SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 31, 2009

OR

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

For the transition period from __________ to __________

Commission File Number: 0-21393

SEACHANGE INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

The number of shares outstanding of the registrant's Common Stock on September 3, 2009 was 30,859,959.

SEACHANGE INTERNATIONAL, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

	July 31, 2009 (unaudited)	January 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 71,496	$ 62,458
Restricted cash	-	1,431
Marketable securities	8,876	9,447
Accounts receivable, net of allowance for doubtful accounts of $854 and $853, respectively	29,976	41,513
Income taxes receivable	1,734	771
Unbilled receivables	3,538	4,595
Inventories, net	20,330	17,251
Prepaid expenses and other current assets	4,585	3,348
Total current assets	140,535	140,814
Property and equipment, net	40,224	35,217
Marketable securities, long-term	13,081	12,415
Investments in affiliates	13,697	13,043
Intangible assets, net	7,989	4,621
Goodwill	27,353	27,422
Other assets	937	451
Total assets	$ 243,816	$ 233,983
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 13,732	$ 11,951
Income taxes payable	563	519
Other accrued expenses	7,971	10,592
Customer deposits	5,046	1,966
Deferred revenues	23,605	26,237
Total current liabilities	50,917	51,265

Deferred revenues, long-term	9,586	6,737
Distribution and losses in excess of investment	2,038	1,745
Deferred tax liabilities and taxes payable, long-term	3,373	2,000
Total liabilities	65,914	61,747
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Convertible preferred stock, $0.01 par value; 5,000,000 shares authorized, none issued or outstanding	-	-
Common stock, $0.01 par value; 100,000,000 shares authorized; 32,027,755 and 31,822,838 shares issued; 30,855,959 and 30,949,457 outstanding, respectively	320	318
Additional paid-in capital	208,824	206,411
Treasury stock, at cost, 1,171,796 and 873,381 common shares, respectively	(7,709)	(5,989)
Accumulated deficit	(18,151)	(18,773)
Accumulated other comprehensive loss	(5,382)	(9,731)
Total stockholders' equity	177,902	172,236
Total liabilities and stockholders' equity	$ 243,816	$ 233,983

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

SEACHANGE INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share data)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2009	2008	2009	2008
Revenues:				
Products	$ 22,598	$ 29,486	$ 48,968	$ 56,480
Services	23,909	21,219	46,415	39,609
	46,507	50,705	95,383	96,089
Cost of revenues:				
Products	7,789	13,019	17,758	23,744
Services	15,004	13,046	28,893	24,943
	22,793	26,065	46,651	48,687
Gross profit	23,714	24,640	48,732	47,402
Operating expenses:				
Research and development	11,976	11,047	24,080	21,523
Selling and marketing	6,251	7,265	12,515	13,688
General and administrative	5,183	4,800	10,050	10,085
Amortization of intangibles	794	397	1,273	793
	24,204	23,509	47,918	46,089
(Loss) income from operations	(490)	1,131	814	1,313
Interest and other income, net	149	678	284	1,547
(Loss) income before income taxes and equity loss in earnings of affiliates	(341)	1,809	1,098	2,860
Income tax benefit (expense)	12	(208)	(232)	(633)
Equity loss in earnings of affiliates, net of tax	(47)	(114)	(244)	(397)
Net (loss) income	$ (376)	$ 1,487	$ 622	$ 1,830
Earnings (loss) per share:				
Basic	$ (0.01)	$ 0.05	$ 0.02	$ 0.06
Diluted	$ (0.01)	$ 0.05	$ 0.02	$ 0.06
Weighted average common shares outstanding:				
Basic	30,795	30,684	30,821	30,837
Diluted	30,795	31,148	31,289	31,255

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

SEACHANGE INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended July 31, 2009	Six Months Ended July 31, 2008
Cash flows from operating activities:		
Net income	$ 622	$ 1,830
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	3,778	3,473
Amortization of intangibles and capitalized software	1,377	1,075
Inventory valuation charge	264	482
Provision for doubtful accounts receivable	50	210
Discounts earned and amortization of premiums on marketable securities	70	(30)
Equity loss in earnings of affiliates	244	397
Stock-based compensation expense	1,495	1,770
Deferred income taxes	(224)	(24)
Changes in operating assets and liabilities:		
Accounts receivable	11,964	(14,641)
Unbilled receivables	1,057	1,645
Inventories	(4,993)	(3,954)
Income taxes receivable	(963)	35
Prepaid expenses and other assets	(1,535)	(801)
Accounts payable	1,601	2,882
Income taxes payable	29	(900)
Accrued expenses	(2,735)	(737)
Customer deposits	3,080	2,655
Deferred revenues	169	7,787
Other	101	49
Net cash provided by operating activities	15,451	3,203
Cash flows from investing activities:		
Purchases of property and equipment	(5,972)	(7,900)
Purchases of marketable securities	(24,064)	(25,884)
Proceeds from sale and maturity of marketable securities	23,791	28,972
Acquisition of businesses and payment of contingent consideration	(723)	(43)
Investment in affiliates	(866)	-
Release of restricted cash	1,589	-
Net cash used in investing activities	(6,245)	(4,855)
Cash flows from financing activities:		
Purchase of treasury stock	(1,720)	(5,989)
Proceeds from issuance of common stock relating to the stock plans	920	1,306
Net cash used in financing activities	(800)	(4,683)
Effect of exchange rates on cash	632	(138)
Net increase (decrease) in cash and cash equivalents	9,038	(6,473)
Cash and cash equivalents, beginning of period	62,458	63,359
Cash and cash equivalents, end of period	$ 71,496	$ 56,886
Supplemental disclosure of non-cash activities:		
Transfer of items originally classified as inventories to equipment	$ 1,650	$ 2,182
Issuance of equity for ODG contingent consideration	-	8,150
Conversion of accounts receivable to equity related to investment in affiliate	-	332

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

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

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements as of July 31, 2009 and for the three and six months ended July 31, 2009 and 2008, respectively, include the accounts of SeaChange International, Inc. and its subsidiaries ("SeaChange" or the "Company") in accordance with generally accepted accounting principles for interim financial reports and the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under generally accepted accounting principles have been condensed or omitted pursuant to such regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K as filed with the SEC for the fiscal year ended January 31, 2009. In the opinion of management, the accompanying financial statements include all adjustments necessary to present a fair statement of financial position as of July 31, 2009 and results of operations for the three and six months ended July 31, 2009 and 2008 and cash flows for the six months ended July 31, 2009 and 2008. The results of operations and cash flows for the period ended July 31, 2009 are not necessarily indicative of the operating results and cash flows for the full fiscal year or any future periods.

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these estimates and judgments, including those related to revenue recognition, valuation of inventory and accounts receivable, valuation of investments and income taxes, stock-based compensation, goodwill, intangible assets and related amortization. The Company bases these estimates on historical and anticipated results and trends and on various other assumptions that the Company believes are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from management's estimates. The Company has reclassified certain prior period balances to conform to the current year presentation. These reclassifications have no impact on previously reported total assets, total liabilities, stockholders' equity, results of operations or cash flows.

2. Fair Value Measurements

The Company adopted the provisions of Statement of Financial Account Standard No. 157 and FASB Staff Position FAS 157-2,*Fair Value Measurements* ("SFAS 157" and "FSP FAS 157-2") on February 1, 2008. The adoption of these pronouncements did not have a material effect on the Company's financial position or results of operations. Accordingly, the Company is continuing to apply Statement of Financial Accounting Standard No. 115, *Accounting for Certain Investments in Debt and Equity Securities* ("SFAS 115") for its available for sale securities with offsetting unrealized gains and losses reported in other comprehensive income or loss. Per SFAS 157, the Company is providing fair value measurement disclosures of its available for sale securities in accordance with one of three levels of fair value measurement.

