintenance, installation and training. Customers have access to service personnel via 24-hour, seven-day a week telephone support. In addition, we believe that the acquisitions and investments that have been made by us in media services and in system integration and customization services have positioned us as an integral partner with our customers to ensure optimal performance of their systems.

Key Products and Services

SeaChange Video-On-Demand System

We have developed and are deploying a video-on-demand system to cable television companies and telecommunications companies within the Broadband segment. Our video-on-demand system consists of:

- MediaCluster video storage servers that reside at various points in a broadband network system and are used to play or stream videos as requested;

- SeaChange Axiom video operations services software to manage and control the system and to support integration with third-party systems and applications;

- SPOT advertising systems hardware and software and AdPulse On Demand Advertising System;

- Interactive middleware that enables cable operators outside North America to run multiple services, including high-definition television, video-on-demand, and personal video recorders on multiple platforms;

- Real-Time Record System, a time-shifting television application that enables broadcasted programming to be automatically encoded by broadband operators, with complete trick-mode functionality or video cassette recorder-like functionality; and

- Interfaces to digital headend modulators, control systems and subscriber management systems.

Our video-on-demand system allows our customers to offer the following interactive services to their subscribers:

Video-on-Demand. This interactive service allows residential users and commercial users (e.g., hotel guests, academic institutions) to review lists of available movies and/or programming content, order individual movies and/or programs and view them in real-time. Using this service, subscribers gain full control over the video stream.

Subscription Video-on-Demand. This service provides premium channel offerings, such as those offered by HBO, Showtime or Starz, in an on-demand manner, as well as on a scheduled basis. Similar to our video-on-demand service, our subscription video-on-demand service allows subscribers to review lists of available premium channel content, order individual programs and watch them at home with full video recorder control.

In addition, our video-on-demand system is designed to support interactive services that are being developed by broadband system operators including:

Networked Digital Video Recording. This service provides users with interactive control over broadcasted television programming, enabling viewers to watch sports, news, and other program types with full video cassette recorder and personal video recorder-like (e.g., TiVo recorders) control over the video stream. We enable the provision of this service through our servers and software located in broadband local transmission sites known as headends. We believe this service also has the potential to accommodate new advertising techniques, such as ad replacement or limited fast-forward functionality.

Targeted and Interactive Advertising. This service will support interactive advertising, or advertising where the subscriber controls the path and delivery of an advertisement, in a video-on-demand service and in other forms of programming that result in a dedicated communications link between the subscriber s set top box and the video-on-demand system itself. This service will be competitive with those provided by direct marketing and direct mail firms and may allow purchases over the television, such as one might do with a web browser over the Internet.

DVD on Demand Service. This interactive service brings DVD functionality to video-on-demand applications and provides a common standard for distributing and presenting video content. Our software tools and applications provide the capability to transform DVDs, including their menus and content chapter and options, to video-on-demand applications, which potentially offers movie studios and a variety of other video content producers the opportunity to leverage the significant DVD market.

SeaChange SPOT System

Our family of SPOT Systems automates the complex process of advertisement and other video insertion across multiple channels and geographic zones for cable system operators and telecommunications companies primarily in the Broadband segment. Through our embedded proprietary software, our SPOT System allows cable system and telecom operators to insert local and regional advertisements and other video streams into a specific time allocated by cable television networks such as CNN, MTV, ESPN, Black Entertainment Television, Discovery Channel and Nickelodeon. The SPOT System is also capable of inserting advertising into digital cable channels and delivering targeted advertising, as well as advertising with interactive links to content on video-on-demand systems, as well as to other interactive advertising systems.

The SPOT System is an integrated solution composed of hardware platforms, software applications, data networks and easy to use graphical interfaces. Our SPOT System is designed to be installed at local transmission sites, known as headends, and advertising sales business offices. Our video insertion process consists of six steps:

Encoding. The process begins with our encoding software, which in real time transforms and compresses analog to digital short-and long-form video.

Storage. Our SPOT System organizes, manages and stores these video streams in a disk-based video library capable of storing thousands of advertisements.

Scheduling. Our advertising management software coordinates with the traffic and billing application to determine the designated time slot, channel and geographic zone for each video stream.

Distribution. Our strategic digital video software then copies the video files from the master video library and distributes them over the operator s data network to appropriate headends, where they are stored in video servers for future play.

Insertion. Following a network cue, our video switch module automatically inserts the video stream into the network feed (initiating the analog conversion, if necessary), where they are then seen by television viewers.

Verification. After the video streams run, our proprietary software and hardware verifies the content, accuracy, timing and placement of these video streams to facilitate proper customer billing.

SeaChange AdPulse On Demand Advertising System

The SeaChange AdPulse System consists of an advertising and inventory management system called the SeaChange AdPulse On Demand Ad Manager and a package of enhancements for the core VOD system called SeaChange Axiom Content Dynamics software that provide functions tailored to the special needs of managing, propagating, playing out and tracking of ads.

Key features of the AdPulse On Demand Ad Manager include:

Inventory Management the ability to define advertising avails (slots) in on demand content. The inventory is managed by creating an inventory definition that specifies a content group (by program, provider, or content category) to which the inventory definition will apply, then specifying the number and placement of ad breaks and the number of spots per break for programs in that content group.

Order Entry the ability to specify the rules by which different ad copy will be inserted into on demand content by assigning advertising copy to defined inventory.

Dynamic Ad Placement Decisions the ability to modify a playlist at run-time to add, delete, or change ads played with assets based on defined ad placement rules.

Interior Ad Breaks ad insertion and /or replacement at ad breaks within an on demand content stream if interior ad breaks are marked with SCTE-35 descriptors.

Operational Reporting the ability to view and track aspects of the overall operation of the SeaChange AdPulse Manager, such as whether advertising copy required to execute an order has been received and propagated.

Business Reporting the ability to view and track specific business aspects of the SeaChange AdPulse Manager, such as which inventory has been sold and which is unsold, a summary of orders from a specific client, etc.

Verification Reporting the ability to track and view data about execution of orders, views of ad copy, and user action during the ad views.

SeaChange MediaLibrary System

The SeaChange MediaLibrary system is a mass storage system designed for media companies, including studios, television networks, stations and cable and telecommunications (telco) operators. The system utilizes our patented MediaCluster technology and stores any media file, independent of format and compression. This approach separates operators application decisions from their storage requirements, enabling all the client systems within a television facility, such as SeaChange s MediaClient on-air servers, non-linear editors, archives, and other media tools to share a centralized, fault-resilient online storage resource. The MediaLibrary system has been deployed by a number of television operators to date and is sold in both the Broadband and Broadcast segments.

SeaChange MediaClient System

The SeaChange MediaClient system is a media device equipped with product-specific video hardware and applications software. The device is designed for use by media companies, including studios, television networks, stations and cable and telecom operators, to interoperate with other devices within their customers enterprise as part of a client/server architecture. Introduced in 2004, the SeaChange MediaClient system typically operates as an adjunct to the SeaChange MediaLibrary system to support the streaming and storage requirements of digital video applications and is sold in both the Broadband and Broadcast segments.

We believe that as media companies take advantage of new and various video services, including video-on-demand, Internet video streaming, and High-Definition television, among others, they will derive greater benefit from the storage of media in a digital format. The MediaLibrary and the MediaClient systems are designed to support the storage, streaming and conversion of digital media files for a variety of video services.

SeaChange Broadcast MediaCluster System

Our Broadcast MediaCluster System is composed of multiple individual video servers arranged in a cluster acting as one system. This system is designed to provide high-quality digital based video storage and playback for use with automation systems in broadcast television stations. This product is intended to replace on-air tape decks used to store and play back advertising, movies and other programming from video tape cart systems and, in some cases, to replace the cart systems themselves. Our Broadcast MediaCluster System is designed for customers both in larger broadcast television markets, which use station automation systems, and in smaller markets, which use control software included in the system. This product is sold within the Broadcast segment.

As with the video-on-demand system in the Broadband segment, our Broadcast MediaCluster System is designed to simultaneously record, encode, store to a disk and play video content using compression and decompression hardware. This product is designed to seamlessly integrate into television broadcasters current tape-based operations and meet the high performance requirements of television broadcasters. Our Broadcast MediaCluster System has features that enable the television broadcaster to have end-to-end functionality and reliability, including one feature that enables broadcasters to schedule its programming for a week of television content.

Service and Support

We install, maintain and support our hardware and software products in North America, Europe, Asia and South America. We offer basic and advanced on-site training for customer employees. We currently provide installation, maintenance and technical support to all our customers. We offer maintenance and technical support to customers, agents and distributors of our hardware, software and systems on a 24-hour, seven-day a week basis. Generally, our product sales include at least one year of free maintenance.

SeaChange has expanded into media content services, consisting of content aggregation and distribution, through the acquisition of ODG, completed in fiscal 2006. ODG is a leader in Europe in the development and deployment of interactive media services. ODG specializes in aggregating content for video-on-demand and network video-on-demand (NVOD) platforms, and has provided services to cable operators in more than 20 countries in Europe.

Customers

We currently sell our products primarily to cable system operators, broadcast and telecommunications companies.

Our customer base is highly concentrated among a limited number of large customers, primarily due to the fact that the cable, movie, broadcast, and telecommunications industries in the United States are dominated by a limited number of large companies. A significant portion of our revenues in any given fiscal period have been derived from substantial orders placed by these large organizations. In the years ended January 31, 2008, 2007 and 2006 total revenues from our five largest customers represented approximately 57%, 64% and 54%, respectively, of our total revenues. Customers accounting for more than 10% of total revenues consisted of Comcast (32%) and Virgin Media Inc. (13%) in the year ended January 31, 2008; Comcast (37%) and Virgin Media Inc. (16%) in the year ended January 31, 2007; and Comcast (25%) in the year ended January 31, 2006. We expect that we will continue to be dependent upon a limited number of customers for a significant portion of our revenues in future periods. As a result of this customer concentration, our business, financial condition and results of operations could be materially adversely affected by the failure of anticipated orders to materialize and by deferrals or cancellations of orders as a result of changes in customer requirements or new product announcements or introductions. In addition, the concentration of customers may cause variations in revenue, expenses and operating results on a quarterly basis due to seasonality of orders or the timing and relative size of orders received and shipped during a fiscal quarter.

We do not believe that our backlog at any particular time is meaningful as an indicator of our future level of sales for any particular period. Because of the nature of our products and our use of standard components, substantially the entire backlog at the end of a quarter can be manufactured and shipped to the customer before the end of the following quarter. However, because of the requirements of particular customers these orders may not be shipped or, if shipped, the related revenues may not be recognized in the ensuing quarter. Therefore, there is no direct correlation between the backlog at the end of any quarter and our total sales for the following quarter or other periods.

Selling and Marketing

We sell and market our products in the United States primarily through a direct sales organization and internationally through direct sales and independent agents and distributors, complemented by a coordinated marketing effort of our product marketing personnel. Direct sales activities in the United States are conducted from our Massachusetts headquarters and through sales representatives deployed across the country. We also market certain of our products to systems integrators and value-added resellers.

In light of the complexity of our digital video products, we primarily employ a consultative direct sales process. Working closely with customers to understand and define their needs enables us to obtain better information regarding market requirements, enhance our expertise in our customers industries, and more effectively and precisely convey to customers how our solutions address the customer s specific needs. In addition to the direct sales process, customer references and visits by potential customers to sites where our products are in place are often critical in the sales process.

We use several marketing programs focused on our targeted markets to support the sale and distribution of our products. We use exhibitions at a limited number of prominent industry trade shows and conferences and presentations at technology seminars to promote awareness of us and our products. We also publish articles in trade and technical journals and promotional product literature.

Research and Product Development

Our management believes that our success will depend to a substantial degree upon our ability to develop and introduce in a timely fashion new integrated solutions and enhancements to our existing products that meet changing customer requirements in our current and new markets. We have made, and intend to continue to make, substantial investments in product and technological development. Our direct sales and marketing groups closely monitor changes in customer needs, changes in the marketplace and emerging industry standards, and are therefore better able to focus our research and development efforts to address these evolving industry requirements.

Our research and development expenditures totaled approximately $42.7 million, $40.9 million and $34.5 million for the years ended January 31, 2008, 2007 and 2006 respectively. At January 31, 2008, 356 employees were engaged in research and product development. We believe that the experience of our product development personnel is an important factor in our success. We perform our research and product development activities at our headquarters and in offices in New Hampshire, Pennsylvania, California, and China.

Manufacturing

Our manufacturing operation is located at our facility in Acton, Massachusetts. This manufacturing operation consists primarily of component and subassembly procurement, systems integration and final assembly, testing and quality control of the complete systems. We rely on independent contractors to manufacture components and subassemblies to our specifications. Each of our products undergoes testing and quality inspection at the final assembly stage.

Competition

The markets in which we compete are characterized by intense competition, with a large number of suppliers providing different types of products to different segments of the markets. In new markets for our products, we compete principally based on price. In markets in which we have an established presence, we compete principally on the basis of the breadth of our products features and benefits, including the flexibility, scalability, professional quality, ease of use, reliability and cost effectiveness of our products, and our reputation and the depth of our expertise, customer service and support. While we believe that we currently compete favorably overall with respect to these factors and that our ability to provide integrated solutions to manage, store and distribute digital video differentiates us from our competitors, in the future we may not be able to continue to compete successfully with respect to these factors. In the market for long-form video products including video-on-demand, we compete with various companies offering video server platforms such as Concurrent Computer Corp., Arris Group Inc. (through its 2007 acquisition of C-Cor Corporation), Motorola, Inc. (through its 2006 acquisition of Broadbus Technologies, Inc.) and Cisco Systems, Inc. (through its 2006 acquisition of Arroyo Video Solutions, Inc.). In the television broadcast market, we compete against Thomson, Omneon Video Networks, Sony Corporation and Leitch Incorporated. In the digital advertisement insertion market, we generally compete only with Arris Group Inc. (through its acquisition of C-Cor Corporation). We expect the competition in each of these markets to intensify in the future as existing and new competitors with significant market presence and financial resources, including computer hardware and software companies and television equipment manufacturers, enter these rapidly evolving markets.

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

Proprietary Rights

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

Employees

As of January 31, 2008, we employed 861 persons, including 356 in research and development, 218 in customer service and support, 87 in selling and marketing, 36 in manufacturing and 88 in general and administration functions. We believe that our relations with our employees are good. None of our employees are represented by a collective bargaining agreement.

Geographic Information

Geographic information is included in Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements.

Available Information

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

Financial and other information about SeaChange, including SeaChange s Code of Ethics and Business Conduct and charters for SeaChange s Audit Committee, Compensation and Option Committee and Corporate Governance and Nominating Committee, is available on our website (*www.schange.com*). We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained on our web site is not incorporated by reference into this document and should not be considered a part of this Annual Report. Our web site address is included in this document as an inactive textual reference only.

ITEM 1A. Risk Factors

Any statements contained in this Form 10-K that do not describe historical facts may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance and are identified by words such as may, will, could, should, expect, plan, intend, seek, anticipate, believe, estimate, potentia comparable terms or the negative of those terms. Forward-looking statements in this Form 10-K include certain statements regarding the effect of certain accounting standards on our financial position and results of operations, the effect of certain legal claims against us, projected changes in our revenues, earnings and expenses, exchange rate sensitivity, interest rate sensitivity, liquidity, product introductions, industry changes and general market conditions. Our actual future results may differ significantly from those stated in any forward-looking statements. Any such forward-looking statements contained herein are based on current expectations, but are subject to a number of risks and uncertainties that may cause actual results to differ materially from expectations. Factors that may cause such differences include, but are not limited to, the factors discussed below. Each of these factors, and others, are discussed from time to time in our filings with the SEC.

Our future success is dependent on the continued development of the video-on-demand market and if video-on-demand does not gain broad market acceptance, our business may not continue to grow.

An increasing portion of our revenue in the last year has come from sales and services related to our video-on-demand products. However, the video-on-demand market continues to develop as a commercial market and may not gain broad market acceptance. The potential size of the video-on-demand market and the timing of its development are uncertain. The success of this market requires that broadband system operators, particularly the seven largest domestic cable system operators, continue to upgrade their cable networks to support digital two-way transmission service and successfully market video-on-demand and similar services to their cable television subscribers. Some cable system operators are still in the early stages of commercial deployment of video-on-demand service to major residential cable markets and, accordingly, to date our digital video systems have been commercially available only to a limited number of subscribers. Also, the telecommunications companies have also begun to adapt their networks to support digital two-way transmission and begun marketing video-on-demand services. If cable system operators and telecommunications companies fail to make the capital expenditures necessary to upgrade their networks or determine that broad deployment of video-on-demand services is not viable as a business proposition or if our digital video systems cannot support a substantial number of subscribers while maintaining a high level of performance, our revenues will not grow as we have planned.

In addition, a number of well-funded companies have been discussing broadband Internet VOD services for home television viewing. If these products are developed they may be more cost effective than our VOD solutions, which could result in cable system operators and telecommunications companies discontinuing purchases of our on-demand products.

Because our customer base is highly concentrated among a limited number of large customers, the loss of or reduced demand of these customers could have a material adverse effect on our business, financial condition and results of operations.

Our customer base is highly concentrated among a limited number of large customers, and, therefore, a limited number of customers account for a significant percentage of our revenues in any year. In fiscal 2008 our five largest customers accounted for 57% of our revenues. Our five largest customers have accounted for approximately half to three quarters of our revenues in each of the past five years. Our largest customer represented approximately 32% of our revenues in fiscal 2008. We generally do not have written agreements that require customers to purchase fixed minimum quantities of our products. Our sales to specific customers tend to vary significantly from year to year depending upon these customers budgets for capital expenditures and our new product introductions. We believe that a significant amount of our revenues will continue to be derived from a limited number of large customers in the future. The loss of, or reduced demand for products or related services from, any of our major customers could have a material adverse effect on our business, financial condition and results of operations.

In addition, the industry has experienced consolidation among our customers which may cause delays or reductions in capital expenditure plans and/or increased competitive pricing pressures as the number of available customers decline and their relative purchasing power increases in relation to suppliers. Any of these factors could adversely affect our business.

Cancellation or deferral of purchases of our products could cause our operating results to be below the expectations of the public market stock analysts who cover our stock, resulting in a decrease in the market price of our common stock.

We derive a substantial portion of our revenues from purchase orders that exceed $1.0 million in value. Therefore, any significant cancellation or deferral of purchases of our products could have a material adverse effect on our business, financial condition and results of operations in any particular quarter due to the resulting decrease in revenue and gross margin and our relatively fixed costs. In addition, to the extent significant sales occur earlier than expected, operating results for subsequent quarters may be adversely affected because our operating costs and expenses are based, in part, on our expectations of future revenues, and we may be unable to adjust spending in a timely manner to compensate for any revenue shortfall. Because of these factors, in some future quarter our operating results may be below the expectations of public market analysts and investors which may adversely affect the market price of our common stock.

Timing of significant customer orders may cause our quarterly operating results to fluctuate, making period-to-period comparisons of our operating results less meaningful.

We have experienced significant variations in the revenue, expenses and operating results from quarter to quarter and these variations are likely to continue. We believe that fluctuations in the number of orders being placed from quarter to quarter are principally attributable to the buying patterns and budgeting cycles of broadband system operators, including telecommunications companies, and broadcast companies, the primary buyers of the digital video-on-demand, advertising and broadcast systems, respectively. We expect that there will continue to be fluctuations in the number and value of orders received. As a result, our results of operations have in the past and likely will, at least in the near future, fluctuate in accordance with this purchasing activity making period-to-period comparisons of our operating results less meaningful. In addition, because these factors are difficult for us to forecast, our business, financial condition and results of operations for one quarter or a series of quarters may be adversely affected and below the expectations of public market analysts and investors, resulting in a decrease in the market price of our common stock.

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

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

If there were a decline in demand or average selling prices for our broadband products, including our Video-On-Demand Systems and Advertising Systems, our revenues and operating results would be materially affected.

We expect our broadband products to continue to account for a significant portion of our revenues. Accordingly, a decline in demand or average selling prices for our broadband products, whether as a result of new product introductions by others, price competition, technological change, inability to enhance the products in a timely fashion, or otherwise, could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to manage our growth and the related expansion in our operations effectively, our business may be harmed through a diminished ability to monitor and control effectively our operations, and a decrease in the quality of work and innovation of our employees.

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

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

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

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

The industry in which we operate is characterized by vigorous protection and pursuit of intellectual property rights or positions, which on occasion, have resulted in significant and often protracted litigation. We have from time to time received, and may in the future receive, communications from third parties asserting infringements on patent or other intellectual property rights covering our products or processes. We have been involved in significant intellectual property litigation, and we may be a party to litigation in the future to enforce our intellectual property rights or as a result of an allegation that we infringe others intellectual property. Any parties asserting that our products infringe upon their proprietary rights would force us to defend ourselves and possibly our customers or manufacturers against the alleged infringement, as many of our commercial agreements require us to defend and/or indemnify the other party against intellectual property infringement claims brought by a third party with respect to our products. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages and invalidation of our proprietary rights. In the case of a willful infringement, any such damages may be trebled. This possibility of multiple damages serves to increase the incentive for plaintiffs to bring such litigation. In addition, these lawsuits, regardless of their success, would likely be time-consuming and expensive to resolve and would divert management time and attention away from our operations.

Although we carry general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. In addition, any potential intellectual property litigation also could force us to stop selling, incorporating or using the products that use the infringed intellectual property or obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, although this license may not be available on reasonable terms, or at all, or redesign those products that use the infringed intellectual property. If we are forced to take any of the foregoing actions, our business may be seriously harmed.

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

The success of the video-on-demand market is contingent on content providers, such as movie studios, permitting their content to be licensed for use in this market. Content providers may, due to concerns regarding either or both marketing and illegal duplication of the content, limit the extent to which they provide content to the video-on-demand market. A limitation of content for the video-on-demand market would indirectly limit the market for our video-on-demand system which is used in connection with that market.

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

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

Because we purchase certain material components used in manufacturing our products from sole suppliers and we use a limited number of third party manufacturers to manufacture our products, our business, financial condition and results of operations could be materially adversely affected by a failure of these suppliers or manufacturers.

Certain key components of our products are currently purchased from a sole supplier, including computer chassis manufactured by Enclosure Concepts, Inc., switching gear from EGO Systems, an interface controller video transmission board manufactured by Cyclone Microsystems, Inc., encoder and decoder hardware from Matrox and software from Cinegy Gmbh, operating system and applications software from Microsoft and various components from Intel. We have in the past experienced quality control problems, where products did not meet specifications or were damaged in shipping, and delays in the receipt of these components. These problems were generally of short duration and did not have a material adverse effect on our business and results of operations. However, we may in the future experience similar types of problems which could be more severe or more prolonged. While we believe that there are alternative suppliers available for these components, we believe that the procurement of these components from alternative suppliers could take up to a year. In addition, these alternative components may not be functionally equivalent or may be unavailable on a timely basis or on similar terms. The inability to obtain sufficient key components as required, or to develop alternative sources if and as required in the future, could result in delays or reductions in product shipments which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

In addition, we rely on a limited number of third parties who manufacture certain components used in our products. While to date there has been suitable third party manufacturing capacity readily available at acceptable quality levels, in the future there may not be manufacturers that are able to meet our future volume or quality requirements at a price that is favorable to us. Any financial, operational, production or quality assurance difficulties experienced by these third party manufacturers that result in a reduction or interruption in supply to us could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

We currently compete against both computer companies offering video server platforms and more traditional analog video playback systems. In the digital advertisement insertion market, we compete against suppliers of both analog tape-based and digital systems.

Due to the rapidly evolving markets in which we compete, additional competitors with significant market presence and financial resources, including computer hardware and software companies and television equipment manufacturers, may enter those markets, thereby further intensifying competition. Increased competition could result in price reductions and loss of market share which would adversely affect our business, financial condition and results of operations. Many of our current and potential competitors have greater financial, selling and marketing, technical and other resources than we do. Moreover, our competitors may also foresee the course of market developments more accurately than we. Although we believe that we have certain technological and other advantages over our competitors, realizing and maintaining these advantages will require a continued high level of investment by us in research and product development, marketing and customer service and support. In the future we may not have sufficient resources to continue to make these investments or to make the technological advances necessary to compete successfully with our existing competitors or with new competitors.

If we are unable to compete effectively, our business, prospects, financial condition and operating results would be materially adversely affected because of the difference in our operating results from the assumptions on which our business model is based.

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

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

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

International product and service revenues ranged from 12% to 40% of our total revenues in each of the past five years. Our international operations are expected to continue to account for a significant portion of our business in the future. However, in the future we may be unable to maintain or increase international sales of our products and services. International sales are subject to a variety of risks, including:

- difficulties in establishing and managing international distribution channels;
- difficulties in selling, servicing and supporting overseas products and in translating products into foreign languages;
- the uncertainty of laws and enforcement in certain countries relating to the protection of intellectual property;
- multiple and possibly overlapping tax structures;
- currency and exchange rate fluctuations;
- negative tax consequences such as withholding taxes and employer payroll taxes; and
- economic or political changes in international markets.

Our financial condition and results of operations could be materially adversely affected by the performance of the companies in which we have made and may in the future make equity investments.

We have made non-controlling equity investments in complementary companies, including On Demand Deutschland GmbH & Co. KG, Casa Systems, Inc., Minerva Networks, Inc. and InSite One, Inc., and we may in the future make additional investments in these and/or other companies. These investments may require additional capital and may not generate the expected rate of return that we believed possible at the time of making the investment. This may adversely affect our financial condition or results of operations. Also, investments in development-stage companies may generate other than temporary declines in fair value of our investment that would result in impairment charges.

Future acquisitions may be difficult to integrate, disrupt our business, dilute stockholder value or divert management attention.

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

difficulties in assimilation of acquired personnel, operations, technologies or products which may affect our ability to develop new products and services and compete in our rapidly changing marketplace due to a resulting decrease in the quality of work and innovation of our employees upon which our business is dependent; and

adverse effects on our existing business relationships with suppliers and customers, which may be of particular importance to our business because we sell our products to a limited number of large customers, we purchase certain components used in manufacturing our products from sole suppliers and we use a limited number of third party manufacturers to manufacture our product.

In addition, if we consummate acquisitions through an exchange of our securities, our existing stockholders could suffer significant dilution. Any future acquisitions, even if successfully completed, may not generate any additional revenue or provide any benefit to our business.

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

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

We may not be able to hire and retain highly skilled employees, particularly managerial, engineering, customer service, selling and marketing, finance, administrative and manufacturing personnel, which could affect our ability to compete effectively because our business is technology-based and there is a shortage of these employees within the New England area.

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

We are currently not able to use a short-form registration statement on Form S-3, and this may impede our ability to raise funds or consummate an acquisition.

Because we were late in filing our Quarterly Report on Form 10-Q for the second fiscal quarter of 2008, we are not currently eligible to use a short-form registration statement on Form S-3. Subject to our making timely filings and the satisfaction of certain other criteria, we will regain eligibility to use the Form S-3 registration statement on October 24, 2008. Until that time, the inability to use the short-form registration statement could delay or impede our ability to either consummate a public offering of our shares or consummate an acquisition in which the selling stockholders are to receive shares of our stock that are freely tradable, either of which event could adversely impact our results of operation and financial condition.

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

Section 404 of the Sarbanes-Oxley Act of 2002 requires that companies evaluate and report on their systems of internal control over financial reporting. In addition, our independent registered public accounting firm must report on its evaluation of those controls. In future periods, we may identify deficiencies, including as a result of the loss of the services of one or more of our key personnel, in our system of internal controls over financial reporting that may require remediation. There can be no assurances that any such future deficiencies identified may not be significant deficiencies or material weaknesses that would be required to be reported in future periods.

We may have additional tax liabilities.

We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our income tax provision, net income, or cash flows in the period or periods for which that determination is made.

In 2006, we received an audit notification from the Internal Revenue Service (IRS) requesting materials relating to our 2004 through 2007 federal tax return. As of January 31, 2008, we continue to provide information relating to the audit and have not received or agreed upon any final adjustment from the IRS.

In addition, we are subject to sales, use and similar taxes in many countries, jurisdictions and provinces, including those states in the United States where we maintain a physical presence or have a substantial nexus. These taxing regimes are complex. For example, in the United States, each state and local taxing authority has its own interpretation of what constitutes a sufficient physical presence or nexus to require the collection and remittance of these taxes. Similarly, each state and local taxing authority has its own rules regarding the applicability of sales tax by customer or product type.

System errors, failures, or interruptions could cause delays in shipments, require design modifications or replacements which may have a negative impact on our business and damage our reputation and customer relationships.

System errors or failures may adversely affect our business, financial condition and results of operations. Despite our testing and testing by current and potential customers, not all errors or failures may be found in our products or, if discovered, successfully corrected in a timely manner. These errors or failures could cause delays in product introductions and shipments or require design modifications that could adversely affect our competitive position. Further, some errors may not be detected until the systems are deployed. In such a case, we may have to undertake major replacement programs to correct the problem. Our reputation may also suffer if our customers view our products as unreliable, whether based on actual or perceived errors or failures in our products.

Further, a defect, error or performance problem with our on-demand systems could cause our customers VOD offerings to fail for a period of time or be degraded. Any such failure would cause customer service and public relations problems for our customers. As a result, any failure of our customers systems caused by our technology, including the failure of third party technology incorporated therein or therewith, could result in delayed or lost revenue due to adverse customer reaction, negative publicity regarding us and our products and services and claims for substantial damages against us, regardless of our responsibility for such failure. Any claim could be expensive and require us to spend a significant amount of resources. In circumstances where third party technology incorporated with or in our systems includes a defect, error or performance problem or fails for any reason, we may have to replace such third party technology at our expense and be responsible to our customers for their corresponding claims. Such replacements or claims could be expensive and could require us to spend a significant amount of resources.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Location	Principal Use	Square Feet
Acton, Massachusetts	Corporate Headquarters, video software engineering and manufacturing	120,000
Greenville, New Hampshire	Video Storage engineering, logistics and services	24,000
Greenville, New Hampshire	Video server and broadcast product engineering	13,000
Fort Washington, Pennsylvania	Software Development, digital video and interactive television	14,000

In addition, we also maintain small research and development and/or sales and support offices in Illinois, Nevada, California, England, France, Ireland, Singapore, Japan, India, Philippines, and China. We believe that existing facilities are adequate to meet our foreseeable requirements.