SFAS 157 defines fair value to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and emphasizes that fair value is a market-based measurement, not an entity-specific measurement. It establishes a fair value hierarchy and expands disclosures about fair value measurements in both interim and annual periods. SFAS 157 enables the reader of the financial statements to assess the inputs used to develop fair value measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. SFAS 157 requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The Company's financial assets and liabilities that are measured at fair value on a recurring basis as of July 31, 2009 are as follows:

	July 31, 2009	Fair Value Measurements Using Level 1	Level 2	Level 3
		(in thousands)		
Financial assets:				
Available for sale marketable securities:				
Current marketable securities:				
U.S. government agency issues	$ 8,876	$ 8,876	$ -	$ -
Non-current marketable securities:				
U.S. government agency issues	12,081	12,081	-	-
State and municipal obligations	1,000	-	-	1,000
Total	$ 21,957	$ 20,957	$ -	$ 1,000

The following table sets forth a reconciliation of assets measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) for the six months ended July 31, 2009 (in thousands):

	Level 3 Marketable Securities
Balance at January 31, 2009	$ 1,000
Level 3 transfers, net	-
Purchases and sales, net	-
Unrealized (gain) loss recorded in other comprehensive income	-
Balance at July 31, 2009	$ 1,000

The Company relies on mark to market valuations to record the fair value of the Company's available for sale security assets which are measured under a Level 1 input. These assets are publicly traded equity securities for which market prices are readily observable and recorded under the guidelines of SFAS 115. At July 31, 2009, we had $8.9 million in short-term marketable securities and $13.1 million in long-term marketable securities. Of the $22.0 million in available-for-sale securities at July 31, 2009, the Company holds $1.0 million in auction rate securities ("ARS") that were intended to provide liquidity via an auction process that resets the applicable interest rate in the event there is no new investment in these securities. Due to the uncertainty in the credit markets, this $1.0 million ARS holding in our investment portfolio has failed to settle on its respective settlement date resulting in illiquidity in this investment. Consequently, we have not been able to access these funds and do not expect to do so until a future auction of these investments is successful or a buyer is found outside the auction process. Although the maturity date of the underlying security of our ARS investment is twenty-two years, we currently have sufficient cash and cash equivalents, cash from operations and access to unused credit facilities to meet our short term liquidity requirements and do not anticipate that we will need to access our ARS investment. Accordingly, the Company has classified this investment at par value which approximates fair value. The following is a summary of available for sale securities.

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)		
July 31, 2009:				
Money market	$ 5,631	$ -	$ -	$ 5,631
US government agency issues	20,607	350	-	20,957
Corporate debt securities	-	-	-	-
State and municipal obligations	1,000	-	-	1,000
Total	$ 27,238	$ 350	$ -	$ 27,588
January 31, 2009:				

Money market	$ 5,505	$ -	$ -	$ 5,505
US government agency issues	19,397	438	-	19,835
Corporate debt securities	1,007	20	-	1,027
State and municipal obligations	1,000	-	-	1,000
Total	$ 26,909	$ 458	$ -	$ 27,367

3. Inventories

Inventories consist of the following:

	July 31, 2009	January 31, 2009
	(in thousands)	
Components and assemblies	$ 9,596	$ 8,501
Finished products	10,734	8,750
Total inventory, net	$ 20,330	$ 17,251

4. Investments in Affiliates

On Demand Deutschland GmbH & Co. KG

On February 27, 2007, the On Demand Group Limited ("ODG"), a wholly-owned U.K. subsidiary of SeaChange, entered into an agreement with Tele-Munchen Fernseh GmbH & Co. Produktionsgesellschaft (TMG) to create a joint venture named On Demand Deutschland GmbH & Co. KG. On Demand Deutschland specializes in establishing on-demand and pay-per-view services on multiple platforms in German-speaking Europe. ODG contributed $2.8 million to acquire its 50% ownership interest in the joint venture of which $2.6 million consisted of the fair value of customer contracts and content license agreements contributed by ODG and $154,000 represented a cash contribution. The customer contracts and licensed content had no book value. SeaChange determined that this investment is an operating joint venture and does not require consolidation under the accounting guidance of FIN No. 46R. Consequently, SeaChange accounts for this investment under the equity method of accounting.

ODG's original investment in the joint venture was recorded at $154,000 representing the US dollar equivalent of the initial cash contribution. The difference between the book and fair value of the customer contracts and content license agreements is being accreted over the expected five year life of the contracts and recorded as a gain and an increase in the investment. This gain will be partially offset by ODG's 50% share of the joint venture's amortization expense over the same period related to the acquired contracts and content license agreements. ODG also recorded a net payable amount to the joint venture of $337,000 as of the joint venture formation date (February 27, 2007) reflecting the transfer of net liabilities incurred by ODG related to the joint venture as well as the joint venture's reimbursement of previously incurred costs by ODG of $787,000 related to joint venture activities prior to its formation. Consistent with EITF 89-7, *Exchange of Assets or Interest in a Subsidiary for a Noncontrolling Equity Interest in a New Entity,* ODG did not record other income in connection with the reimbursement of these costs or any other gains as ODG is deemed to have a commitment to support the operations of the joint venture. ODG treated the reimbursement and other gain for a total of $869,000 as a capital distribution in excess of the carrying value of its investment in the joint venture. This capital distribution will be accreted over the expected five year life of the customer contracts and recorded as a gain and an increase in the investment in the joint venture.

ODG entered into a Service Agreement with the joint venture whereby ODG provides content aggregation, distribution, marketing and administration services to the joint venture under an arm's length fee structure. In the three and six months ended July 31, 2009 and 2008, ODG recorded revenues of $379,000 and $723,000, respectively, and $376,000 and $957,000 respectively, related to the Service Agreement. ODG's share of profits from this agreement in proportion to its equity ownership interest is eliminated in consolidation.

The Shareholder's Agreement 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. In February 2009, ODG made an additional cash contribution of $212,000 to the joint venture.

ODG recorded its proportionate share of the joint venture's losses for the three months ending July 31, 2009 and 2008 of $47,000 and $114,000, respectively. For the six months ending July 31, 2009 and 2008, ODG recorded losses of $244,000 and $397,000, respectively. Due to the capital distribution and ODG's share of the joint venture's net loss exceeding the book value of its investment in the joint venture, the investment is recorded as a long-term liability of $1.9 million and $1.6 million at July 31, 2009 and January 31, 2009, respectively.

Casa Systems, Inc

In June of 2009, the Company invested $654,000 in convertible preferred stock, preserving its 19.8% ownership interest of Casa Systems, Inc., a Massachusetts company that specializes in video processing products primarily for cable television companies. Consistent with prior periods, SeaChange accounts for this investment under the cost method of accounting.

5. Acquisitions

On November 19, 2008, ODG entered into a Share Purchase Agreement (the "Share Purchase Agreement") providing for the purchase by ODG of all the outstanding capital stock (the "Mobix Shares") of Mobix Interactive Limited ("Mobix"). Mobix is a London, England based company that provides software and content services related to the deployment of mobile video services for wireless network operators.

At the closing, ODG paid the shareholders of Mobix approximately $3.0 million in cash for the Mobix Shares. The £1 million (approximately $1.5 million) deposited in escrow was subsequently returned to ODG on May 27, 2009 due to Mobix failing to meet certain performance goals within the Share Purchase Agreement. In addition, on March 16, 2009, ODG paid $700,000 to the former shareholders of Mobix due to Mobix achieving one of the performance goals within the Share Purchase Agreement and is reflected in the preliminary purchase price allocation.

In addition, under the earnout provisions in the Share Purchase Agreement, if Mobix meets certain performance goals over the three year period ending November 19, 2011, primarily related to the financial performance of Mobix, SeaChange will be obligated to make additional cash payments aggregating £8.3 million (approximately $12.4 million USD). The contingent consideration will be reduced or increased based upon Mobix's actual performance relative to the performance goals.

The acquisition was accounted for under the purchase method of accounting. Accordingly, the financial position and results of operations of Mobix's business have been consolidated subsequent to the acquisition date. The Company is currently undergoing a valuation of the assets and liabilities acquired and it is expected to finalize the purchase price allocation by the third quarter of fiscal 2010. The allocation of the purchase price is preliminarily, based on the Company's best estimates of fair values as of November 19, 2008 and is as follows, subject to the final valuation results (in thousands):

Consideration:		
Cash paid, net of cash acquired of $209	$	3,514
Transaction costs		413
Total consideration	$	3,927
Preliminary allocation of the purchase consideration:		
Liabilities assumed	$	(898)
Deferred tax liability	$	(1,185)
Tangible assets acquired		592
Intangible assets		4,233
Goodwill		1,185
	$	3,927

During the second quarter of fiscal 2010, the Company has estimated, based on a preliminary third party valuation report, the fair value of the acquired intangible assets to be $4.2 million which resulted in the reallocation of the previously recorded goodwill. In addition, the Company recorded the estimated deferred tax liabilities related to the temporary tax and book difference on amortization expense of the estimated acquired intangible assets.

SeaChange determined that the goodwill included the value of the Mobix work force and expected synergies in global sales and marketing, especially within the European market, and in content services related to the deployment of mobile video services for wireless network operators. The goodwill generated from the acquisition is not tax deductible. The acquired assets, including goodwill, have been assigned to the Media Services operating segment.

6. Commitments and Contingencies

ARRIS Litigation

On July 31, 2009, Arris Corporation filed a contempt motion in the U.S. District Court for the District of Delaware against SeaChange International relating to U.S. Patent No 5,805,804, a patent owned by Arris Corporation. In its motion, Arris Corporation is seeking further patent royalties and the enforcement of the permanent injunction entered by the Court on April 6, 2006 against certain of SeaChange products. In response, on August 3, 2009, SeaChange filed a complaint seeking a declaratory judgment from the Court to declare that its products are non-infringing with respect to the '804 patent and asserting certain equitable defenses.

On August 25, 2009, Arris Corporation filed 1) an answer to SeaChange's complaint that included a counterclaim of patent infringement under the '804 patent; and 2) a motion to stay the declaratory judgment action until the resolution of the contempt motion. SeaChange has filed a motion to consolidate the Arris contempt motion with SeaChange's declaratory judgment action. SeaChange believes that Arris' contempt motion is without merit, and that SeaChange products do not infringe the remaining claims under the '804 patent.

Indemnification and Warranties

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, Multimedia Patent Trust, and VTran Media Technologies. Management performed an analysis of these requests under Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies* ("SFAS 5") as interpreted by FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others* ("FIN45").

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 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. 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.

7. Treasury Stock

On March 11, 2009, SeaChange'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, including pursuant to a Rule 10b5-1 plan maintained by the Company. This share 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 investment balances. The timing and amount of the shares to be repurchased will be based on market conditions and other factors, including price, corporate and regulatory requirements and alternative investment opportunities. The repurchase program is scheduled to terminate on January 31, 2010. There were no stock purchases during the quarter ended July 31, 2009. During the six months ended July 31, 2009, the Company repurchased 298,415 shares at a cost of $1.7 million.

8. Segment Information

The Company is managed and operated as three segments, Software, Servers and Storage, and Media Services, as defined by SFAS No. 131,*Disclosure about Segments of an Enterprise and Related Information*. A description of the three reporting segments is as follows:

- Software segment includes product revenues from the Company's Advertising, VOD, Middleware and Broadcast software, related services such as professional services, installation, training, project management, product maintenance, technical support and software development for those software products, and operating expenses relating to the Software segment such as research and development, selling and marketing and amortization of intangibles.

- Servers and Storage segment includes product revenues from the VOD and Broadcast server product lines and related services such as professional services, installation, training, project management, product maintenance, and technical support for those products and operating expenses relating to the Servers and Storage segment, such as research and development and selling and marketing.

- Media Services segment includes the operations of ODG, including Mobix Interactive, Inc. activities which include content acquisition and preparation services for television and wireless service providers and related operating expenses.

Under this reporting structure, the Company further determined that there are significant functions, and therefore costs, that are considered corporate expenses and are not allocated to the reportable segments for the purposes of assessing performance and making operating decisions. These unallocated costs include general and administrative expenses, other than general and administrative expenses related to Media Services, interest and other income, net, taxes and equity losses in earnings of affiliates, which are managed separately at the corporate level.

The basis of the assumptions for all such revenues, costs and expenses includes significant judgments and estimations. There are no inter-segment revenues for the periods shown below. The Company does not separately track all assets by operating segments nor are the segments evaluated under this criterion. The following summarizes the revenues, gross profit, operating expenses and income from operations by reportable segment:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2009	2008	2009	2008
	(in thousands)			
Software				
Revenue:				
Products	$ 14,424	$ 18,906	$ 30,709	$ 38,059
Services	15,636	13,673	29,969	24,583
Total revenue	30,060	32,579	60,678	62,642
Gross profit	18,208	18,175	35,938	34,671
Operating expenses:				
Research and development	9,318	8,668	18,796	16,855
Selling and marketing	4,004	4,522	7,682	8,242
Amortization of intangibles	384	364	769	728
	13,706	13,554	27,247	25,825
Income from operations	$ 4,502	$ 4,621	$ 8,691	$ 8,846
Servers and Storage				
Revenue:				
Products	$ 8,174	$ 10,580	$ 18,259	$ 18,421
Services	3,657	3,652	7,625	7,118
Total revenue	11,831	14,232	25,884	25,539
Gross profit	5,256	5,982	12,154	11,581
Operating expenses:				
Research and development	2,658	2,379	5,284	4,668
Selling and marketing	2,247	2,742	4,833	5,415
	4,905	5,121	10,117	10,083
Income from operations	$ 351	$ 861	$ 2,037	$ 1,498
Media Services				
Service revenue	$ 4,616	$ 3,894	$ 8,821	$ 7,908
Gross profit	250	483	640	1,150
Operating expenses:				

Selling and marketing	-	1	-	31
General and administrative	604	796	1,423	1,611
Amortization of intangibles	410	33	504	65
	1,014	830	1,927	1,707
Loss from operations	$ (764)	$ (347)	$ (1,287)	$ (557)
Unallocated Corporate				
Operating expenses:				
General and administrative	$ 4,579	$ 4,004	$ 8,627	$ 8,474
Total unallocated corporate expenses	$ 4,579	$ 4,004	$ 8,627	$ 8,474
Consolidated (loss) income from operations	$ (490)	$ 1,131	$ 814	$ 1,313

The following table summarizes revenues by geographic locations:

	Three Months Ended July 31,				Six Months Ended July 31,			
	2009		2008		2009		2008	
	Amount	%	Amount	%	Amount	%	Amount	%
Revenues by customers' geographic locations:	(in thousands, except percentages)							
North America	$ 28,838	62%	$ 34,220	68%	$ 65,963	69%	$ 65,652	69%
Europe and Middle East	9,118	20%	10,871	21%	18,179	19%	20,458	21%
Latin America	5,091	11%	946	2%	6,663	7%	1,954	2%
Asia Pacific and other international locations	3,460	7%	4,668	9%	4,578	5%	8,025	8%
Total	$ 46,507		$ 50,705		$ 95,383		$ 96,089	

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

	Three Months Ended July 31,		Six Months Ended July 31,	
	2009	2008	2009	2008
Customer A	22%	35%	23%	31%
Customer B	12%	13%	15%	13%
Customer C	10%	- *	10%	- *
Customer D	10%	- *	- *	- *

* Denotes a percentage less than 10%

International sales accounted for approximately 40% and 33% of total revenues in the three months ended July 31, 2009 and 2008, respectively. For the six months ended July 31, 2009 and 2008, international sales accounted for approximately 33% and 32% of total revenue, respectively. In light of the high proportion of revenues derived from our international businesses, we expect that any adverse movements in foreign currency exchange rates could have an impact on our future translated results within the Condensed Consolidated Statements of Operations.

At July 31, 2009, four different customers accounted for approximately 16%, 15%, 14% and 11%, respectively, of the accounts receivable and unbilled receivables balances, and at January 31, 2009, two customers accounted for 27% and 14%, respectively, of SeaChange’s accounts receivable and unbilled receivables balances.

Goodwill allocated to the Company’s reportable segments and changes in the carrying amount of goodwill for the first six months of fiscal 2010 were as follows:

	Goodwill			
	Software	Servers & Storage	Media Services	Total
	(in thousands)			
Balance at January 31, 2009	$ 10,162	$ 754	$ 16,506	$ 27,422
Reallocation of previously recorded Mobix goodwill *	-	-	(3,365)	(3,365)
Adjusted Mobix goodwill (Note 5)			1,185	1,185
Cumulative translation adjustment	-	-	2,111	2,111
Balance at July 31, 2009	$ 10,162	$ 754	$ 16,437	$ 27,353

* During the second quarter of fiscal 2010, the Company has estimated, based on a preliminary third party valuation, the fair value of the acquired intangible assets to be $4.2 million which resulted in the reallocation of the previously recorded goodwill of $3.3 million and the payment made to the former shareholders of Mobix on March 10, 2009 of $700,000.

9. Income Taxes

For the three and six months ended July 31, 2009, the Company recorded an income tax benefit of $12,000 on losses before taxes and equity losses in earnings of affiliates of $341,000 and an income tax provision of $232,000 on income before taxes and equity losses in earnings of affiliates of $1.1 million, respectively, resulting in an effective tax rate of (3%) and 21%, respectively. We expect that an increasing percentage of our consolidated pre-tax income will be derived from, and reinvested in, our international operations. We anticipate that this pre-tax income will be subject to foreign tax at relatively lower tax rates when compared to the United States federal statutory tax rate in future periods. However, there are current U.S. tax proposals that may, if enacted, limit the ability of U.S. companies to continue to defer U.S. income taxes on foreign earnings.

As of July 31, 2009, the Company has maintained the full valuation allowance against its net U.S. deferred tax assets primarily due to the uncertainties related to the Company’s ability to generate sufficient pre-tax income for fiscal 2010 and thereafter. If SeaChange generates sufficient pre-tax income in the future, some portion or all of the valuation allowance could be reversed and a corresponding increase in net income would be reported in future periods.