ITEM 3. Legal Proceedings

Litigation

None.

Other Matters

SeaChange provides indemnification, to the extent permitted by law, to its 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 SeaChange s request in such capacity. With respect to acquisitions, SeaChange provides indemnification to or assumes indemnification obligations for the current and former directors, officers and employees of the acquired companies in accordance with the acquired companies bylaws and charter. As a matter of practice, SeaChange has maintained directors and officers liability insurance including coverage for directors and officers of acquired companies.

SeaChange enters into agreements in the ordinary course of business with customers, resellers, distributors, integrators and suppliers. Most of these agreements require SeaChange to defend and/or indemnify the other party against intellectual property infringement claims brought by a third party with respect to SeaChange s products. From time to time, SeaChange also indemnifies 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 SeaChange s products and services or resulting from the acts or omissions of SeaChange, its employees, authorized agents or subcontractors. For example, SeaChange has received requests from several of its customers for indemnification of patent litigation claims asserted by Acacia

Media Technologies, USA Video Technology Corporation and VTran Media Technologies. Management performed an analysis of all requests under Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies* (SFAS 5) and determined that as of January 31, 2008 $120,000 was estimable and probable and has recorded an accrual.

SeaChange warrants that its products, including software products, will substantially perform in accordance with its standard published specifications in effect at the time of delivery. Most warranties have at least a one year duration that generally commence upon installation. In addition, SeaChange provides maintenance support to all customers and therefore allocates a portion of the product purchase price to the initial warranty period and recognizes revenue on a straight line basis over that warranty period related to both the warranty obligation and the maintenance support agreement. When SeaChange receives 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.

In the ordinary course of business, SeaChange provides minimum purchase guarantees to certain of its vendors to ensure continuity of supply against the market demand. Although some of these guarantees provide penalties for cancellations and/or modifications to the purchase commitments as the market demand decreases, most of the guarantees do not. Therefore, as the market demand decreases, SeaChange re-evaluates the accounting implications of guarantees and determines what charges, if any, should be recorded.

With respect to its agreements covering product, business or entity divestitures and acquisitions, SeaChange provides certain representations and warranties and agrees to indemnify and hold such purchasers harmless against breaches of such representations, warranties and covenants. Many of the indemnification claims have a definite expiration date while some remain in force indefinitely. With respect to its acquisitions, SeaChange may, from time to time, assume the liability for certain events or occurrences that took place prior to the date of acquisition.

SeaChange provides such guarantees and indemnification obligations after considering the economics of the transaction and other factors including but not limited to the liquidity and credit risk of the other party in the transaction. SeaChange believes that the likelihood is remote that any such arrangement could have a material adverse effect on its financial position, results of operation or liquidity. SeaChange records liabilities, as disclosed above, for such guarantees based on the Company s best estimate of probable losses which considers amounts recoverable under any recourse provisions.

ITEM 4. Submission of Matters to a Vote of Securities Holders

No matters were submitted during the fourth quarter of the fiscal year ended January 31, 2008 to a vote of security holders of the Company through the solicitation of proxies or otherwise.

PART II

ITEM 5. Market for Registrant s Common Equity and Related Stockholder Matters
Market Information

Our common stock (symbol, SEAC) began trading on NASDAQ on November 5, 1996 and currently trades on the Nasdaq Global Select Market (formerly, the Nasdaq National Market). Prior to this date, there was no established public trading market for the Company s common stock.

On April 9, 2008, the last reported sale price of our common stock on NASDAQ was $6.99 per share and there were approximately 150 holders of record of our common stock. We believe that the number of beneficial holders of our common stock exceeds 6,000.

The following table sets forth the quarterly high and low closing sales prices per share reported on NASDAQ for our last two fiscal years ended January 31, 2008 and 2007.

	Fiscal year 2008		Fiscal year 2007	
	High	**Low**	**High**	**Low**
First Quarter	$ 10.83	$ 7.85	$ 9.83	$ 6.73
Second Quarter	$ 9.19	$ 6.98	$ 7.26	$ 6.03
Third Quarter	$ 7.94	$ 6.06	$ 9.15	$ 6.45
Fourth Quarter	$ 8.11	$ 5.10	$ 10.63	$ 8.17

Dividend Policy

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

Equity Compensation Plan Information

The following table provides information about the common stock that may be issued upon the exercise of options, warrants and rights under all of SeaChange s existing equity compensation plans as of January 31, 2008, including the Amended and Restated 2005 Equity Compensation Incentive Plan, the Amended and Restated 1995 Stock Option Plan, the 1996 Non-Employee Director Stock Option Plan and the Third Amended and Restated 1996 Employee Stock Purchase Plan.

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders(1)	4,884,205(2)	$ 14.99	2,688,487(3)
Equity compensation not approved by security holders(4)	160,134	$ 14.71	0
Total	5,044,339	$ 14.98(5)	2,688,487

(1) Consists of the Amended and Restated 2005 Equity Compensation Incentive Plan, the Amended and Restated 1995 Stock Option Plan, the 1996 Non-Employee Director Stock Option Plan and the Third Amended and Restated 1996 Employee Stock Purchase Plan. Does not include 230,508 shares of restricted common stock issued under the Amended and Restated 2005 Equity Compensation Incentive Plan,

since such shares are issued and outstanding.

(2) Excludes the shares to be issued for the period ended May 31, 2008 under the Third Amended and Restated 1996 Employee Stock Purchase Plan, because the number of shares to be issued upon exercise of currently outstanding options thereunder cannot be determined, as it will be determined on May 31, 2008, the last day of the payment period, and will be for a maximum of 1,125 shares per eligible participant.

(3) As of January 31, 2008, 2,563,336 shares remained available for issuance under the Amended and Restated 2005 Equity Compensation Incentive Plan and 125,151 shares remained available for grant under the Third Amended and Restated 1996 Employee Stock Purchase Plan.

(4) Pursuant to the Video-on-Demand Purchase Agreement, dated as of December 1, 2000, by and between SeaChange and Comcast Cable Communications of Pennsylvania, Inc., Comcast has been issued warrants exercisable for 450,000 shares of common stock. As disclosed in SeaChange s Current Report on Form 8-K filed October 6, 2004, Comcast exercised certain of these warrants and there remains outstanding today one warrant exercisable for 160,134 shares of common stock with a per share exercise price of $14.71 and which is nonforfeitable and freely exercisable.

(5) Excludes the weighted average exercise price for shares to be issued under the Third Amended and Restated 1996 Employee Stock Purchase Plan, as amended, because the weighted average exercise price of currently outstanding options thereunder cannot be determined, as it will be equal to 85% of the lower of the average market price of the common stock on December 1, 2007 and May 31, 2008, the first and last business day of the applicable payment period.

Repurchase of our Equity Securities

On February 13, 2008, SeaChange International s Board of Directors authorized the repurchase of up to $20.0 million of its common stock, par value $.01 per share, through a share repurchase program. As authorized by the program, shares may be purchased in the open market or through privately negotiated transactions, in a manner consistent with applicable securities laws and regulations. This stock repurchase program does not obligate the Company to acquire any specific number of shares and may be suspended or discontinued at any time. All repurchases are expected to be funded from the Company s current cash and investments balances. The Company does not intend to repurchase any shares from its management team or other insiders.

STOCK PERFORMANCE GRAPH

The following graph compares the change in the cumulative total stockholder return on SeaChange s common stock during the period from the close of trading on January 31, 2003 through January 31, 2008, with the cumulative total return on the Center for Research in Securities Prices (CRSP) Index for the Nasdaq Stock Market (U.S. Companies) and a SIC Code Index based on the SeaChange s SIC Code. The comparison assumes $100 was invested on January 31, 2003 in SeaChange s common stock at the $7.57 closing price on that date and in each of the foregoing indices and assumes reinvestment of dividends, if any.

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

Notes:

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

B. If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.

C. The Index level for all series was set to 100 on January 31, 2003.

ITEM 6. Selected Financial Data

The following consolidated selected financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	Year ended January 31,				
	2008	2007	2006	2005	2004
	(in thousands, except for per share data)				
Consolidated Statement of Operations Data:					
Revenues:					
Product (hardware, software and systems)	$ 105,769	$ 95,000	$ 73,516	$ 113,764	$ 112,227
Services	74,124	66,334	52,748	43,539	35,939
	179,893	161,334	126,264	157,303	148,166
Costs of revenues:					
Product (hardware, software and systems)	52,464	48,334	45,555	60,158	64,824
Services	46,465	37,189	28,315	25,755	22,687
	98,929	85,523	73,870	85,913	87,511
Gross profit	80,964	75,811	52,394	71,390	60,655
Operating expenses:					
Research and development	42,699	40,917	34,475	29,536	26,060
Selling and marketing	23,073	22,383	18,681	18,069	16,673
General and administrative	20,283	19,193	14,254	10,330	9,144
Amortization of intangibles	2,952	5,664	2,201	1,333	1,599
	89,007	88,157	69,611	59,268	53,476
(Loss) income from operations	(8,043)	(12,346)	(17,217)	12,122	7,179
Interest income, net	1,927	1,355	2,038	962	1,734
Impairment on investment in affiliate		(150)			(313)
Gain on sale of investment in affiliate	10,031				
Income (loss) before income taxes and equity income (loss) in earnings of affiliates	3,915	(11,141)	(15,179)	13,084	8,600
Income tax (expense) benefit	(2,156)	1,632	2,941	(3,070)	(3,169)
Equity income (loss) in earnings of affiliate, net of tax	1,143	1,272	39	(148)	137
Net income (loss)	$ 2,902	$ (8,237)	$ (12,199)	$ 9,866	$ 5,568
Earnings (loss) per share:					
Basic	$ 0.10	$ (0.29)	$ (0.43)	$ 0.36	$ 0.21
Diluted	$ 0.10	$ (0.29)	$ (0.43)	$ 0.34	$ 0.20
Consolidated Balance Sheet Data (as of January 31):					
Working capital	$ 86,236	$ 57,820	$ 45,759	$ 126,397	$ 99,195
Total assets	217,896	199,296	207,797	212,628	182,579
Deferred revenues	19,103	21,806	20,045	21,342	16,437
Long-term liabilities	3,391	1,121	1,353		209
Total liabilities	52,494	42,876	54,053	47,794	36,661
Total stockholders equity	165,402	156,420	153,744	164,834	145,918

ITEM 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis together with our consolidated financial statements, related notes and other financial information appearing elsewhere in this report. In addition to historical information, the following discussion and other parts of this report contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to a number of factors including risks discussed in Item 1A. Risk Factors, and elsewhere in this Annual Report on Form 10-K. These risks could cause our actual results to differ materially from any future performance suggested below.

Overview

We are a leading developer, manufacturer and marketer of digital video systems and services including the management, aggregation, licensing, storage, and distribution of video, television, gaming and advertisement content to cable system operators, telecommunications companies and broadcast television companies.

We have three reportable segments: Broadband, Broadcast and Services. The Broadband segment includes hardware, software and systems, such as our digital advertising and video-on-demand products that digitally manage, store and distribute digital video for cable system operators and telecommunications companies. The Broadcast segment includes products for the storage, archival, on-air playback of advertising and other video programming for the broadcast television industry. Our hardware, software and systems (product) revenues are comprised of sales originating from our Broadband and Broadcast segments. The Services segment is comprised of revenue related to professional services, media content services, installation, training, project management, product maintenance and technical support for the above products.

We have experienced fluctuations in our product revenues from quarter to quarter due to the timing of the receipt of customer orders and the shipment of those orders. The factors that impact the timing of the receipt of customer orders include among other factors:

- the customer s receipt of authorized signatures on their purchase orders;
- the budgetary approvals within the customer s company for capital purchases; and
- the ability to process the purchase order within the customer s organization in a timely manner.

Factors that may impact the shipment of customer orders include:

- the availability of material and labor to produce the product;
- the time required to produce and test the product before delivery; and
- the customer s required delivery date.

The delay in the timing of receipt and shipment of any one customer order can result in significant fluctuations in our revenue reported on a quarterly basis.

Our operating results are significantly influenced by a number of factors, including the mix of products sold and services provided, pricing, costs of materials used in our products and the expansion of our operations during the fiscal year. We price our products and services based upon our costs and consideration of the prices of competitive products and services in the marketplace. The costs of our products primarily consist of the costs of components and subassemblies that have generally declined from product introduction to product maturity. As a result of the growth of our business, our operating expenses have historically increased in the areas of research and development, selling and marketing, customer service and support and administration. In the current state of the economy, we expect that our Broadband and Broadcast customers may still have limited capital spending budgets as we believe they are dependent on advertising revenues to fund their capital equipment purchases.

Accordingly, we expect our financial results to vary from quarter to quarter, and our historical financial results are not necessarily indicative of future performance. In light of the higher proportion of our international business due, in part, to our acquisitions of the European-based businesses of Liberate Technologies and the On Demand Group, Ltd (ODG) in fiscal 2006, we expect movements in foreign currency exchange rates to continue to impact our operating results and the equity section of our balance sheet.

Our ability to continue to generate revenues within the markets that our products are sold and to generate cash from operations and net income is dependent on several factors which include:

- market acceptance of the products and services offered by our customers and increased subscriber usage and demand for these products and services;
- selection by our customers of our products and services versus the products and services being offered by our competitors;
- our ability to introduce new products to the market in a timely manner and to meet the demands of the market for new products and product enhancements;
- our ability to maintain gross margins from the sale of our products and services at a level that will provide us with cash to fund our operations given the pricing pressures within the market and the costs of materials and labor to manufacture our products; and
- our ability to control operating costs given the fluctuations that we have experienced with revenues from quarter to quarter.

In September 2005, SeaChange purchased the remaining 72.4% of the outstanding capital stock of ODG. As a result of this acquisition, SeaChange owned 100% of ODG and a 33.3% equity investment in FilmFlex Movies Limited (FilmFlex), a company based in the United Kingdom. The purchase agreement provided for additional contingent consideration to the former shareholders of ODG, if ODG met certain financial goals. The contingent consideration was paid or issued in four installments. In May 2006, SeaChange paid $3.0 million in cash to satisfy the first installment. On June 30, 2006, SeaChange and the former shareholders of ODG amended the original purchase agreement to provide for the acceleration of the second installment of contingent consideration in exchange for the issuance of 341,360 shares of SeaChange s common stock having a fair market value of $2.3 million as of the date of the amendment. In December 2007 SeaChange and the former shareholders of ODG amended the original purchase agreement to provide the former shareholders of ODG 417,304 shares of SeaChange s common stock in March 2008 having a fair market value of $3.2 million as of the date of the amendment in satisfaction of the third installment. On March 13, 2008, SeaChange and the former stockholders of ODG amended the original purchase agreement to provide for the satisfaction of the final contingent by consideration through the issuance of 714,084 shares of SeaChange's common stock having a fair market value of $4.9 million as of the date of the amendment. As of January 31, 2008 the Company recorded the third and fourth contingent consideration installments totaling $8.1 million, as additional goodwill for the step up acquisition of ODG.