10. Comprehensive Income

During the second quarter and first six months of fiscal year 2010, the U.S. dollar weakened against foreign currencies held by our subsidiaries. For the three and six months ending July 31, 2009, the Company’s Media Services operations in the United Kingdom generated a foreign currency gain of $3.6 million and $4.5 million, respectively, which was recorded as accumulated other comprehensive income increasing the Company’s equity section of the balance sheet over the prior period.

The components of comprehensive income consisted of the following:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2009	2008	2009	2008
	(in thousands)			
Net (loss) income	$ (376)	$ 1,487	$ 622	$ 1,830
Other comprehensive income (loss):				
Foreign currency translation adjustment	3,622	(31)	4,457	(207)
Unrealized loss on marketable securities, net of tax	(67)	(164)	(108)	(278)
Other comprehensive income (loss), net of tax	3,555	(195)	4,349	(485)
Comprehensive income	$ 3,179	$ 1,292	$ 4,971	$ 1,345

11. Earnings Per Share

Earnings per share are presented in accordance with SFAS No. 128,*Earnings per Share*, which requires the presentation of “basic” earnings per share and “diluted” earnings per share. Basic earnings per share are computed by dividing earnings available to common shareholders by the weighted-average shares of common stock outstanding during the period. For the purposes of calculating diluted earnings per share, the denominator includes both the weighted average number of shares of common stock outstanding during the period and the weighted average number of shares of potential common stock, such as stock options and restricted stock units and warrants, calculated using the treasury stock method.

For the three and six months ended July 31, 2009, 4,954,000 and 3,690,000 common stock equivalents respectively were anti-dilutive. The number of options that were anti-dilutive at July 31, 2009 include 618,000 shares, whose dilutive effect was not included in the calculation as a result of the Company’s net losses for the quarter.

For the three and six months ended July 31, 2008, 3,683,000 and 4,156,000 common stock equivalents respectively were anti-dilutive.

Below is a summary of the shares used in calculating basic and diluted income per share for the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2009	2008	2009	2008
	(in thousands)			
Weighted average shares used in calculating earnings per share—Basic	30,795	30,684	30,821	30,837
Dilutive common stock options	-	464	468	418
Weighted average shares used in calculating earnings per share—Diluted	30,795	31,148	31,289	31,255

12. Subsequent Event

On September 1, 2009, SeaChange completed the acquisition of all of the issued share capital of eventIS Group B.V, (“eventIS”), a privately owned company based in the Netherlands. eventIS provides VOD and linear broadcast solutions and related services to cable television and broadcast customers primarily in Europe. Under the terms of the definitive agreement, SeaChange paid $36.6 million upon the closing of the transaction on September 1, 2009. In addition,SeaChange is obligated to pay €1.2 million (approximately $1.7 million) in cash to the former eventIS shareholders on each of the first three anniversary dates following the acquisition. SeaChange is also obligated on each of the aforementioned anniversary dates to issue shares of restricted stock of SeaChange equating to €800,000 (approximately $1.1 million) annually to the former eventIS shareholders. The purchase price will also include a performance-based component principally related to the achievement of certain annual revenue targets for eventIS and SeaChange products and services. The revenue performance metrics will cover the three year period ending January 31, 2013 with payment upon achievement of these metrics occurring annually. SeaChange incurred a total of approximately $500,000 of transaction expenses during the second quarter of fiscal 2010 which were expensed as general and administrative expenses in the second quarter of fiscal 2010. SeaChange expects to incur further transactions costs associated with the acquisition of eventIS during its third quarter.

13. Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board “(FASB) issued SFAS No. 166,*Accounting for Transfers of Financial Assets, an amendment to SFAS No. 140*(“SFAS 166”). SFAS 166 eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. SFAS 166 is effective for fiscal years beginning after November 15, 2009. The Company is currently evaluating the impact of this standard on its Consolidated Financial Statements.

In June 2009, the FASB issued SFAS No. 167,*Amendments to FASB Interpretation No. 46(R)*(“SFAS 167”), which amends FASB Interpretation No. 46 (revised December

2003) to address the elimination of the concept of a qualifying special purpose entity and replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity. Also, SFAS 167 requires an ongoing assessment of whether an entity is the primary beneficiary of a variable interest entity. The amended approach focuses on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, SFAS 167 provides more timely and useful information about an enterprise's involvement with a variable interest entity. SFAS 167 will become effective for the first annual period starting after November 15, 2009. The Company is currently evaluating the impact of this standard on its Consolidated Financial Statements.

Impact of the Recently Adopted Accounting Pronouncements

In December 2007, the FASB issued SFAS 141 (revised 2007), "*Business Combinations*" ("SFAS 141(R)"). SFAS 141(R) uses the fair value definition in SFAS 157, which defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." SFAS 141(R) also changes the method of applying the acquisition method in a number of significant aspects. Acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS 141(R) amends SFAS No. 109, "*Accounting for Income Taxes*" such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS 141(R) would also apply the provisions of SFAS 141 (R). SFAS 141(R) is effective for fiscal years beginning after December 15, 2008, and was adopted by the Company on February 1, 2009. See Note 12 for disclosures relating to the acquisition of eventIS Group B.V. which was completed on September 1, 2009.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* ("SFAS 165"). This statement incorporates accounting and disclosure requirements related to subsequent events into U.S. GAAP. The requirements of SFAS 165 for subsequent-events accounting and disclosure are not significantly different from those in existing auditing standards, which SeaChange has historically followed for financial reporting purposes. As a result, SeaChange does not believe this standard had any material impact on its financial statements. The Company evaluated its July 31, 2009 financial statements for subsequent events through the date of issuance of these interim financial statements, which is September 8, 2009. Other than the definitive agreement entered into on September 1, 2009 for the purchase of all outstanding shares of eventIS Group B.V., further detailed in Note 12, the Company is not aware of any other subsequent events which would require recognition or disclosure in the financial statements.

In April 2009, the FASB issued the following new accounting standards:

- FASB Staff Position FAS 107-1 and APB 28-1, "*Interim Disclosures about Fair Value of Financial Instruments*," ("FSP FAS 107-1 and APB 28-1"). FSP FAS 107-1 and APB 28-1, amends FASB Statement No. 107, "*Disclosures about Fair Value of Financial Instruments*," to require disclosures about fair value of financial instruments in interim as well as in annual financial statements. This FSP also amends APB Opinion No. 28, "*Interim Financial Reporting*," to require those disclosures in all interim financial statements.

- FASB Staff Position FAS 157-4, "*Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*," ("FSP FAS 157-4"). FSP FAS 157-4 provides guidelines for making fair value measurements more consistent with the principles presented in SFAS 157. FSP FAS 157-4 provides additional authoritative guidance in determining whether a market is active or inactive, and whether a transaction is distressed, and is applicable to all assets and liabilities (i.e. financial and nonfinancial) and will require enhanced disclosures.

- FASB Staff Position FAS 115-2 and FAS 124-2, "*Recognition and Presentation of Other-Than-Temporary Impairments*," ("FSP FAS 115-2 and FAS 124-2"). FSP FAS 115-2 and FAS 124-2 provides additional guidance to provide greater clarity about the credit and noncredit component of an other-than-temporary impairment event and to more effectively communicate when an other-than-temporary impairment event has occurred. This FSP applies to debt securities.

Upon implementation during SeaChange's second quarter of fiscal 2010, the FASB Staff Positions ("FSP) did not have a material impact on SeaChange's consolidated financial statements. The additional disclosures related to FSP's are included in Note 2.

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

The following information should be read in conjunction with the unaudited condensed consolidated financial information and the notes thereto included in this Quarterly Report on Form 10-Q. In addition to historical information, the following discussion and other parts of this Quarterly Report contain forward-looking statements, as that term is defined in the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. You should not place undue reliance on these forward-looking statements. Actual events or results may differ materially due to competitive factors and other factors referred to in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for our fiscal year ended January 31, 2009 and elsewhere in this Quarterly Report. These factors may cause our actual results to differ materially from any forward-looking statement.

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.

The Company is managed and operated as three segments, Software, Servers and Storage, and Media Services, as defined by SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information*. A description of the three reporting segments is as follows:

- Software segment includes product revenues from the Company's Advertising, VOD, Middleware and Broadcast software, related services such as professional services, installation, training, project management, product maintenance, technical support and software development for those software products, and operating expenses relating to the Software segment such as research and development, selling and marketing and amortization of intangibles.

- Servers and Storage segment includes product revenues from VOD and Broadcast server product lines and related services such as professional services, installation, training, project management, product maintenance, and technical support for those products and operating expenses relating to the Servers and Storage segment, such as research and development and selling and marketing.