SeaChange held a 33.3% equity investment in FilmFlex which was founded in 2004 by ODG, Columbia Pictures Corporation Limited (Sony) and Walt Disney Company Limited (Disney) to provide an exclusive video on demand movie service for Virgin Media. Each of the investors owned 33.3% of FilmFlex. On December 21, 2007, SeaChange sold all of the shares held by ODG in FilmFlex to the two other existing shareholders of FilmFlex (Sony and Disney) and to FilmFlex. The aggregate consideration received by ODG in connection with this sale was $17.9 million in cash resulting in a gain of approximately $10.0 million. This gain was $2.6 million lower than the $12.6 million gain previously disclosed in the Company s March 13, 2008 earnings press release that announced its unaudited fiscal 2008 fourth quarter and year end financial results due to the reduction of goodwill associated with Filmflex. Concurrent with the FilmFlex divestiture, ODG executed a two year outsourcing services agreement in which ODG will continue to provide FilmFlex with selected planning, production and operations support services.

Summary of Critical Accounting Policies; Significant Judgments and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. These items are regularly monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are recorded in the period in which they become known. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantially accurate.

We believe that the accounting policies described below are critical to understanding our business, results of operations and financial condition because they involve significant judgments and estimates used in the preparation of our consolidated financial statements. An accounting policy is deemed to be critical if it requires a judgment or accounting estimate to be made based on assumptions about matters that are highly uncertain, and if different estimates that could have been used, or if changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements. Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed below, are also critical to understanding our consolidated financial statements. The notes to our consolidated financial statements contain additional information related to our accounting policies and should be read in conjunction with this discussion.

Principles of Consolidation. The Company consolidates the financial statements of its wholly owned subsidiaries and all inter-company accounts are properly eliminated in consolidation. SeaChange also holds minority investments in the capital stock of certain private companies having product offerings or customer relationships that have strategic importance. The Company evaluates its equity and debt investments and other contractual relationships with affiliate companies in order to determine whether the guidelines of FASB Interpretation (FIN) No. 46, *Consolidation of Variable Interest Entities* (FIN 46R), as revised under FIN 46R should be applied in the financial statements. FIN 46R addresses consolidation by business enterprises of variable interest entities that possess certain characteristics. The Company has concluded that it is not the primary beneficiary for any variable interest entities as of January 31, 2008. The Company s investments in affiliates include investments accounted for under the cost method and the equity method of accounting. The investments that represent less than a 20% ownership interest of the common shares of the affiliate are carried at cost. Under the equity method of accounting, which generally applies to investments that represent 20% to 50% ownership of the common shares of the affiliate, SeaChange s proportionate ownership share of the earnings or losses of the affiliate are included in equity income (loss) in earnings of affiliates in the consolidated statement of operations.

Revenue Recognition and Allowance for Doubtful Accounts. The accounting related to revenue recognition is complex and affected by interpretations of the rules and an understanding of industry practices. As a result, revenue recognition accounting rules require us to make significant judgments. Our judgment is required in assessing the probability of collection, which is generally based on evaluation of customer-specific information, historical collection experience and economic market conditions. Revenues from sales of hardware, software and systems that do not require significant modification or customization of the underlying software are recognized when title and risk of loss has passed to the customer, there is evidence of an arrangement, fees are fixed or determinable and collection of the related receivable is considered probable. Customers are billed for installation, training, project management and at least one year of product maintenance and technical support at the time of the product sale. Revenue from these activities are deferred at the time of the product sale and recognized ratably over the period these services are performed. Revenue from ongoing product maintenance and technical support agreements are recognized ratably over the period of the related agreements. Revenue from software development contracts that include significant modification or customization, including software product enhancements, is recognized based on the percentage of completion contract accounting method using labor efforts expended in relation to estimates of total labor efforts to complete the contract. For contracts, where some level of profit is assured but the Company is only able to estimate ranges of amounts of total contract revenue and total contract cost, the Company uses the lowest probable level of profits in accounting for the contract revenues and costs. Accounting for contract amendments and customer change orders are included in contract accounting when executed. Revenue from shipping and handling costs and other out-of-pocket expenses reimbursed by customers are included in revenues and cost of revenues. Our share of inter-company profits associated with sales and services provided to affiliated companies are eliminated in consolidation in proportion to our equity ownership.

Our transactions frequently involve the sales of hardware, software, systems and services in multiple element arrangements. Revenues under multiple element arrangements are recorded based on the residual method of accounting. Under this method, the total arrangement value is allocated first to undelivered elements, based on their fair values, with the remainder being allocated to the delivered elements. The amounts allocated to undelivered elements, which may include project management, training, installation, maintenance and technical support and hardware and software components, are based upon the price charged when these elements are sold separately and unaccompanied by the other elements. The amount allocated to installation, training and project management revenue is based upon standard hourly billing rates and the estimated time required to complete the service. These services are not essential to the functionality of systems as these services do not alter the equipment s capabilities, are available from other vendors and the systems are standard products. For multiple element arrangements that include software development with significant modification or customization and systems sales where vendor-specific objective evidence of the fair value does not exist for the undelivered elements of the arrangement (other than maintenance and technical support), percentage of completion accounting is applied for revenue recognition purposes to the entire arrangement with the exception of maintenance and technical support. Where fair value of undelivered service elements has not been established, the total arrangement value is recognized over the period during which the services are performed. For transactions in which consideration, including equity instruments, is given to a customer, SeaChange accounts for the value of this consideration as an adjustment to revenue. We must apply judgment in determining all elements of the arrangement and in determining the fair value for each element.

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

Any taxes assessed by a governmental authority related to revenue-producing transactions (e.g. sales or value-added taxes) are reported on a net basis and excluded from revenues.

Inventories Reserves. Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Inventories consist primarily of components and subassemblies and finished products held for sale. All of SeaChange s hardware components are purchased from outside vendors.

The costs and net realizable value of inventories are reviewed quarterly. SeaChange records charges to reduce inventory to its net realizable value when impairment is identified through the quarterly review process. For inventory that has been written down to its net realizable value, the reserve is released upon sale or disposal of this inventory.

Our manufacturing, finance and operations personnel monitor quarterly the inventories to determine that the carrying value is stated at the lower of cost or net realizable value. We record charges to reduce inventory to its net realizable value when impairment is identified through the quarterly management review process. Obsolete inventory, consisting of on-hand components, subassemblies and finished products, is written down to its estimated net realizable value, if less than cost. The obsolescence evaluation is based upon assumptions and estimates about future demand and possible alternative uses and involves significant judgments. For the years ended January 31, 2008, 2007, and 2006, we recorded inventory write-downs of $2.1 million, $1.1 million, and $1.0 million.

Investments in Affiliates. Investments in affiliates include equity investments accounted for under the cost method or the equity method of accounting. For investments that represent less than a 20% ownership interest of the affiliate, the investments are carried at cost. Under the equity method of accounting, which generally applies to investments that represent 20% to 50% ownership of the common stock of the affiliate, our proportionate ownership share of the earnings or losses of the affiliate is recorded as equity income (loss) in earnings of affiliates in our consolidated statement of operations. We are required to exercise judgment in determining whether an investment is more accurately reflected using the cost or equity method.

We periodically review indicators of the fair value of our investments in affiliates in order to assess whether available facts or circumstances, both internally and externally, may suggest a non-temporary decline in the value of the investment. The carrying value of an investment in an affiliate may be affected by the affiliate s ability to obtain adequate funding and execute its business plans, general market conditions, industry considerations specific to the affiliate s business, and other factors. The inability of an affiliate to obtain future funding or successfully execute its business plan could adversely affect our equity earnings of the affiliate in the periods affected by those events. Future adverse changes in market conditions or poor operating results of the affiliates could result in equity losses or an inability to recover the carrying value of the investments in affiliates that may not be reflected in an investment s current carrying value, thereby possibly requiring an impairment charge in the future. We record an impairment charge when we believe an investment has experienced a decline in value that is other-than-temporary.

Accounting for Acquisitions. We have completed business acquisitions that resulted in goodwill and other intangible asset balances. Our accounting for acquisitions involves judgments and estimates primarily, but not limited to: the estimates of fair values of certain acquired intangible assets which may involve projections of future revenues and cash flows, of acquired tangible acquired assets, of assumed liabilities and contingencies; and the estimated useful lives of acquired long-lived assets; and the accounting for income taxes in purchase accounting. The values we record for goodwill and other intangible assets represent fair values primarily calculated by using a discounted cash flow valuation method. Such valuations depend upon significant estimates and assumptions that are derived from information obtained from the management of the acquired businesses and our business plans for the acquired businesses or intellectual property. These estimates and assumptions used in the initial valuation of goodwill and intangible assets include, but are not limited to:

future expected cash flows from product sales, customer contracts and acquired developed technologies and patents,

expected costs to complete any in-process research and development projects and commercialize viable products and estimated cash flows from sales of such products,

the acquired companies brand awareness and market position, assumptions about the period of time over which we will continue to use the acquired products or services, and

discount rates.

These estimates and assumptions may be incomplete or inaccurate because unanticipated events and circumstances may occur. If estimates and assumptions used to initially value goodwill and intangible assets prove to be inaccurate, ongoing reviews of the carrying values of such goodwill and intangible assets, as discussed below, may indicate impairment which will require us to record an impairment charge in the period in which we identify the impairment. Changes in assumptions and estimates related to acquisitions could have a material impact on our financial position or results of operations.

Valuation of Goodwill and Other Long-Lived Assets. Other long-lived assets include $28.1 million of property and equipment, $6.8 million of intangible assets and goodwill of $29.5 million as of January 31, 2008. The intangible assets have been subject to amortization since acquisition. We review goodwill for impairment annually and periodically review both goodwill and intangibles for the existence of facts or circumstances, both internal and external, which may suggest an asset is not recoverable that is, the carrying amount of the asset exceeds the sum of the undiscounted cash flows expected to result from the asset s use and eventual disposition. Factors we consider important that could trigger the impairment review include:

significant underperformance relative to historical or projected future operating results;

significant negative industry or economic trends;

significant decrease in the market value of the long-lived asset;

significant adverse change to the extent or manner in which a long-lived asset is being used or in its physical condition;

significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset;

significant decline in our stock price for a sustained period;

significant decline in our technological value as compared to the market; and

a reduction in our market capitalization relative to net book value.

If such circumstances exist, we evaluate the carrying value of long-lived assets to determine if impairment exists based upon estimated undiscounted future cash flows over the remaining useful life of the assets and comparing that value to the carrying value of the assets. If the carrying value of the asset is greater than the estimated future undiscounted cash flows, the asset is written down to its estimated fair value. We determine the estimated fair value of the assets on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model. In determining expected future cash flows, assets are grouped at the lowest level for which cash flows are identifiable and independent of cash flows from other asset groups. Our cash flow projections contain management s best estimates, using appropriate and customary assumptions and projections at the time. We believe there is no impairment of goodwill and other long-lived assets as of January 31, 2008.

During the second quarter of fiscal 2008, the Company determined that purchased capitalized software licenses that were classified as Other assets on the Company s Condensed Consolidated Balance Sheets were impaired as of July 31, 2007, resulting in a reduction to Other assets of $4.1 million and a corresponding increase to Cost of revenues on the Company s Consolidated Statement of Operations for the year ended January 31, 2008. The Company concluded that three separate capitalized software licenses that were purchased for eventual use in current and future products of the Company were impaired during the Company s fiscal second quarter based on its determination that triggering events had occurred during this period that warranted consideration of

an impairment of long-lived assets. During this period, two product line general managers were terminated, both of whom had direct responsibility for incorporating the capitalized software licenses into new or existing products. The replacements for the terminated general managers, with Company management concurrence, abandoned plans to use the capitalized software licenses in any new or existing Company products during the fiscal year ended January 31, 2008. With no identified future cash flows to substantiate further capitalization of these software licenses, the Company determined these assets to be impaired during the fiscal year ended January 31, 2008.

Share-based Compensation. Prior to February 1, 2006, we accounted for all of employee and non-employee director stock-based compensation awards using the intrinsic value method under APB 25, and provided the required disclosures in accordance with SFAS 123. Effective February 1, 2006, we adopted the provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R) using the modified prospective transition method. In accordance with that transition method, we have not restated prior periods for the effect of compensation expense calculated under SFAS 123R. We have continued to use the Black-Scholes pricing model as the most appropriate method for determining the estimated fair value of all applicable awards.

Determining the appropriate fair value model and calculating the fair value of share-based payment awards requires the input of highly subjective assumptions, including the expected life of the share-based payment awards and stock price volatility. Management estimated the volatility based on the historical volatility of our stock. The assumptions used in calculating the fair value of share-based payment awards represent management s best estimates, but these estimates involve inherent uncertainties and the application of management s judgment. As a result, if circumstances change and we use different assumptions, our share-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the share-based compensation expense could be significantly different from what we have recorded in the current period.

On January 26, 2006, the Company accelerated the vesting of certain unvested stock options with exercise prices equal to or greater than $9.00 per share that were previously awarded to its employees, including its executive officers and non-employee directors, under the Company s equity compensation plans. The decision to accelerate vesting of these stock options was made primarily to reduce compensation expense that would otherwise be recognized after the adoption of SFAS 123R on February 1, 2006.

Accounting for Income Taxes. As part of the process of preparing our financial statements, we are required to estimate our provision for income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure, including assessing the risks associated with tax audits, together with assessing temporary differences resulting from the different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our balance sheet.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. We evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. We will record a valuation allowance if the likelihood of realization of the deferred tax assets in the future is reduced based on an evaluation of objective verifiable evidence. Significant management judgment is required in determining our income tax expense (benefit), our deferred tax assets and liabilities and any valuation allowance recorded against our deferred tax assets. We have established a valuation allowance against our deferred tax assets due to indications that they may not be fully realized. The amount of the deferred tax asset considered realizable is subject to change based on future events, including generating sufficient pre-tax income in future periods. In the event that actual results differ from these estimates, our provision for income taxes could be materially impacted.

The Company has maintained a full valuation allowance against its U.S. deferred tax assets primarily due to the significant historical pre-tax losses and the significant ongoing uncertainties surrounding the ability of the U.S. entity, SeaChange International, Inc., to generate pre-tax income for fiscal 2009 and thereafter. In addition, SeaChange maintains a valuation allowance for the full amount of certain foreign tax assets. At January 31, 2008, the valuation allowance was $13.3 million.

Income Tax Contingencies. In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 supersedes SFAS No. 5, *Accounting for Contingencies*, as it relates to income tax liabilities and lowers the minimum threshold a tax position is required to meet before being recognized in the financial statements from probable to more likely than not (i.e., a likelihood of occurrence greater than fifty percent). Under FIN 48, the recognition threshold is met when an entity concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination by the relevant taxing authority. Those tax positions failing to qualify for initial recognition are recognized in the first interim period in which they meet the more likely than not standard, or are resolved through negotiation or litigation with the taxing authority, or upon expiration of the statute of limitations. Derecognition of a tax position that was previously recognized occurs when an entity subsequently determines that a tax position no longer meets the more likely than not threshold of being sustained. FIN 48 was adopted by the Company on February 1, 2007 (see Note 10).