- Media Services segment includes the operations of ODG, including Mobix Interactive, Inc. activities which include content acquisition and preparation services for television and wireless service providers and related operating expenses.

The Company determined there are significant functions, and therefore costs, which are considered corporate expenses and are not allocated to the reportable segments for the purposes of assessing performance and making operating decisions. These unallocated costs include general and administrative expenses, other than general and administrative expenses related to Media Services, interest and other income, net, taxes and equity losses in earnings of affiliates, which are managed separately at the corporate level.

The basis of the assumptions for all such revenues, costs and expenses includes significant judgments and estimations. There are no inter-segment revenues for the periods shown below. The Company does not separately track all assets by operating segments nor are the segments evaluated under this criterion.

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 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 and administration. In the current state of the economy, we currently expect that 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, we expect movements in foreign exchange rates to have a greater impact on our operating results and the equity section of our balance sheet in the future.

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 to manufacture our products; and
- our ability to control operating costs given the fluctuations that we have experienced with revenues from quarter to quarter.
- our ability to successfully integrate businesses acquired by us, including eventIS Group B.V. and Mobit Interactive, Ltd.

Three Months Ended July 31, 2009 Compared to the Three Months Ended July 31, 2008

The following table sets forth statement of operations data for the three months ended July 31, 2009 compared to the three months ended July 31, 2008.

	Three Months Ended July 31, 2009	Three Months Ended July 31, 2008
	(in thousands)	
Revenues:		
Products	$ 22,598	$ 29,486
Services	23,909	21,219
	46,507	50,705
Costs and expenses:		
Cost of product revenues	7,788	13,019
Cost of services revenues	15,004	13,046
Research and development	11,976	11,047
Selling and marketing	6,251	7,265
General and administrative	5,184	4,800
Amortization of intangibles	794	397
(Loss) income from operations	(490)	1,131
Interest and other income, net	150	678
(Loss) income before income taxes and equity loss in earnings of affiliates	(340)	1,809
Income tax benefit (expense)	11	(208)
Equity loss in earnings of affiliates, net of tax	(47)	(114)
Net (loss) income	$ (376)	$ 1,487

Revenues

The following table summarizes information about the Company's reportable segment revenues for the three months ended July 31, 2009 and 2008.

	Three Months Ended July 31, 2009	2008	%
	(in thousands, except for percentage data)		
Software revenues:			
Products	$ 14,424	$ 18,906	-24%
Services	15,636	13,673	14%
Total Software revenues	$ 30,060	$ 32,579	-8%
Servers and Storage revenues:			
Products	$ 8,174	$ 10,580	-23%
Services	3,657	3,652	0%
Total Servers and Storage revenues	$ 11,831	$ 14,232	-17%
Media Services:			
Services	$ 4,616	$ 3,894	19%
Total consolidated revenue:			
Products	$ 22,598	$ 29,486	-23%
Services	23,909	21,219	13%
Total consolidated revenues	$ 46,507	$ 50,705	-8%

Product Revenues. Product revenues decreased 23% to $22.6 million in the three months ended July 31, 2009 from $29.5 million in the three months ended July 31, 2008. Product revenues from the Software segment accounted for 64% of the total product revenue for both the three months ended July 31, 2009, and 2008. The Servers and Storage segment accounted for 36% of total product revenues for both the three months ended July 31, 2009 and 2008. The decrease in product revenues is due to lower sales of our Broadcast products driven by the impact of reduced advertising revenues on broadcasters' capital spending and lower North American Advertising Insertion license revenues.

Services Revenues. Our Services revenues increased 13% year over year to $23.9 million in the three months ended July 31, 2009 from $21.2 million in the three months ended July 31, 2008. For both the three months ended July 31, 2009 and 2008, Services revenues for the Software segment accounted for 65% of the total services revenue. Servers and Storage services revenue accounted for 15% and 17% of total services revenue and Media Services accounted for 20% and 18% of total services revenues in the three months ended July 31, 2009 and 2008, respectively. The increased Service revenues is due to higher revenues from On Demand Group primarily from two customer contract wins that occurred in the second half of fiscal 2009 and increased VOD professional service revenues year over year.

For the three months ended July 31, 2009, four customers accounted for more than 54% of our total revenues, and two customers accounted for more than 48% of our total revenues for the three months ended July 31, 2008. Revenue from each of these customers was comprised of Software and Servers and Storage segment revenues. We believe that a significant amount of our revenues will continue to be derived from a limited number of customers.

International sales accounted for approximately 40% and 33% of total revenues in the three months ended July 31, 2009 and 2008, respectively. We expect that international products and services revenues will remain a significant portion of our business in the future. A majority of our international sales are denominated in United States dollars (USD), and for the three months ended July 31, 2009 and 2008 approximately 75% and 76% of international revenues, respectively, were denominated in USD, lessening the exposure of the Company's revenues to currency fluctuations.

Software Revenues. Revenues from our Software segment for the three months ended July 31, 2009 decreased $2.5 million, or an 8% decrease compared to the three months ended July 31, 2008. The decrease in software product revenues were due to lower TV Navigator license revenues and lower software licensing revenues from Advertising and Broadcast products resulting from less capital spending by North American advertisers and broadcasters. The decrease in software product revenues was partially offset by higher software subscription revenues resulting from the renewal of subscription agreements during the quarter and higher VOD license revenues. In addition, lower software product revenues were also partially offset by higher software services revenues primarily due to higher VOD product maintenance revenue and other technical support services revenue from growth in our installed base of products.

Servers and Storage Revenues. Revenues from the Servers and Storage segment for the three months ended July 31, 2009 decreased $2.4 million or 17% compared to related revenues in the three months ended July 31, 2008. The decrease in these product revenues compared to the same quarter in the previous year was primarily due to lower Broadcast server revenue as broadcast customers curtailed their capital spending year over year. This was partially offset by strong VOD server shipments to customers in North America, Latin America and China.

Media Services. Revenues from Media Services increased by approximately $722,000 or 19% in the three months ended July 31, 2009 compared to the three months ended July 31, 2008. The increase in this revenue was due primarily to contract wins in Greece and Turkey that occurred in the second half of fiscal 2009. Excluding the impact of currency rate differences, Media Services revenue would have grown 46% compared to the second quarter of fiscal 2009.

Product Gross Profit. Costs of product revenues consist primarily of the cost of purchased material components and subassemblies, labor and overhead relating to the final assembly and testing of complete systems and related expenses. The gross profit percentage for products increased from 56% in the three months ended July 31, 2008 to 66% in the three months ended July 31, 2009. The year over year increase was due mainly to a favorable product mix of higher margin software subscription revenues combined with lower Broadcast server products which typically carry lower margins.

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 video content services. The gross profit percentage for services decreased from 39% in the three months ended July 31, 2008 to 37% in the three months ended July 31, 2009. The decrease was primarily due to higher headcount costs for the Media Services segment compared to last year's second fiscal quarter.

Software Revenues Gross Profit. Software segment gross margin of 61% for the three months ended July 31, 2009 was five percentage points higher compared to the three months ended July 31, 2008. The increase in software gross margins is due mainly to higher software subscription revenues primarily from the renewal of our agreement with Comcast during the second quarter of fiscal 2010.

Servers and Storage Gross Profit. Servers and Storage segment gross margin of 44% in the three months ended July 31, 2009 was two percentage points higher than in the three months ended July 31, 2008 due mainly to higher sales volume-related VOD server gross margins and a lower proportion of lower margin Broadcast server revenue.

Media Services Gross Profit. Media Services segment gross margin of 5% in the three months ended July 31, 2009 was seven percentage points lower than gross margin for the three months ended July 31, 2008 due principally to the overlap of increased headcount related costs associated with bringing all content processing in-house combined with the continued third party costs during this transition during the second quarter of fiscal 2010.

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 $11.0 million, or 22% of total revenues, in the three months ended July 31, 2008, to $12.0 million or 26% of total revenues, in the three months ended July 31, 2009. The increase year over year is primarily due to increased headcount costs related to the VOD servers and TV Navigator product lines.

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 decreased from $7.3 million, or 14% of total revenues, in the three months ended July 31, 2008, to $6.3 million, or 13% of total revenues, in the three months ended July 31, 2009. This decrease is primarily due to lower travel expenses of $300,000, lower marketing-related expenses of $200,000 and lower third party commissions of $300,000.