Accounting for Contingencies. We are subject to certain claims and litigation, including proceedings under government laws and regulations and commercial disputes relating to our operations, including ordinary routine litigation incidental to our business. We review and determine which liabilities, if any arising from these claims and litigations could have a material adverse effect on our consolidated financial position, liquidity or results of operations. We assess the likelihood of any adverse judgments or outcomes as well as potential ranges of probable losses. Under SFAS No. 5, *Accounting for Contingencies* ("SFAS 5"), loss contingency liabilities are recorded for these contingencies based on careful analysis of each matter with the assistance of outside counsel when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable.

Foreign Currency Translation. We have determined that the functional currency of all but one of our foreign subsidiaries is the U.S. dollar. Where the U.S. dollar is designated as the functional currency of an entity, we translate that entity s monetary assets and liabilities denominated in local currencies into U.S. dollars (the functional and reporting currency) at current exchange rates, as of each balance sheet date. Nonmonetary assets (e.g., inventories, property, plant, and equipment and intangible assets) and related income statement accounts (e.g., cost of sales, depreciation, amortization of intangible assets) are translated at historical exchange rates between the functional currency (the U.S. dollar) and the local currency. Revenue and other expense items are translated using average exchange rates during the fiscal period. Translation adjustments and transactions gains and losses on foreign currency transactions, and any unrealized gains and losses on short-term inter-company transactions are included in income.

For the single foreign subsidiary where the local currency is designated as the functional currency, we translate its assets and liabilities into U.S. dollars (the reporting currency) at current exchange rates as of each balance sheet date. Revenue and expense items are translated using average exchange rates during the period. Cumulative translation adjustments are presented as a separate component of stockholders equity. Exchange gains and losses on foreign currency transactions and unrealized gains and losses on short-term inter-company transactions are included in income.

Fiscal Year Ended January 31, 2008 Compared to the Fiscal Year Ended January 31, 2007

The following table sets forth summarized consolidated financial information for each of the two fiscal years ended January 31, 2008 and 2007.

	Year ended January 31, 2008	2007
	(in thousands)	
Broadband revenues:		
Video-on-demand revenues	$ 76,045	$ 74,447
Advertising revenues	15,100	10,458
Total Broadband revenues	91,145	84,905
Broadcast revenues:	14,624	10,095
Total Product Revenues	105,769	95,000
Total Service Revenue	74,124	66,334
Total Revenue	179,893	161,334
Product Cost of Revenues	52,464	48,334
Services Cost of Revenues	46,465	37,189
Total Cost of Revenues	98,929	85,523
Product Gross Profit	53,305	46,666
Services Gross Profit	27,659	29,145
Total Gross Profit	80,964	75,811
Operating expenses:		
Research and Development	42,699	40,917
Selling and Marketing	23,073	22,383
General and Administrative	20,283	19,193
Amortization of Intangibles	2,952	5,664
Total Operating Expenses	89,007	88,157
Income (loss) from operations	(8,043)	(12,346)
Interest income, net	1,927	1,355
Impairment on investment in affiliate		(150)
Gain on sale of investment in affiliate	10,031	
Income (loss) before income taxes and equity income in earnings of affiliates	3,915	(11,141)
Income tax (provision) benefit	(2,156)	1,632
Equity income in earnings of affiliates, net of tax	1,143	1,272
Net income (loss)	$ 2,902	$ (8,237)

For the fiscal year ended January 31, 2008, our total revenues increased 12% to $179.9 million from the fiscal year ended January 31, 2007. For the fiscal year ended January 31, 2008, two customers each accounted for more than 10% and collectively accounted for 45% of our total revenues and these same two customers each accounted for more than 10% and collectively accounted for 53% of our total revenues for the year ended January 31, 2007. Revenues from these customers were primarily in the Broadband segment. We believe that a significant amount of our revenues will continue to be derived from a limited number of customers.

International products and services revenues accounted for approximately 38% and 33% of total revenues in the fiscal years ended January 31, 2008 and 2007, respectively. Customers in the U.S. and United Kingdom each accounted for more than 10% and collectively accounted for 80% and 87% of total revenue in the fiscal year ended January 31, 2008 and 2007, respectively. Revenues from European customers amounted to $40.8 million and $39.7 million in the fiscal years ended January 31, 2008 and 2007, respectively. We expect that international

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products and services revenues will remain a significant portion of our business in the future. Since substantially all our product sales are made in United States dollars (USD), we have not experienced, nor do we expect to experience in the near term, any material impact from fluctuations in foreign currency exchange rates on our results of operations. ODG has designated the Great Britain Pound (GBP) as its functional currency, with their service sales, primarily payable in GBP, providing a natural hedge for payments in local currency. Thus, we do not expect to experience, nor have we experienced any material impact on our results from fluctuations in foreign currency transactions from ODG operations. However, since the ODG operation is translated to USD for reporting purposes, translation gains and losses, as a result of foreign currency rate fluctuations, are recorded in the equity section of our balance sheet. We continue to expect exposure in fluctuations in the USD/GBP exchange rate in the equity section of our balance sheet in the future.

Product Revenues. Our product revenues consist of sales of hardware, software and systems from our Broadband and Broadcast segments. Our total product revenues increased 11% to $105.8 million in the fiscal year ended January 31, 2008 from $95.0 million in the fiscal year ended January 31, 2007.

Revenues from the Broadband segment, which accounted for 86% of product revenues in the fiscal year ended January 31, 2008 and 89% of product revenues in the fiscal year ended January 31, 2007, increased to $91.1 million in fiscal 2008 from $84.9 million in fiscal 2007. Advertising product revenues increased 44% to $15.1 million in the fiscal year ended January 31, 2008 as compared to $10.5 million in the fiscal year ended January 31, 2007. The year over year increase in advertising product revenues was driven primarily by the increased high definition advertising insertion requirements for North American-based cable, telephone and satellite customers. Video-on-demand product revenues increased to $76.0 million in the fiscal year ended January 31, 2008 as compared to $74.4 million in the fiscal year ended January 31, 2007. The increase in video-on-demand product revenues was derived primarily from increased software development revenue in connection with the VOD Purchase Agreement with Comcast and increased software development revenue derived from the middleware contract with Virgin Media offset by lower VOD software license revenue.

Our Broadcast product revenues increased by 45% to $14.6 million in the fiscal year ended January 31, 2008 compared to $10.1 million in the fiscal year ended January 31, 2007. The year over year increase in revenues related primarily to significant orders from U.S, and European customers.

Services Revenues. Our services revenues consist of fees for installation, training, project management, product maintenance and technical support, software development, and movie content services. Our services revenues increased 12% to $74.1 million in the fiscal year ended January 31, 2008 from $66.3 million in the fiscal year ended January 31, 2007. The growth of Services revenue is due to an increase of ODG s media content services of $4.8 million or 37% year over year primarily from increased content processing revenue from Virgin Media along with increased professional services revenue from new customers in Europe and Latin America. In addition, $5.0 million is attributable to an increase in VOD maintenance revenue related to increased system deployments compared to the previous year.

Product Gross Profit. Costs of product revenues consist primarily of the cost of purchased material components and subassemblies, labor and overhead costs relating to the final assembly and testing of complete systems, and related expenses and labor and overhead costs related to software development contracts. Costs of product revenues increased to $52.5 million compared to $48.3 million in the fiscal year ended January 31, 2007 resulting in product gross profit of 50% of related revenues in fiscal year 2008 compared to 49% in fiscal 2007. The increase in product gross profit percentages between years is due mainly to a significant increase in Broadcast product gross profit percentage due to increased revenue and a favorable customer mix partially offset by significant expenses incurred in the second quarter of fiscal 2008 related to impaired assets and headcount reductions.

Services Gross Profit. Cost of services revenues consist primarily of labor, materials and overhead relating to the installation, training, product maintenance and technical support, software development, project management and costs associated with providing media services. Costs of services revenues increased from

$37.2 million in the fiscal year ended January 31, 2007 to $46.5 million in the fiscal year ended January 31, 2008. The decrease in service gross profit percentage to 37% from 44% was primarily due to headcount-related costs to service our increased installed base of systems, our anticipation of increased revenue outside the U.S and additional costs at ODG as it expanded its operations beyond the U.K.

Research and Development. Research and development expenses consist primarily of the compensation of development personnel, depreciation of development and test equipment and an allocation of related facilities expenses. Research and development expenses increased from $40.9 million, or 25% of total revenues, in the fiscal year ended January 31, 2007 to $42.7 million, or 24% of total revenues, in the fiscal year ended January 31, 2008. The increase is primarily due to an increase in salaries and benefits of $3.5 million which includes employee severance expenses of $763,000 related to headcount reductions occurring in the second quarter of fiscal year ended January 31, 2008, higher performance based compensation, and lower absorption of engineering expenses for customer software development. The increase was offset by decreases in research and development materials cost of $827,000, a decrease in sabbatical expense of $400,000, and contract labor of $440,000. We expect that research and development expenses will continue to increase in the fiscal year ended January 31, 2009 as we continue our development of our new products and enhancements.

Selling and Marketing. Selling and marketing expenses consist primarily of compensation expenses, including sales commissions, travel expenses and certain promotional expenses. Selling and marketing expenses increased 3.1% from $22.4 million or 14% of total revenues in the fiscal year ended January 31, 2007 to $23.1 million, or 13% of total revenues, in the fiscal year ended January 31, 2008. Selling and marketing expenses as a percentage of revenues are relatively flat year over year. This increase in total expenses is primarily due to $940,000 in increased salaries and benefits attributable to the hiring of additional sales and marketing employees, increased commissions of approximately $1.0 million due to higher revenues offset by lower distributor commissions of $400,000 and lower tradeshow expenses of $450,000. We expect selling and marketing expenses to increase in fiscal 2009 as we continue to expand our product offerings and increase our selling presence in overseas markets.

General and Administrative. General and administrative expenses consist primarily of the compensation of executive, finance, human resource and administrative personnel, legal and accounting services and an allocation of related facilities expenses. In the fiscal year ended January 31, 2008, general and administrative expenses of $20.3 million, or 11% of total revenues, increased from $19.2 million, or 12% of total revenues, in the fiscal year ended January 31, 2007. General and administrative expenses as a percentage of revenues are relatively flat year over year. General and administrative expenses increased due primarily to increased headcount related expenses of $1.8 million and $1.0 million of performance-based compensation offset by lower general and administrative expenses at ODG.

Amortization of Intangibles. Amortization expense consists of the amortization of acquired intangible assets which are operating expenses and not considered costs of revenues. Amortization of intangible assets was $3.0 million in the fiscal year ended January 31, 2008 and $5.7 million in the fiscal year ended January 31, 2007. Amortization is based on the future economic value of the related intangible assets which is generally higher in earlier years of the assets lives. The sale of the Company s equity investment in FilmFlex and the related intangible assets also contributed to the decrease in amortization expense from the year ended January 31, 2008 compared to the year ended January 31, 2007. The table below classifies the amortization expense by its source category, sales and marketing or general and administrative expense.

	For the year ended January 31, 2008	**For the year ended January 31, 2007**
	(in thousands)	
Sales and marketing expense	$ 2,842	$ 5,446
General and administrative expense	110	218
Amortization expense	$ 2,952	$ 5,664

An additional $490,000 and $643,000 of amortization expense related to acquired technology was charged to cost of sales for the years ended January 31, 2008 and 2007, respectively.

Interest Income and Interest Expense. Interest income was $2.0 million in the fiscal year ended January 31, 2008 and $1.5 million in the fiscal year ended January 31, 2007. The increase in interest income in comparison to the year ended January 31, 2007 is primarily due to higher prevailing interest rates on our marketable securities invested and the increase of our cash and marketable securities as a result of the sale of the Company s equity investment in FilmFlex during the year ended January 31, 2008. Interest expense was $54,000 for the fiscal year ended January 31, 2008 as compared to $96,000 for the fiscal year ended January 31, 2007.

Impairment on Investment in Affiliate. Impairment on investment in affiliate was $150,000 in the fiscal year ended January 31, 2007 due to the impairment of a small investment in an affiliate company.

Equity Income in Earnings of Affiliates. Equity income in earnings of affiliates was $1.1 million in the fiscal year ended January 31, 2008 compared with $1.3 million in the fiscal year-ended January 31, 2007. The equity income in earnings of affiliates consists of our proportionate ownership share of the net income (loss) under the equity method of accounting. For fiscal 2008 (until December 2007, when we sold our equity investment), the equity income in earnings of affiliates consisted of our proportionate ownership share of the earnings of FilmFlex and equity losses recognized from On Demand Deutschland GmbH & Co. KG, the German joint venture formed in February 2007 with Tele-Munchen Fernseh GmbH & Co. Produktionsgesellschaft.

Income Tax (Provision)/Benefit. Our effective tax rate and income tax provision was 55% or $2.2 million and compared to income tax benefit of 15% or $1.6 million for the fiscal year ended January 31, 2007. For the fiscal year 2008, the income tax provision was primarily attributable to the taxable gains recorded in the first quarter of fiscal 2008 for ODG s transfer of assets to and the reimbursement of previously paid costs from On Demand Deutschland GmbH & Co. KG and to the sale of our equity investment in FilmFlex.

At January 31, 2008 and January 31, 2007, we provided a valuation allowance for the full amount of net deferred tax assets recorded in the United States due to the uncertainty of realization of those assets as a result of the current fiscal year s pre-tax losses and uncertainties related to our ability to generate pre-tax income for fiscal 2009 and thereafter. In addition, SeaChange maintains a valuation allowance for the full amount of certain foreign tax assets. We will continue to assess the need for the valuation allowance at each balance sheet date based on all available evidence. If we determine that we can generate sufficient future pre-tax income, some portion or all of the valuation allowance would be reversed and a corresponding increase in net income would be recognized.

Fiscal Year Ended January 31, 2007 Compared to the Fiscal Year Ended January 31, 2006

The following table sets forth summarized consolidated financial information for each of the two fiscal years ended January 31, 2007 and 2006.

	Year ended January 31, 2007	2006
	(in thousands)	
Broadband revenues:		
Video-on-demand revenues	$ 74,447	$ 49,117
Advertising revenues	10,458	15,248
Total Broadband revenues	84,905	64,365
Broadcast revenues:	10,095	9,151
Total Product Revenues	95,000	73,516
Total Service Revenue	66,334	52,748
Total Revenue	161,334	126,264
Product Cost of Revenues	48,334	45,555
Services Cost of Revenues	37,189	28,315
Total Cost of Revenues	85,523	73,870
Product Gross Profit	46,666	27,961
Services Gross Profit	29,145	24,433
Total Gross Profit	75,811	52,394
Operating expenses:		
Research and Development	40,917	34,475
Selling and Marketing	22,383	18,681
General and Administrative	19,193	14,254
Amortization of Intangibles	5,664	2,201
Total Operating Expenses	88,157	69,611
Income (loss) from operations	(12,346)	(17,217)
Interest income, net	1,355	2,038
Impairment on investment in affiliate	(150)	
Income (loss) before income taxes and equity income in earnings of affiliates	(11,141)	(15,179)
Income tax (provision) benefit	1,632	2,941
Equity income in earnings of affiliates, net of tax	1,272	39
Net income (loss)	$ (8,237)	$ (12,199)

For the fiscal year ended January 31, 2007, two customers each accounted for more than 10% and collectively, accounted for 53% of our total revenues, and one customer accounted for more than 25% of our total revenues for the year ended January 31, 2006. Revenues from these customers were primarily in the Broadband segment.

International products and services revenues accounted for approximately 33% and 40% of total revenues in the fiscal years ended January 31, 2007 and 2006, respectively. Customers in the U.S. and United Kingdom each accounted for more than 10% and collectively accounted for 87% and 81% of total revenue in fiscal 2007 and fiscal 2006, respectively. Revenues from European customers increased to $39.7 million from $32.9 million in the fiscal years ended January 31, 2007 and January 31, 2006, respectively. The increase in European revenues was primarily attributable to U.K. customers that generated $32.9 million in revenues in the fiscal year ended January 31, 2007. The increase in revenues from the United Kingdom is primarily due to the media services provided by ODG for the full fiscal year 2007 in comparison to four months from the acquisition date in fiscal

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2006. In addition, the middleware software development revenues included a full year in fiscal 2007 from the contracts acquired from Liberate Technologies in comparison to six months from the acquisition date in fiscal 2006. Since substantially our entire product sales were made in United States dollars (USD), we did not experience any material impact from fluctuations in foreign currency exchange rates on our results of operations. With the acquisition of ODG, which has designated the Great Britain Pound (GBP) as its functional currency, with their service sales primarily payable in GBP, has provided a natural hedge for payments in local currency. However, since the ODG operation is translated to USD for reporting purposes, translation gains and losses, as a result of foreign currency rate fluctuations, are recorded in the equity section of our balance sheet.

Product Revenues. Our product revenues consist of sales of hardware, software and systems from our Broadband and Broadcast segments. Our total product revenues increased 29% to $95.0 million in the fiscal year ended January 31, 2007 from $73.5 million in the fiscal year ended January 31, 2006.

Revenues from the Broadband segment, which accounted for 89% of product revenues in fiscal 2007 and 88% of product revenues in fiscal 2006, increased to $84.9 million in fiscal 2007 from $64.4 million in fiscal 2006. Advertising product revenues were $10.5 million for the fiscal year ended January 31, 2007 as compared to $15.2 million for the fiscal year ended January 31, 2006. Video-on-demand product revenues increased to $74.4 million for the fiscal year ended January 31, 2007 as compared to $49.1 million for the fiscal year ended January 31, 2006. The significant increase in video-on-demand product revenues between years related to a $17.5 million increase in software development revenue in connection with the VOD Purchase Agreement with Comcast signed during the quarter ended July 31, 2006, and software development revenue derived from the middleware contracts acquired from Liberate Technologies in July 2005. The remaining $7.8 million increase in video-on-demand product revenues stemmed from increased video-on-demand systems revenue tied to higher demand for our products from North American cable systems operators. The increase in video-on-demand product revenue was partially offset by a decrease in revenues from our Advertising products due to lower order activity related to customer conversion from analog to digital advertising insertion systems.

Broadcast product revenues were $10.1 million in the fiscal year ended January 31, 2007 compared to $9.2 million in the fiscal year ended January 31, 2006, representing a 10% increase. The increase in Broadcast revenues is due primarily to a $3.6 million order from the U.S. government recorded in the second quarter of fiscal 2007 partially offset by lower year over year order activity for the remainder of this operating segment.

Services Revenues. Our services revenues consist of fees for installation, training, project management, product maintenance and technical support, software development, and media services. Our services revenues increased 26% to $66.3 million in the year ended January 31, 2007 from $52.7 million in the year ended January 31, 2006. The growth in Services revenue is primarily attributable to a full year of ODG s media services, or $12.9 million, recognized in fiscal 2007 in comparison to only four months, or $4.2 million, recognized in fiscal 2006 from the date of SeaChange s acquisition of ODG in September 2005. In addition, $4.0 million of the increase in Services revenues between years is attributable to the increase in video-on-demand product maintenance contracts and other technical support services from a growing installed base of VOD systems.

Product Gross Profit. Costs of product revenues consist primarily of the cost of purchased material components and subassemblies, labor and overhead costs relating to the final assembly and testing of complete systems, and related expenses and labor and overhead costs related to software development contracts. Costs of product revenues increased to $48.3 million, or 51% of the related product revenues in the fiscal year ended January 31, 2007 as compared to $45.6 million or 62% of related product revenues, in the fiscal year ended January 31, 2006. In fiscal 2007, the increase in the costs of product revenues primarily reflects the increased revenues. Costs of product revenues as a percentage of revenues decreased due to the increased revenues from higher margin software development contracts. Product gross profit for the Broadband segment increased to 54% of related revenues in fiscal 2007 from 43% of related revenues in fiscal 2006. The increase in Broadband gross profit percentage is primarily due to increased revenues from higher margin software development contracts. Product gross profit for the Broadcast segment was up from 2% of related product revenues in fiscal 2006 to 9% of related product revenues in fiscal 2007.

Services Gross Profit. Cost of services revenues consist primarily of labor, materials and overhead relating to the installation, training, product maintenance and technical support, software development, project management and costs associated with providing media services. Costs of services revenues increased 31% from $28.3 million or 54% of services revenues in the year ended January 31, 2006 to $37.2 million or 56% of services revenues in the year ended January 31, 2007, primarily due to a full year of ODG costs of services in fiscal year 2007 as compared with four months in fiscal year 2006.

Research and Development. Research and development expenses consist primarily of the compensation of development personnel, depreciation of development and test equipment and an allocation of related facilities expenses. Research and development expenses increased from $34.5 million, or 27% of total revenues, in the fiscal year ended January 31, 2006 to $40.9 million, or 25% of total revenues, in the fiscal year ended January 31, 2007 primarily due to $3.4 million in increased salaries and benefits attributable to the hiring of additional development engineers primarily to support middleware products and stock compensation expense of $1.5 million due to the adoption of SFAS 123R.

Selling and Marketing. Selling and marketing expenses consist primarily of compensation expenses, including sales commissions, travel expenses and certain promotional expenses. Selling and marketing expenses increased 20% from $18.7 million or 15% of total revenues in the fiscal year ended January 31, 2006 to $22.4 million, or 14% of total revenues, in the fiscal year ended January 31, 2007. This increase is primarily due to $1.7 million in increased salaries and benefits attributable to the hiring of additional sales and marketing employees, increased commissions of approximately $500,000 due to higher revenues, and stock compensation expense of approximately $500,000 due to adoption of SFAS 123R.

General and Administrative. General and administrative expenses consist primarily of the compensation of executive, finance, human resource and administrative personnel, legal and accounting services and an allocation of related facilities expenses. In the fiscal year ended January 31, 2007, general and administrative expenses of $19.2 million, or 12% of total revenues, increased from $14.3 million, or 11% of total revenues, in the fiscal year ended January 31, 2006 due to $3.1 million attributable to a full year of ODG general and administrative expense in fiscal year 2007 as compared with four months in fiscal year 2006, $1.0 million due to the hiring of additional general and administrative employees, $1.2 million due to stock compensation expense, an increase in the bad debt provision of approximately $400,000 in fiscal 2007 in comparison with net bad debt recoveries of approximately $100,000 in fiscal 2006, all partially offset by a reduction in professional fees of approximately $700,000 some of which related to fiscal 2006 acquisitions.

Amortization of Intangibles. Amortization expense consists of the amortization of acquired intangible assets which are operating expenses and not considered costs of revenues. Amortization of intangible assets was $5.7 million in the fiscal year ended January 31, 2007 and $2.2 million in the fiscal year ended in January 31, 2006. The increase in amortization expense is attributable to the acquisitions of Liberate and ODG in the second and third quarters of fiscal 2006, respectively. The table below classifies the amortization expense by its source category, sales and marketing or general and administrative expense.

	For the year ended January 31, 2007	**For the year ended January 31, 2006**
	(in thousands)	
Sales and marketing expense	$ 5,446	$ 1,948
General and administrative expense	218	253
Amortization expense	$ 5,664	$ 2,201

An additional $643,000 and $297,000 of amortization expense related to acquired technology was charged to cost of sales for the years ended January 31, 2007 and 2006, respectively.

Interest Income and Interest Expense. Interest income was $1.5 million in the fiscal year ended January 31, 2007 and $2.1 million in the fiscal year ended January 31, 2006. Interest expense was $96,000 for the fiscal year ended January 31, 2007 as compared to $30,000 for the fiscal year ended January 31, 2006. The decrease in interest income is primarily due to the decrease in marketable securities during the fiscal year ended January 31, 2007 in comparison to the fiscal year ended January 31, 2006.

Impairment on Investment in Affiliate. Impairment on investment in affiliate was a loss of $150,000 in the fiscal year ended January 31, 2007 due to the impairment of a small investment in an affiliate company and none in the fiscal year ended January 31, 2006.

Equity Income in Earnings of Affiliates. Equity income in earnings of affiliates was $1.3 million in the fiscal year ended January 31, 2007 compared with $39,000 in the fiscal year-ended January 31, 2006. The equity income in earnings of affiliates consists of our proportionate ownership share of the net income (loss) under the equity method of accounting. For fiscal 2007, the equity income in earnings of affiliates consisted of our proportionate ownership share of the earnings of FilmFlex. For fiscal 2006, the equity income in earnings of affiliates consisted of our proportionate ownership share of the earnings of ODG until we purchased the remainder of the company in September 2005. As part of the ODG acquisition, we increased our ownership interest to 33.3% in FilmFlex for which we recorded our proportionate ownership share of its net income or loss from the acquisition date. The year over year increase in earnings from our investment in FilmFlex was $1.5 million offset by the loss of approximately $200,000 from ODG in fiscal 2006 prior to our acquisition of the remaining interest in ODG.

Income Tax Benefit. Our effective tax rate and income tax benefit was 15% or $1.6 million and 19% or $2.9 million for fiscal years ended January 31, 2007 and 2006, respectively. For the fiscal year 2007, the income tax benefit was primarily attributable to $315,000 of net operating losses generated during the current fiscal year that are expected to be carried back to recover taxes paid in prior years and the change in estimate of the prior year s tax provision relating to the tax benefit booked for the fiscal 2006 federal loss carryback versus the actual cash refund received of $422,000. At January 31, 2007 and January 31, 2006, we provided a valuation allowance for the full amount of net deferred tax assets recorded in the United States due to the uncertainty of realization of those assets as a result of the current fiscal year s pre-tax losses and uncertainties related to our ability to generate pre-tax income for fiscal 2007 and thereafter. In addition, SeaChange maintains a valuation allowance for the full amount of certain foreign tax assets. We will continue to assess the need for the valuation allowance at each balance sheet date based on all available evidence.

Liquidity and Capital Resources

Historically, we have financed our operations and capital expenditures primarily with the proceeds from sales of our common stock and cash flows generated from operations. During fiscal 2008, cash and cash equivalents increased by $32.2 million from $31.2 million at January 31, 2007 to $63.4 million at January 31, 2008, largely due to cash provided by certain operating and financing activities and the sale of FilmFlex. Working capital increased to $86.2 million at January 31, 2008 from $57.8 million at January 31, 2007. We believe that existing funds combined with available borrowings under our revolving line of credit and cash provided by future operating activities are adequate to satisfy our working capital, potential acquisitions and capital expenditure requirements and other contractual obligations for the foreseeable future, including at least the next 24 months.

Net cash provided by operating activities was $16.1 million for the fiscal year ended January 31, 2008 compared to $488,000 for the fiscal year ended January 31, 2007. The net cash provided by operating activities for the fiscal year ended January 31, 2008 was the result of the net income of $2.9 million, adjusted for non-cash expenses of $23.6 million which included depreciation and amortization, impairment of capitalized software, inventory and accounts receivable allowance and reserves, deferred taxes and stock-based based compensation offset by the gain on the sale of the Company s equity investment in FilmFlex of $10.0 million and equity income in affiliates of $1.1 million. In addition to the non-cash expense items, the other significant changes in operating assets and liabilities that provided cash from operations were a decrease in inventories of $3.0 million and an increase in accrued expenses of $2.1 million offset by a decrease of deferred revenues of $2.7 million and an increase of unbilled receivables of $1.8 million.

The net cash provided by operating activities in the fiscal year ended January 31, 2007 was the result of a net loss of $8.2 million and the $8.0 million cash payment made to C-Cor Incorporated (as successor to nCube Corp.) in settlement of the now resolved patent infringement litigation, which was offset by the non-cash depreciation and amortization of intangible assets of $14.5 million, stock compensation expense of $3.5 million and the changes in certain operating assets and liabilities. Significant changes in operating assets and liabilities that provided cash an increase in deferred revenues of $1.6 million. The significant changes in assets and liabilities that used cash from operations included an increase in inventories of $4.7 million, primarily due to inventory acquired and subsequently reclassified to fixed assets for use as research and development equipment. The share-based compensation of $3.5 million in fiscal 2007 increased from $43,000 in fiscal 2006 and $0.0 million in fiscal 2005 due to the adoption of SFAS 123R beginning February 1, 2006.

It is typical for us to experience fluctuations in our monthly operating results primarily due to the timing of receiving customer orders and the related shipment of these customer orders. As a result of these monthly fluctuations, we may experience significant increases or decreases in our inventories as a result of the timing of the procurement of components for anticipated orders for both our product segments and increases or decreases in our accounts receivable balances and customer deposits as a result of the timing of receiving customer orders during the period and of customer payments. We expect that the video-on-demand products within the Broadband segment will continue to require a significant amount of cash to fund future product development and additional capital expenditures for engineering equipment, quality systems and customer services test systems to meet revenue levels.

Net cash provided by investing activities of $13.7 million for the fiscal year ended January 31, 2008, and was primarily due to the proceeds from the sale of our equity investment in FilmFlex of $18.2 million offset by purchases of property and equipment of $5.8 million.

Net cash provided by investing activities of $5.8 million for the fiscal year ended January 31, 2007 consisted primarily of $15.4 million of net proceeds from the sale of marketable securities partially offset by capital expenditures of $7.0 million and the $3.0 million contingent consideration cash payment made to the former shareholders of ODG.

Net cash provided by financing activities was $2.7 million and $2.9 million for the fiscal year ended January 31, 2008 and 2007, respectively, primarily due to the issuance of common stock for the exercise of employee stock options and cash received from the employee stock purchase plan.