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 three months ended July 31, 2009, general and administrative expenses increased to $5.2 million, or 11% of total revenues, from $4.8 million, or 9% of total revenues, in the three months ended July 31, 2008. The increase was primarily due to $500,000 of transaction expenses related to the acquisition of eventIS Group B.V. As a result of the adoption of SFAS 141(R), the Company is now required to expense acquisition-related costs in its general and administrative expenses whereas prior to the adoption of SFAS 141(R), such costs were capitalized as part of the purchase price allocated to assets and liabilities acquired.

Amortization of Intangible Assets. Amortization expense consists of the amortization of acquired intangible assets which are operating expenses and not considered costs of revenues. In the three months ended July 31, 2009 and 2008, amortization expense was $794,000 and $397,000, respectively. The increase was due to the amortization of the intangible assets in connection with the acquisition of Mobix Interactive on November 18, 2008. An additional $30,000 and $47,000 of amortization expense related to acquired technology was charged to cost of sales for the three months ended July 31, 2009 and 2008, respectively. In the future, SeaChange expects to have a higher amortization expense as a result of the recent acquisitions of Mobix on November 19, 2008 and eventIS on September 1, 2009. The Company expects to complete valuations for Mobix and eventIS during the second half of fiscal 2010.

Interest and Other Income, net. Interest and other income, net was $149,000 in the three months ended July 31, 2009, compared to $678,000 in the three months ended July 31, 2008. The decrease in interest and other income, net is primarily due to a $400,000 decrease in interest income resulting from lower investment yields and $159,000 of translation losses at our various foreign subsidiaries (where the functional currency is the US Dollar) derived from fluctuations in exchange rates between the various currencies and the U.S. dollar.

Equity Loss in Earnings of Affiliates. Equity loss in earnings of affiliates was $47,000 in the three months ended July 31, 2009 in comparison to equity loss in earnings of affiliates of $114,000 in the three months ended July 31, 2008. For the three months ended July 31, 2009 and 2008, $192,000 and $776,000, respectively, of equity loss was recognized from On Demand Deutschland, net of $155,000 and $662,000, respectively, in accreted gains related to customer contracts and content licensing agreements and a capital distribution related to reimbursement of previously incurred costs.

Income Tax Provision and Benefit. For the three months ended July 31, 2009, we recorded an income tax benefit of $12,000 on a loss before tax of $341,000 resulting in an effective tax rate of (3%). The income tax provision was attributable to the reduction of our deferred tax liabilities related to the Mobix intangibles, offset by our tax expense on foreign source income which are taxed at lower rates than in the U.S.. For the three months ended July 31, 2008, we recorded an income tax provision of $208,000 on income before taxes of $1.8 million, resulting in an effective tax rate of 12%.

As of July 31, 2009, the Company has maintained the full valuation allowance against its net U.S. and U.K. deferred tax assets primarily due to the uncertainties related to our ability to generate sufficient pre-tax income for fiscal 2010 and thereafter. If we generate sufficient pre-tax income in the future, some portion or all of the valuation allowance could be reversed and a corresponding increase in net income would be reported in future periods.

Six Months Ended July 31, 2009 Compared to the Six Months Ended July 31, 2008

The following table sets forth statement of operations data for the six months ended July 31, 2009 compared to the six months ended July 31, 2008.

	Six Months Ended July 31,	
	2009	2008
	(in thousands)	
Revenues:		
Products	$ 48,968	$ 56,480
Services	46,415	39,609
	95,383	96,089
Costs and expenses:		
Cost of product revenues	17,758	23,744
Cost of services revenues	28,893	24,943
Research and development	24,080	21,523
Selling and marketing	12,515	13,688
General and administrative	10,050	10,085
Amortization of intangibles	1,273	793
Income from operations	814	1,313
Interest and other income, net	285	1,547
Income before income taxes and equity loss in earnings of affiliates	1,099	2,860
Income tax expense	(233)	(633)
Equity loss in earnings of affiliates, net of tax	(244)	(397)
Net income	$ 622	$ 1,830

Revenues

The following table summarizes information about the Company's reportable segment revenues for the six months ended July 31, 2009 and 2008.

	Six Months Ended July 31, 2009	Six Months Ended July 31, 2008	%
	(in thousands, except for percentage data)		
Software revenues:			
Products	$ 30,709	$ 38,059	-19%
Services	29,968	24,583	22%
Total Software revenues	$ 60,677	$ 62,642	-3%
Servers and Storage revenues:			
Products	$ 18,259	$ 18,421	-1%
Services	7,625	7,118	7%
Total Servers and Storage revenues	$ 25,884	$ 25,539	1%
Media Services:			
Services	$ 8,822	$ 7,908	12%
Total consolidated revenue:			
Products	$ 48,968	$ 56,480	-13%
Services	46,415	39,609	17%
Total consolidated revenues	$ 95,383	$ 96,089	-1%

Product Revenues. Product revenues decreased 13% to $49.0 million in the six months ended July 31, 2009 from $56.5 million in the six months ended July 31, 2008. Product revenues from the Software segment accounted for 63% and 67% of the total product revenue for the six months ended July 31, 2009, and 2008, respectively. The Servers and Storage segment accounted for 37% and 33% of total product revenues in the six months ended July 31, 2009 and 2008, respectively. The $7.5 million decrease in product revenues between years is primarily due to lower sales of our Broadcast products driven by the impact of reduced advertising revenues on broadcasters' capital spending and lower North American Advertising Insertion license revenue.

Services Revenues. Our Services revenues increased 17% year over year to $46.4 million in the six months ended July 31, 2009 from $39.6 million in the six months ended July 31, 2008. For the six months ended July 31, 2009 and 2008, Services revenues for the Software segment accounted for 65% and 62% of the total services revenue, respectively. Servers and Storage services revenue accounted for 16% and 18% of total services revenue and Media Services accounted for 19% and 20% of total services revenues in the six months ended July 31, 2009 and 2008, respectively. The $6.8 million increase in Services revenues in our Software segment is due to increased VOD support maintenance and professional services and increases in our Media Services segment were due to two customer contract wins that occurred in the second half of fiscal 2009.

For the six months ended July 31, 2009, three customers accounted for more than 48% of our total revenues, and two customers accounted for more than 44% of our total revenues for the six months ended July 31, 2008. Revenue from each of these customers was comprised of Software and Servers and Storage segment revenues. We believe that a significant amount of our revenues will continue to be derived from a limited number of customers.

International sales accounted for approximately 33% and 32% of total revenues in the six months ended July 31, 2009 and 2008, respectively. We expect that international products and services revenues will remain a significant portion of our business in the future. A majority of our international sales are denominated in United States dollars (USD), and for the six months ended July 31, 2009 and 2008, approximately 72% and 74% of international revenues, respectively, were earned in USD, lessening the exposure of the Company's revenues to currency fluctuations.

Software Revenues. Revenues from our Software segment for the six months ended July 31, 2009 decreased $2.0 million, or a 3% decrease compared to the six months ended July 31, 2008. The $7.4 million decrease in product revenue for the Software segment was caused by lower software licensing revenue from our Advertising Insertion products and lower orders from our Broadcast products resulting from less capital spending by broadcasters. In addition, there were also two large nonrecurring orders during our first half of fiscal 2009 for our VODlink and VOD hospitality software products; that were partially offset by higher VOD subscription revenue from the renewal of the Comcast subscription agreement during the second quarter of fiscal 2010. The $5.4 million increase in services revenue for the Software segment was primarily due to VOD product maintenance contract revenue and other technical support services revenue from growth in our installed base of products.

Servers and Storage Revenues. Revenues from the Servers and Storage segment for the six months ended July 31, 2009 increased $345,000 or 1% compared to related revenues in the six months ended July 31, 2008. The decrease in product revenues in the six months ended July 31, 2009 of $162,000 compared to the same six months in the previous year was primarily due to lower Broadcast server revenues offset by higher VOD server revenues. In addition, lower product revenues were offset by higher service revenues primarily due to higher VOD product maintenance contract revenue and other technical support services revenue from growth in our installed base of products.

Media Services. Revenues from Media Services increased by $914,000 or 12% in the six months ended July 31, 2009 compared to the six months ended July 31, 2008. The increase in this revenue was due primarily to recent contract wins in Greece and Turkey in the second half of the last fiscal year.

Product Gross Profit. Costs of product revenues consist primarily of the cost of purchased material components and subassemblies, labor and overhead relating to the final assembly and testing of complete systems and related expenses. The gross profit percentage for products increased from 58% in the six months ended July 31, 2008 to 64% in the six months ended July 31, 2009. The year over year increase in product gross profit percentages between years was due mainly to higher VOD software subscription margins and a lower proportion of lower margin Broadcast revenue.

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 video content services. The gross profit percentage for services increased from 37% in the six months ended July 31, 2008 to 38% in the six months ended July 31, 2009. The increase was primarily due to increased VOD maintenance revenues due to a larger installed base year over year, partially offset by lower margins in the Media Services segment.