Debt Instruments and Related Covenants

On August 17, 2007, Citizens Bank (a subsidiary of the Royal Bank of Scotland Group plc) extended our $15.0 million revolving line of credit from August 31, 2007 through October 31, 2008. Loans made under this revolving line of credit bear interest at a rate per annum equal to the bank s prime rate. Borrowings under this line of credit are collateralized by substantially all of our assets. The loan agreement requires that we provide Citizens Bank with certain periodic financial reports and comply with certain financial ratios including a minimum level of earnings before interest, taxes and depreciation and amortization on a trailing twelve month basis, when amounts are outstanding under the loan agreement. As of January 31, 2008, we were in compliance with the financial covenants and there were no amounts outstanding under the revolving line of credit.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Contractual Obligations

The following table reflects our current and contingent contractual obligations to make potential future payments as of January 31, 2008 (in thousands):

	Total	Less than one year	Payment due by period One to three years (in thousands)	Three to five years	More than Five years
Purchase obligations	$ 6,577	$ 6,524	$ 53	$	$
Non-cancelable lease obligations	4,513	3,088	1,281	144	
Total	$ 11,090	$ 9,612	$ 1,334	$ 144	$

The purchase obligations include open, non-cancelable purchase commitments from our suppliers.

The Company has excluded from the table above uncertain tax liabilities as defined in FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) due to the uncertainty of the amount and period of payment. As of January 31, 2008, the Company has gross unrecognized tax benefits of $5.2 million.

The Company has a 50% equity investment with On Demand Deutschland GmbH & Co. KG. The shareholder s agreement with On Demand Deutschland GmbH & Co. KG requires ODG to provide cash contributions up to $4.2 million (USD equivalent) upon the request of the joint venture s management and approval by the shareholders of the joint venture. As of January 31, 2008, the Company has not contributed any additional cash to the joint venture.

Effects of Inflation

Our management believes that financial results have not been significantly impacted by inflation and price changes.

New Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurement* (SFAS 157). SFAS clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under SFAS, fair value measurements would be separately disclosed by level within the fair value hierarchy. The provisions of SFAS 157, as issued, are effective for the fiscal years beginning after November 15, 2007. However, in February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2) that amended SFAS 157 to delay the effective date for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (that is, at least annually). FSP 157-2 defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope. The Company adopted the required provisions of SFAS as of February 1, 2008. The Company does not expect the adoption of SFAS 157 to have a material impact on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159*, The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Although the Company adopted SFAS 159 as of February 1, 2008, the Company has not yet elected the fair value option for any items permitted under SFAS 159.

In December 2007, the FASB issued SFAS No. 141 (R) *Business Combinations* (SFAS 141R). SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective as of the beginning of the Company s fiscal year beginning after December 15, 2008. SFAS No. 141R is effective for the Company beginning February 1, 2009. SFAS 141R will have an impact on accounting for business combinations once adopted but the effect is dependant upon acquisitions at that time.

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS 160). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance will become effective as of the beginning of the Company s fiscal year beginning after December 15, 2008. SFAS 160 is effective for the Company beginning February 1, 2009. The Company does not expect the adoption of SFAS 160 to have a material impact on its consolidated financials statements.

In June 2007, the FASB ratified the consensus in EITF Issue No. 07-3 *Accounting for Nonrefundable Payments for Goods and Services to be Used in Future Research and Development Activities* (EITF 07-04), requiring that nonrefundable advance payments for future research and development activities be deferred and capitalized. Such amounts should be expenses as the related goods are delivered or the related services performed. The statement is effective for fiscal years beginning after December 15, 2007. Management anticipates that the adoption of EITF Issue No. 07-3 will not have a material impact on the Company s financial statements.

In June 2007, the FASB ratified Issue No. 06-11 *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards* (EITF 06-11), which requires entities to record tax benefits on dividends or dividend equivalents that are charged to retained earnings for certain share-based awards to additional paid-in capital. In a share-based payment arrangement, employees may receive dividends or dividend equivalents on awards of nonvested equity shares, nonvested equity share units during the vesting period, and share options until the exercise date. Generally, the payment of such dividends can be treated as deductible compensation for tax purposes. The amount of tax benefits recognized in additional paid-in capital should be included in the pool of excess tax benefits available to absorb tax deficiencies on share-based payment awards. EITF 06-11 is effective for fiscal years beginning after December 15, 2007, and interim periods within those years. Management anticipates that the adoption of EITF Issue No. 06-11 will not have a material impact on the Company s financial statements.

Impact of Recently Adopted Accounting Pronouncements

Effective February 1, 2007, the Company adopted the provisions of the FASB Emerging Issues Task Force (EITF) No. 06-2, *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43* (EITF 06-2) included in SeaChange s Form 10-Q/A filed on October 22, 2007 for the quarter ended April 30, 2007. Prior to the issuance of EITF 06-2 the Company accrued for its obligation under its sabbatical program when an employee had achieved the requisite service time. EITF 06-2 requires companies to accrue the cost of such compensated absences over the requisite service period. The Task Force allows the use of one of two specified methodologies for adopting the change in accounting principle: i) a cumulative-effect adjustment to retained earnings at the beginning of the year of adoption; or ii) retrospective application to all prior periods.

The Company elected to use the cumulative-effect adjustment to the beginning balance of retained earnings resulting in an additional liability of $769,000 and a corresponding increase in the accumulated deficit of $769,000. The impact of this adoption and related restatement in Form 10-Q/A filed on October 22, 2007 for the quarter ended April 30, 2007 does not include any net tax effects as the Company s deferred tax assets are fully reserved against due to the uncertainties related to the Company s ability to generate sufficient pre-tax income in future years (see Note 10 to our accompanying Consolidated Financial Statements). Under this transition method, periods prior to February 1, 2007 have not been restated. Accrued expenses and other long-term liabilities for the first three quarters of fiscal 2008 include vested and unvested accrued sabbatical expense for all employees who are eligible for sabbatical leave.

During November 2007, the Company reviewed its employee benefit programs, including the sabbatical leave benefit, and effectively replaced the sabbatical leave benefit with a new expanded vacation policy for United States benefit eligible employees. Employees eligible for sabbatical leave prior to November 16, 2007 (grandfathered) are required to use the balance of their available time by July 31, 2009. In the fourth quarter of fiscal 2008, the Company has prospectively applied the changes of its sabbatical leave benefit for those employees that have unvested sabbatical balances accumulating under EITF 06-2. This prospective change resulted in a $729,000 reduction in accrued expenses and other long-term liabilities and a corresponding decrease to related operating expenses and cost of revenues.

In June 2006, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 06-03, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)* (EITF 06-03). EITF 06-03 provides that the presentation of taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions (e.g. sales, use, value added and excise taxes) between a seller and a customer on either a gross basis (included in revenues and costs) or on a net basis (excluded from revenues) is an accounting policy decision that should be disclosed. In addition, for any such taxes that are reported on a gross basis, the amounts of those taxes should be disclosed in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant. EITF 06-3 is effective for interim and annual periods beginning after December 15, 2006. The adoption of EITF 06-3 did not change our policy of presenting taxes within the scope of EITF 06-3 on a net basis and had no impact on our consolidated financial statements.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 supersedes SFAS No. 5, Accounting for Contingencies, as it relates to income tax liabilities and lowers the minimum threshold a tax position is required to meet before being recognized in the financial statements from probable to more likely than not (i.e., a likelihood of occurrence greater than fifty percent). Under FIN 48, the recognition threshold is met when an entity concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination by the relevant taxing authority. Those tax positions failing to qualify for initial recognition are recognized in the first interim period in which they meet the more likely than not standard, or are resolved through negotiation or litigation with the taxing authority, or upon expiration of the statute of limitations. Derecognition of a tax position that was previously recognized occurs when an entity subsequently determines that a tax position no longer meets the more likely than not threshold of being sustained. FIN 48 was adopted by the Company on February 1, 2007 (See Note 10).

On January 1, 2008, the Securities and Exchange Commission (staff) issued Staff Accounting Bulletin (SAB) No. 110 and an amendment to SAB No. 107 which provided expressed views on the use of a simplified method, in developing an estimate of expected term of plain vanilla share options in accordance with SFAS no. 123 (revised 2004), *Share-Based Payment*. Per SAB No. 107, the Company elected to use the simplified method until it could develop more detailed information about employee exercise behavior. The staff stated in SAB No. 107 that it would not expect a company to use the simplified method for share option grants after December 31, 2007. The release of SAB No. 110 outlines examples of situations in which the staff believes that it may be appropriate to continue the use of the simplified method beyond December 31, 2007. The Company has determined that SeaChange meets one of the three examples outlined in SAB No. 110 under the provision that the Company has significantly changed the types of employees that receive share option grants. As a result, the Company does not have enough historical exercise data to provide a reasonable basis upon which to estimate expected returns and will continue with the simplified method until it has enough historical information to refine the expected term.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

We face exposure to financial market risks, including adverse movements in foreign currency exchange rates and changes in interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on our financial results. Our primary exposure has historically been associated with product sales arrangements denominated in the local currency where the functional currency of the foreign subsidiary is the U.S. dollar (as most of our revenues are in U.S. dollars) and operating expenses in Europe and Asia. Since substantially all our product sales are made in United States dollars (USD), we have not experienced, nor do we expect to experience in the near term, any material impact from fluctuations in foreign currency exchange rates on our results of operations. ODG has designated the Great Britain Pound (GBP) as its functional currency, with their service sales, primarily payable in GBP, providing a natural hedge for payments in local currency. Thus, we do not expect to experience, nor have we experienced any material impact on our results from fluctuations in foreign currency transactions from ODG operations. However, since the ODG operation is translated to USD for reporting purposes, translation gains and losses, as a result of foreign currency rate fluctuations, are recorded in the equity section of our balance sheet. We continue to expect exposure in fluctuations in the USD/GBP exchange rate in the equity section of our balance sheet in the future.

The carrying amounts reflected in the consolidated balance sheet of cash and cash equivalents, short-term marketable securities, trade receivables and trade payables approximate fair value at January 31, 2008 due to the short maturities of these instruments. We maintain investment portfolio holdings of various issuers, types, and maturities. Our cash and marketable securities include cash equivalents, which we consider to be investments purchased with original maturities of three months or less. Given the short maturities and investment grade quality of the portfolio holdings at January 31, 2008, a sharp rise in interest rates should not have a material adverse impact on the fair value of our investment portfolio. Additionally, our long term marketable investments, have fixed interest rates, and therefore are not subject to any interest rate exposure.

ITEM 8. Financial Statements and Supplementary Data

See the consolidated financial statements fields as part of this Annual Report on Form 10-K as listed under Item 15 below.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

(A) Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of our disclosure controls and procedures, as defined in the Securities Exchange Act of 1934, as amended (the Exchange Act) Rule 13a-15(e), as of the end of the period covered by this Annual Report on Form 10-K. William C. Styslinger, III, our Chief Executive Officer, and Kevin M. Bisson, our Chief Financial Officer, participated in this evaluation. Based upon that evaluation, Messrs. Styslinger and Bisson concluded that our disclosure controls and procedures were effective as of the end of the period covered by the report.

(B) Report of Management on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of January 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework.* Based on our assessment, management concluded that, as of January 31, 2008, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of January 31, 2008 has been audited by Grant Thornton LLP, our independent registered public accounting firm, as stated in their report which is included under Item 9A(D) of this Annual Report.

(C) Changes in Internal Control over Financial Reporting

As a result of the evaluation completed by management, and in which Messrs. Styslinger and Bisson participated, we have concluded that there were no changes during the fiscal quarter ended January 31, 2008 in our internal control over financial reporting, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(D) Audit Report of the Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and

Stockholders of SeaChange International, Inc.

We have audited SeaChange International, Inc. s (a Delaware Corporation) internal control over financial reporting as of January 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). SeaChange International Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on SeaChange International, Inc. s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, SeaChange International, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of SeaChange International, Inc. as of January 31, 2008 and 2007, and the related consolidated statement of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the two years in the period ended January 31, 2008 and our report dated April 14, 2008 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Boston, Massachusetts

April 14, 2008

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information concerning the directors of SeaChange is hereby incorporated by reference from the information contained under the heading Election of Directors in SeaChange s definitive proxy statement related to SeaChange s Annual Meeting of Stockholders to be held on or about July 16, 2008 which will be filed with the Commission within 120 days after the close of the fiscal year (the Definitive Proxy Statement).

Certain information concerning directors and executive officers of SeaChange is hereby incorporated by reference to the information contained under the headings Information Concerning Executive Officers , and Section 16(a) Beneficial Ownership Reporting Compliance , Availability of Corporate Governance Documents and Audit Committee in our Definitive Proxy Statement.

ITEM 11. Executive Compensation

Information concerning executive compensation is hereby incorporated by reference to the information contained under the headings Compensation Discussion and Analysis and Compensation of Directors in the Definitive Proxy Statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information concerning security ownership of certain beneficial owners and management is hereby incorporated by reference to the information contained under the headings Securities Ownership of Certain Beneficial Owners and Management and Compensation Discussion and Analysis in the Definitive Proxy Statement.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Information concerning certain relationships and related transactions is hereby incorporated by reference to the information contained under the heading Certain Relationships and Related Transactions and Determination of Director Independence in the Definitive Proxy Statement.

ITEM 14. Principal Accountant Fees and Services

Information concerning Principal accountant fees and services is hereby incorporated by reference to the information contained under the heading Ratification of Appointment of Independent Registered Public Accounting Firm in the Definitive Proxy Statement.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.
(a)(1) INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following Consolidated Financial Statements of the Registrant are filed as part of this Annual Report on Form 10-K:

(a)(2) INDEX TO FINANCIAL STATEMENT SCHEDULE

The following Financial Statement Schedule of the Registrant is filed as part of this report:

Schedules not listed above have been omitted because the information requested to be set forth therein is not applicable or is shown in the accompanying consolidated financial statements or notes thereto.

(a)(3) INDEX TO EXHIBITS

See attached Exhibit Index of this Annual Report on Form 10-K.

(b) EXHIBITS

The Company hereby files as part of this Form 10-K the Exhibits listed in Item 15 (a) (3) above. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference facilities maintained by the Securities and Exchange Commission (the Commission), 450 Fifth Street, Room 1024, N.W., Washington, D.C. 20549. Copies of such material can also be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

(c) FINANCIAL STATEMENT SCHEDULES

The Company hereby files as part of this Form 10-K the consolidated financial statements schedule listed in Item 15 (a)(2) above, which is attached hereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, SeaChange International, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: April 14, 2008

SEACHANGE INTERNATIONAL, INC.