Software Revenues Gross Profit. Software segment gross margin of 59% for the six months ended July 31, 2009 was four percentage points higher compared to the six months ended July 31, 2008. The increase in software gross margins is due mainly to higher Software subscription revenues resulting from the renewal of our agreement with Comcast during the second quarter of fiscal 2010.

Servers and Storage Gross Profit. Servers and Storage segment gross margin of 47% in the six months ended July 31, 2009 was two percentage points higher compared to the six months ended July 31, 2008. The increase was due to a favorable product mix of higher margin VOD server revenues and lower margin Broadcast revenues.

Media Services Gross Profit. Media Services segment gross margin of 7% in the six months ended July 31, 2009 was eight percentage points lower than gross margin for the six months ended July 31, 2008 due principally to the overlap of increased headcount related costs associated with bringing all content processing in-house combined with the continued third party costs for this transition during the first half of this year. We expect that the third party costs will be minimal going forward.

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 $21.5 million, or 22% of total revenues, in the six months ended July 31, 2008, to $24.1 million or 25% of total revenues, in the six months ended July 31, 2009. The increase year over year is primarily due to increased headcount costs related to the VOD servers and TV Navigator product lines.

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 decreased from $13.7 million, or 14% of total revenues, in the six months ended July 31, 2008, to $12.5 million, or 13% of total revenues, in the six months ended July 31, 2009. This decrease is primarily due to lower external commission expense of $200,000, lower travel expenses of $400,000 and lower trade show expenses of $300,000.

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 six months ended July 31, 2009, general and administrative expenses were flat at $10.1 million, or 11% of total revenues, as compared to the six months ended July 31, 2008. General and administrative expenses included approximately $500,000 of transaction expenses related to the acquisition of eventIS Group B.V. during the six months ended July 31, 2009. As a result of the adoption of SFAS 141(R), the Company is now required to expense acquisition-related costs in its general and administrative expenses whereas prior to the adoption of SFAS 141(R), such costs were capitalized as part of the purchase price allocated to assets and liabilities acquired.

Amortization of Intangible Assets. Amortization expense consists of the amortization of acquired intangible assets which are operating expenses and not considered costs of revenues. In the six months ended July 31, 2009 and 2008, amortization expense was $1.3 million and $793,000, respectively. The increase is due to the estimated amortization of intangible assets in connection with the acquisition of Mobix Interactive on November 18, 2008. An additional $60,000 and $94,000 of amortization expense related to acquired technology was charged to cost of sales for the six months ended July 31, 2009 and 2008, respectively. In the future, SeaChange expects to have a higher amortization expense as a result of the recent acquisitions of Mobix on November 19, 2008 and eventIS on September 1, 2009. The Company expects to complete valuations for Mobix and eventIS during the third quarter.

Interest and Other Income, net. Interest and other income, net was $285,000 in the six months ended July 31, 2009, compared to $1.5 million in the six months ended July 31, 2008. The decrease in interest and other income, net is primarily due to a $873,000 decrease in interest income resulting from lower investment yields and $373,000 of translation losses at our various foreign subsidiaries (where the functional currency is the US Dollar) derived from fluctuations in exchange rates between the various currencies and the U.S dollar.

Equity Loss in Earnings of Affiliates. Equity loss in earnings of affiliates was $244,000 in the six months ended July 31, 2009 in comparison to equity loss in earnings of affiliates of $397,000 in the six months ended July 31, 2008. For the six months ended July 31, 2009 and 2008, $520,000 and $755,000, respectively, of equity loss was recognized from On Demand Deutschland, net of $286,000 and $358,000, respectively, in accreted gains related to customer contracts and content licensing agreements and a capital distribution related to reimbursement of previously incurred costs.

Income Tax Provision. For the six months ended July 31, 2009, we recorded an income tax provision of $233,000 on income before tax of $1.1 million resulting in an effective tax rate of 21%. The effective tax rate of 21% was primarily attributable to income in our foreign subsidiaries which are taxed at lower rates than in the U.S. rate of 35%. For the six months ended July 31, 2008, we recorded an income tax provision of $633,000 on income before taxes of $2.9 million resulting in an effective tax rate of 22%.

As of July 31, 2009, the Company has maintained the full valuation allowance against its net U.S. and U.K. deferred tax assets primarily due to the uncertainties related to our ability to generate sufficient pre-tax income for fiscal 2010 and thereafter. If we generate sufficient pre-tax income in the future, some portion or all of the valuation allowance could be reversed and a corresponding increase in net income would be reported in future periods.

Off-Balance Sheet Arrangements

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

Liquidity and Capital Resources

Historically, we have financed our operations and capital expenditures primarily with cash on-hand and the proceeds from sales of our common stock. Cash and marketable securities increased $7.7 million from $85.8 million at January 31, 2009 to $93.5 million at July 31, 2009. Working capital, excluding long-term marketable securities, increased from $89.5 million at January 31, 2009 to $89.7 million at July 31, 2009.

Net cash provided by operating activities was $15.5 million for the six months ended July 31, 2009 compared to net cash provided by operating activities of $3.2 million for the six months ended July 31, 2008. The net cash provided by operating activities for the six months ended July 31, 2009 was primarily the result of non-cash expenses of $7.7 million and a decrease of $12.0 million of accounts receivable, resulting from strong collections during the period offset by a decrease of $2.7 million in accrued expenses.

Net cash used by investing activities was $6.2 million for the six months ended July 31, 2009 compared to net cash used by investing activities of $4.9 million for the six months ended July 31, 2008. Investment activity for the six months ended July 31, 2009 consisted of net purchases of $300,000 of marketable securities, the purchase of property and equipment of $6.0 million, a $700,000 contingent payment to the former shareholders of Mobix and additional investments in Casa Systems, Inc. of $654,000 and On Demand Deutschland GMBH and CoKG of $212,000.

Net cash used by financing activities was $800,000 for the six months ended July 31, 2009 and net cash used by financing activities was $4.7 million for the six months ended July 31, 2008. In the six months ended July 31, 2009, the cash used by financing activities was due to the repurchase of $1.7 million of the Company’s stock partially offset by $900,000 from the issuance of common stock in connection with stock option exercises and stock purchases under the Company’s Employee Stock Purchase Plan.

For the six month period ended July 31, 2009 the effect of exchange rates on cash and cash equivalents from translating ODG’s cash balances to U.S. dollars from British Pounds resulted in an increase of the cash balance of $600,000.

In connection with our acquisition of eventIS Group B.V., (eventIS), SeaChange paid €25.5 million (approximately $36.6 million) upon the closing of the transaction on

September 1, 2009. In addition, SeaChange is obligated to pay annually €1.2 (approximately $1.7 million) million in cash and issue shares of restricted stock of SeaChange equating to €800,000 (approximately $1.1 million) to the former eventIS shareholders on each of the first three anniversary dates following the acquisition. In addition, we have agreed to contingent earnout payments principally related to the achievement of certain annual revenue targets for eventIS products and sales of SeaChange products and services. The revenue performance metrics will cover the three year period ending January 31, 2013 with payment upon achievement of these metrics occurring annually. We incurred a total of approximately $500,000 of transaction expenses, during the second quarter of fiscal 2010 which were expensed as general and administrative expenses in the second quarter of fiscal 2010. We expect to incur further transactions costs associated with the acquisition of eventIS during our third quarter.

In connection with our acquisition of Mobix, at the closing, we deposited £1 million (approximately $1.5 million) in escrow, which was subsequently returned to ODG on May 27, 2009 due to Mobix failing to meet certain performance goals. In addition, we have agreed to make total contingent earnout cash payments of approximately £8.3 million upon the achievement of certain financial targets measured over defined periods through November 19, 2011.

On February 27, 2007, the On Demand Group Ltd. ("ODG"), a wholly-owned U.K. subsidiary of SeaChange, entered into an agreement with Tele-Munchen Fernseh GmbH & Co. Produktionsgesellschaft to create a joint venture named On Demand Deutschland GmbH & Co. KG. The Shareholder's Agreement requires ODG to provide cash contributions up to $4.2 million upon the request of the joint venture's management and approval by the shareholders of the joint venture. During the six months ended July 31, 2009, the Company contributed $212,000.

On March 11, 2009, SeaChange'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, including pursuant to a Rule 10b5-1 plan maintained by the Company. This share 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 investment balances. The timing and amount of the shares to be repurchased will be based on market conditions and other factors, including price, corporate and regulatory requirements and alternative investment opportunities. The repurchase program is scheduled to terminate on January 31, 2010. During the six months ended July 31, 2009, the Company repurchased 298,415 shares at a cost of $1.7 million.