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

President, Chief Executive Officer,

Chairman of the Board and Director

POWER OF ATTORNEY AND SIGNATURES

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints William C. Styslinger, III and Kevin M. Bisson, jointly and severally, his attorney-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K and to file same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title(s)	Date
/s/ William C. Styslinger, III **William C. Styslinger, III**	President, Chief Executive Officer, Chairman of the Board and Director (Principal Executive Officer)	April 14, 2008
/s/ Kevin M. Bisson **Kevin M. Bisson**	Chief Financial Officer, Senior Vice President, Finance and Administration, Treasurer and Secretary (Principal Financial and Accounting Officer)	April 14, 2008
/s/ Martin R. Hoffmann **Martin R. Hoffmann**	Director	April 14, 2008
/s/ Carmine Vona **Carmine Vona**	Director	April 14, 2008
/s/ Thomas F. Olson **Thomas F. Olson**	Director	April 14, 2008
/s/ Mary Palermo Cotton **Mary Palermo Cotton**	Director	April 14, 2008

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement for the Purchase and Sale of Share Capital of The ON Demand Group Limited, dated as of September 23, 2005, by and among the Company, Anthony Kelly, Andrew Birchall and the other parties set forth on the signature pages thereto (filed as Exhibit 2.1 to the Company s Current Report on Form 8-K previously filed September 29, 2005 with the Commission (File No. 000-21393) and incorporated herein by reference).
2.2	Variation Agreement, dated as of June 30, 2006, by and among the Company, Anthony Kelly, Andrew Birchall and the others set forth on the signature pages thereto, to that certain Agreement for the Sale and Purchase of Share Capital of On Demand Group Limited (filed as Exhibit 2.1 to the Company s Current Report on Form 8-K previously filed July 6, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
2.3*	Variation Agreement, dated as of December 21, 2007, by and among the Company, Anthony Kelly, Andrew Birchall and the others set forth on the signature pages thereto, to that certain Agreement for the Sale and Purchase of Share Capital of On Demand Group Limited.
2.4*	Variation Agreement, dated as of March 13, 2008, by and among the Company, Anthony Kelly, Andrew Birchall and the others set forth on the signature pages thereto, to that certain Agreement for the Sale and Purchase of Share Capital of On Demand Group Limited.
3.1	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.3 to the Company s Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).
3.2	Certificate of Amendment, filed May 25, 2000 with the Secretary of State in the State of Delaware, to the Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 4.1 to the Company s Quarterly Report on 10-Q previously filed on December 15, 2000 with the Commission (Filed No. 000-21393) and incorporated herein by reference).
3.3	Amended and Restated By-laws of the Company (filed as Exhibit 3.5 to the Company s Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).
4.1	Specimen certificate representing the Common Stock (filed as Exhibit 4.1 to the Company s Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).
4.2	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.3 to the Company s Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).
4.3	Certificate of Amendment, filed May 25, 2000 with the Secretary of State in the State of Delaware, to the Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 4.2 to the Company s registration statement on Form S-3 previously filed on December 6, 2000 with the Commission (Filed No. 333-51386) and incorporated herein by reference).
10.1	Amended and Restated 2005 Equity Compensation and Incentive Plan (filed as Appendix A to the Company s Proxy Statement on Schedule 14A previously filed May 25, 2007 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.2	Form of Restricted Stock Unit Agreement pursuant to the Company s 2005 Equity Compensation and Incentive Plan (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K previously filed December 14, 2005 with the Commission (File No. 000-21393) and incorporated herein by reference).

Exhibit No.	Description
10.3	Form of Incentive Stock Option Agreement pursuant to the Company s 2005 Equity Compensation and Incentive Plan (filed as Exhibit 10.3 to the Company s Annual Report on Form 10-K previously filed on April 17, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.4	Form of Non-Qualified Stock Option Agreement pursuant to the Company s 2005 Equity Compensation and Incentive Plan (filed as Exhibit 10.4 to the Company s Annual Report on Form 10-K previously filed on April 17, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.5	Amended and Restated 1995 Stock Option Plan (filed as Annex B to the Company s Proxy Statement on Form 14a previously filed on May 31, 2001 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.6	Form of Incentive Stock Option Agreement pursuant to SeaChange s Amended and Restated 1995 Stock Option Plan (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K filed on October 6, 2004 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.7	Form of Non-Qualified Stock Option Agreement pursuant to SeaChange s Amended and Restated 1995 Stock Option Plan (filed as Exhibit 99.2 to the Company s Current Report on Form 8-K filed on October 6, 2004 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.8	Form of Lockup Agreement (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K previously filed February 1, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.9	1996 Non-Employee Director Stock Option Plan (filed as Exhibit 10.2 to the Company s Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).
10.10	Third Amended and Restated 1996 Employee Stock Purchase Plan of the Company (filed as Appendix A to the Company s Definitive Proxy Statement filed on Schedule 14A previously filed on May 24, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.11	Loan and Security Agreement, dated as of October 22, 2001, by and between Citizens Bank of Massachusetts and the Company (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q previously filed on December 13, 2001 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.12	Amendment No. 1, dated as of June 14, 2002, by and between the Company and Citizen s Bank of Massachusetts, to that certain Loan and Security Agreement, dated as of October 22, 2001, by and between the Company and Citizen s Bank of Massachusetts (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q previously filed on September 13, 2002 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.13	Amendment No. 2, dated as of April 21, 2003, between the Company and Citizen s Bank of Massachusetts, to that certain Loan and Security Agreement, dated as of October 22, 2001 by and between the Company and Citizen s Bank of Massachusetts (filed as Exhibit 10.7 to the Company s Annual Report on Form 10-K previously filed on May 1, 2003 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.14	Amendment No. 3, dated as of December 1, 2003, between the Company and Citizens Bank of Massachusetts, to that certain Loan and Security Agreement, dated as of October 22, 2001 by and between the Company and Citizens Bank of Massachusetts (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q filed on December 15, 2003 with the Commission (File No. 000-21393) and incorporated herein by reference).

Exhibit No.	Description
10.15	Amendment No. 8, dated as of April 14, 2006, between the Company and Citizens Bank of Massachusetts, to that certain Loan and Security Agreement, dated as of October 22, 2001, by and between the Company and Citizens Bank of Massachusetts (filed as Exhibit 10.15 to the Company s Annual Report on Form 10-K previously filed on April 17, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.16	Amendment No. 12, dated as of August 17, 2007, between the Company and Citizens Bank of Massachusetts, to that certain Loan and Security Agreement, dated as of October 22, 2001, by and between the Company and Citizens Bank of Massachusetts (filed as Exhibit 10.1 to the Company s Quarterly Report on Form 10-Q previously filed on April 17, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.17	License Agreement dated May 30, 1996 between Summit Software Systems, Inc. and the Company (filed as Exhibit 10.7 to the Company s Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).
10.18	Change-in-Control Severance Agreement, dated as of July 30, 2004, by and between the Company and Ira Goldfarb (filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q filed on September 9, 2004 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.19	Change-in-Control Severance Agreement, dated as of July 30, 2004, by and between the Company and Bruce Mann (filed as Exhibit 10.3 to the Company s Quarterly Report on Form 10-Q filed on September 9, 2004 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.20	Change-in-Control Severance Agreement, dated as of July 30, 2004, by and between the Company and William C. Styslinger, III (filed as Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q filed on September 9, 2004 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.21	Change-in-Control Severance Agreement, dated as of March 13, 2006, by and between the Company and Kevin Bisson (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K previously filed March 9, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.22	Change-In-Control Agreement, dated as of May 31, 2006, by and between the Company and Randy Banton (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K previously filed June 19, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.23	Change-in-Control Severance Agreement, dated as of December 11, 2006, by and between SeaChange and Yvette Kanouff (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K previously filed December 14, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.24	Change-in-Control Severance Agreement, dated as of December 11, 2006, by and between SeaChange and Steven M. Davi (filed as Exhibit 10.2 to the Company s Current Report on Form 8-K previously filed December 14, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.25	Executive Services Agreement, dated as of September 23, 2005, by and between On Demand Management Limited and Andrew Birchall (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K previously filed September 29, 2005 with the Commission (File No. 000-21393) and incorporated herein by reference).

Exhibit No.	Description
10.26	Executive Services Agreement, dated as of September 23, 2005, by and between On Demand Management Limited and Anthony Kelly (filed as Exhibit 10.2 to the Company s Current Report on Form 8-K previously filed September 29, 2005 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.27	Agreement for the Purchase of Shares in FilmFlex Movies Limited, dated as of December 21, 2007, by and among On Demand Group Limited, FilmFlex Movies Limited, The Walt Disney Company Limited and Columbia Pictures Corporation Limited (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K previously filed December 31, 2007 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.28	Share Purchase Agreement for the Sale and Purchase of 190,000 Ordinary Shares in the Share Capital of FilmFlex Movies Limited, dated as of December 21, 2007, by and between On Demand Group Limited and FilmFlex Movies Limited (filed as Exhibit 10.2 to the Company s Current Report on Form 8-K previously filed December 31, 2007 with the Commission (File No. 000-21393) and incorporated herein by reference).
21.1*	List of Subsidiaries of the Registrant.
23.1*	Consent of Grant Thornton LLP.
23.2*	Consent of PricewaterhouseCoopers LLP.
24.1	Power of Attorney (included on signature page).
31.1*	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Provided herewith.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

SeaChange International, Inc.

We have audited the accompanying consolidated balance sheets of SeaChange International, Inc. and subsidiaries (a Delaware corporation) (collectively the Company) as of January 31, 2008 and 2007, and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the two years in the period ended January 31, 2008. Our audits of the basic financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SeaChange International, Inc. and subsidiaries as of January 31, 2008 and 2007, and the results of their operations and their cash flows for each of the two years in the period ended January 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 5 to the consolidated financial statements, the Company changed its method of accounting for stock-based payments as of February 1, 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of January 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated April 14, 2008 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ Grant Thornton LLP

Boston, Massachusetts

April 14, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

SeaChange International, Inc.:

In our opinion, the accompanying consolidated statements of operations, of shareholders equity and comprehensive income (loss) and of cash flows of SeaChange International, Inc. and its subsidiaries for the year ended January 31, 2006 present fairly, in all material respects, the results of their operations and their cash flows for the year ended January 31, 2006, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the year ended January 31, 2006 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Boston, Massachusetts

April 17, 2006, except as to the effect of the matters described in Note 1 to the consolidated financial statements as filed in the Company's Form 10-K/A for the year ended January 31, 2007 not appearing herein, which is as of October 19, 2007

SEACHANGE INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEET

(in thousands, except share data)

	January 31, 2008	January 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 63,359	$ 31,179
Marketable securities	19,266	11,231
Accounts receivable, net of allowance for doubtful accounts of $663 and $466 at January 31, 2008 and 2007, respectively	28,376	28,854
Unbilled receivables	7,367	5,562
Inventories, net	14,315	19,350
Income taxes receivable	44	409
Prepaid expenses and other current assets	2,612	2,990
Total current assets	135,339	99,575
Property and equipment, net	28,066	30,720
Marketable securities	5,272	12,885
Investments in affiliates	12,668	14,312
Intangible assets, net	6,809	13,054
Goodwill	29,471	23,726
Other assets	271	5,024
Total assets	$ 217,896	$ 199,296
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 9,636	$ 10,003
Income taxes payable	1,625	941
Other accrued expenses	17,387	6,623
Customer deposits	1,259	2,016
Deferred revenues	19,103	21,806
Deferred tax liabilities	93	366
Total current liabilities	49,103	41,755
Distribution and losses in excess of investment	1,458	
Deferred tax liabilities and income taxes payable	1,933	1,121
Total liabilities	52,494	42,876
Commitments and contingencies (Note 12)		
Stockholders equity:		
Convertible preferred stock, $0.01 par value; 5,000,000 shares authorized, none issued or outstanding		
Common stock, $0.01 par value; 29,904,311 and 29,345,103 shares issued and outstanding at January 31, 2008 and 2007, respectively	299	293
Additional paid-in capital	191,627	184,976
Accumulated deficit	(28,747)	(30,424)
Accumulated other comprehensive income	2,223	1,575
Total stockholders equity	165,402	156,420
Total liabilities and stockholders equity	$ 217,896	$ 199,296

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

SEACHANGE INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands, except per share data)

	Fiscal Year ended January 31,		
	2008	**2007**	**2006**
Revenues:			
Products	$ 105,769	$ 95,000	$ 73,516
Services	74,124	66,334	52,748
	179,893	161,334	126,264
Cost of revenues:			
Products	52,464	48,334	45,555
Services	46,465	37,189	28,315
	98,929	85,523	73,870
Gross profit	80,964	75,811	52,394
Operating expenses:			
Research and development	42,699	40,917	34,475
Selling and marketing	23,073	22,383	18,681
General and administrative	20,283	19,193	14,254
Amortization of intangibles	2,952	5,664	2,201
	89,007	88,157	69,611
Loss from operations	(8,043)	(12,346)	(17,217)
Interest income	1,981	1,451	2,068
Interest expense	(54)	(96)	(30)
Impairment on investment in affiliate		(150)	
Gain on sale of investment in affiliate	10,031		
Income (loss) before income taxes and equity income in earnings of affiliates	3,915	(11,141)	(15,179)
Income tax (expense) benefit	(2,156)	1,632	2,941
Equity income in earnings of affiliates, net of tax	1,143	1,272	39
Net income (loss)	$ 2,902	$ (8,237)	$ (12,199)
Earnings (loss) per share:			
Basic	$ 0.10	$ (0.29)	$ (0.43)
Diluted	$ 0.10	$ (0.29)	$ (0.43)
Weighted average common shares outstanding:			
Basic	29,634	28,857	28,303
Diluted	30,000	28,857	28,303

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

SEACHANGE INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

(in thousands, except share data)

	Common Stock							
	Number of shares	Par value	Additional paid-in capital	Accumulated deficit	Deferred stock-based compensation	Accumulated other comprehensive income (loss)	Total Stockholders Equity	Comprehensive income (loss)
Balance at January 31, 2005	28,174,946	$ 282	$ 174,455	$ (9,496)	$	$ (407)	$ 164,834	
Issuance of common stock pursuant to exercise of stock options	73,012	1	364				365	
Issuance of common stock in connection with the employee stock purchase plan	203,972	2	1,376				1,378	
Issuance of restricted stock units			818		(818)			
Amortization of unearned compensation on restricted stock units					43		43	
Adjustment for equity method loss incurred during lag period				(492)			(492)	
Change in fair value on marketable securities, net of tax						(101)	(101)	$ (101)
Translation adjustment						(84)	(84)	(84)
Net loss				(12,199)			(12,199)	(12,199)
Comprehensive loss								$ (12,384)
Balance at January 31, 2006	28,451,930	285	177,013	(22,187)	(775)	(592)	153,744	
Issuance of common stock pursuant to exercise of stock options	266,074	2	1,587				1,589	
Issuance of common stock in connection with the employee stock purchase plan	250,082	2	1,354				1,356	
Issuance of common stock pursuant to vesting of restricted stock units	35,657							
Issuance of common stock pursuant to second earnout for ODG acquisition (Note 7)	341,360	4	2,283				2,287	
Stock-based compensation expense			3,514				3,514	
Change in fair value on marketable securities, net of tax						254	254	$ 254
Translation adjustment						1,913	1,913	1,913
Net loss				(8,237)			(8,237)	(8,237)
Reversal of unearned compensation upon adoption of SFAS 123R			(775)		775			
Comprehensive loss								$ (6,070)
Balance at January 31, 2007	29,345,103	293	184,976	(30,424)		1,575	156,420	
Cumulative effect of adjustment based on the adoption of EITF 06-02				(769)			(769)	
Cumulative effect of adjustment based on the adoption of FIN 48				(456)			(456)	
Balance January 31, 2007, as adjusted	29,345,103	293	184,976	(31,649)		1,575	155,195	
Issuance of common stock pursuant to exercise of stock options	189,623	2	1,120				1,122	
Issuance of common stock in connection with the employee stock purchase plan	245,535	3	1,554				1,557	