On October 31, 2008, RBS Citizens (a subsidiary of the Royal Bank of Scotland Group plc) extended our $15.0 million revolving line of credit from October 31, 2008 through October 31, 2010. 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 SeaChange to comply with certain financial covenants. On August 31, 2009, these financial covenants were amended to reflect the acquisition of eventIS. As of July 31, 2009, we were in compliance with the financial covenants and there were no amounts outstanding under the revolving line of credit.

We are occasionally required to post letters of credit, issued by a financial institution, to secure certain sales contracts. Letters of credit generally authorize the financial institution to make a payment to the beneficiary upon the satisfaction of a certain event or the failure to satisfy an obligation. The letters of credit are generally posted for one-year terms and are usually automatically renewed upon maturity until such time as we have satisfied the commitment secured by the letter of credit. We are obligated to reimburse the issuer only if the beneficiary collects on the letter of credit. We believe that it is unlikely we will be required to fund a claim under our outstanding letters of credit. As of July 31, 2009, the full amount of the letters of credit of $629,000 was supported by our credit facility.

We believe that existing funds combined with available borrowings under the 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 twelve months. In addition, we actively review potential acquisitions, such as our recent acquisition of eventIS on September 1, 2009, that would complement our existing product offerings, enhance our technical capabilities or expand our marketing and sales presence. Any future transactions of this nature could require potentially significant amounts of capital or could require us to issue additional stock and dilute existing stockholders. Our ability to raise funds may be adversely affected by a number of factors beyond our control, including the global economic slowdown as well as conditions in financial markets and the cable and telecom industries. There can be no assurance that any financing will be available on terms acceptable to us, if at all.

Effects of Inflation

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

Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board "(FASB) issued SFAS No. 166,*Accounting for Transfers of Financial Assets, an amendment to SFAS No. 140*("SFAS 166"). SFAS 166 eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. SFAS 166 is effective for fiscal years beginning after November 15, 2009. The Company is currently evaluating the impact of this standard on its Consolidated Financial Statements.

In June 2009, the FASB issued SFAS No. 167,*Amendments to FASB Interpretation No. 46(R)*("SFAS 167"), which amends FASB Interpretation No. 46 (revised December 2003) to address the elimination of the concept of a qualifying special purpose entity and replaces the quantitative-based risks and rewards calculation for determining which enterprise has a controlling financial interest in a variable interest entity. Also, SFAS 167 requires an ongoing assessment of whether an entity is the primary beneficiary of a variable interest entity. The amended approach focuses on identifying which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Additionally, SFAS 167 provides more timely and useful information about an enterprise's involvement with a variable interest entity. SFAS 167 will become effective for the first annual period starting after November 15, 2009. The Company is currently evaluating the impact of this standard on its Consolidated Financial Statements.

Impact of the Recently Adopted Accounting Pronouncements

In December 2007, the FASB issued SFAS 141 (revised 2007), "*Business Combinations*" ("SFAS 141(R)"). SFAS 141(R) uses the fair value definition in SFAS 157, which defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." SFAS 141(R) also changes the method of applying the acquisition method in a number of significant aspects. Acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS 141(R) amends SFAS No. 109, "*Accounting for Income Taxes*" such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS 141(R) would also apply the provisions of SFAS 141 (R). SFAS 141(R) is effective for fiscal years beginning after December 15, 2008, and was adopted by the Company on February 1, 2009. See Note 12 for disclosures relating to the acquisition of eventIS Group B.V. which was completed on September 1, 2009.

In May 2009, the FASB issued SFAS No. 165,*Subsequent Events* ("SFAS 165"). This statement incorporates accounting and disclosure requirements related to subsequent events into U.S. GAAP. The requirements of SFAS 165 for subsequent-events accounting and disclosure are not significantly different from those in existing auditing standards, which SeaChange has historically followed for financial reporting purposes. As a result, SeaChange does not believe this standard had any material impact on its financial statements. The Company evaluated its July 31, 2009 financial statements for subsequent events through the date of issuance of these interim financial statements, which is

September 8, 2009. Other than the definitive agreement entered into on September 1, 2009 for the purchase of all outstanding shares of eventIS Group B.V., further detailed in Note 12, the Company is not aware of any other subsequent events which would require recognition or disclosure in the financial statements.

In April 2009, the FASB issued the following new accounting standards:

- FASB Staff Position FAS 107-1 and APB 28-1, "*Interim Disclosures about Fair Value of Financial Instruments,*" ("FSP FAS 107-1 and APB 28-1"). FSP FAS 107-1 and APB 28-1, amends FASB Statement No. 107, "*Disclosures about Fair Value of Financial Instruments*," to require disclosures about fair value of financial instruments in interim as well as in annual financial statements. This FSP also amends APB Opinion No. 28, "*Interim Financial Reporting*," to require those disclosures in all interim financial statements.

- FASB Staff Position FAS 157-4, "*Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*," ("FSP FAS 157-4"). FSP FAS 157-4 provides guidelines for making fair value measurements more consistent with the principles presented in SFAS 157. FSP FAS 157-4 provides additional authoritative guidance in determining whether a market is active or inactive, and whether a transaction is distressed, and is applicable to all assets and liabilities (i.e. financial and nonfinancial) and will require enhanced disclosures.

- FASB Staff Position FAS 115-2 and FAS 124-2, "*Recognition and Presentation of Other-Than-Temporary Impairments*," ("FSP FAS 115-2 and FAS 124-2"). FSP FAS 115-2 and FAS 124-2 provides additional guidance to provide greater clarity about the credit and noncredit component of an other-than-temporary impairment event and to more effectively communicate when an other-than-temporary impairment event has occurred. This FSP applies to debt securities.

Upon implementation during SeaChange's second quarter of fiscal 2010, the FASB Staff Positions ("FSP) did not have a material impact on SeaChange's consolidated financial statements. The additional disclosures related to FSP's are included in Note 2.

ITEM 3. 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 foreign currency exchange exposure is primarily associated with product sales arrangements, European and Asian repatriation or settlement of intercompany payables and receivables among subsidiaries and its parent company, and/or investment/equity contingency considerations denominated in the local currency where the functional currency of the foreign subsidiary is the U.S. dollar. Substantially all of our international product sales are payable in United States Dollars (USD) or in the case of our Media Services operations in the United Kingdom service sales, payable in GBP, providing a natural hedge for receipts and local payments. In light of the high proportion of our international businesses, we expect the risk of any adverse movements in foreign currency exchange rates could have an impact on our translated results within the Combined Statements of Financial Position and Operations. In addition, for the six months ended July 31, 2009 and 2008, the Company's Media Services operations in the United Kingdom generated a foreign currency translation gain of $4.5 million and $207,000, respectively, which was recorded as accumulated other comprehensive gain increasing the Company's equity section of the balance sheet over the prior period.

With the exception of ODG and Mobix, the U.S. Dollar is the functional currency for our international subsidiaries. All foreign currency gains and losses are included in interest and other income, net, in the accompanying Consolidated Statements of Operations. For the three months ended July 31, 2009 and 2008, respectively, the Company recorded approximately $80,000 in losses and $46,000 in gains to interest and other income, net, due to international subsidiary translations and cash settlements of revenues and expenses. For the six months ended July 31, 2009 and 2008, respectively, the Company recorded approximately $155,000 in losses and $201,000 in gains to interest and other income, net, due to international subsidiary translations and cash settlements of revenues and expenses.

The carrying amounts reflected in the condensed consolidated balance sheet of cash and cash equivalents, short-term marketable securities, trade receivables and trade payables approximate fair value at July 31, 2009 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 July 31, 2009, 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, which are carried at the lower of cost or market, have fixed interest rates, and therefore are subject to changes in fair value. As a result, we do not currently hedge these market risk exposures.

At July 31, 2009, we had $8.9 million in short-term marketable securities and $13.1 million in long-term marketable securities. Of the $22.0 million in available-for-sale securities at July 31, 2009, the Company holds $1.0 million in auction rate securities ("ARS") that were intended to provide liquidity via an auction process that resets the applicable interest rate in the event there is no new investment in these securities. Due to the uncertainty in the credit markets, this $1.0 million ARS holding in our investment portfolio has failed to settle on its respective settlement date resulting in the illiquidity of this investment. Consequently, we have not been able to access these funds and do not expect to do so until a future auction of these investments is successful or a buyer is found outside the auction process. Although the maturity date of the underlying security of our ARS investment is twenty-two years, we currently have sufficient cash and cash equivalents, cash from operations and access to unused credit facilities to meet our short term liquidity requirements and do not anticipate that we will need to access our ARS investment. Accordingly, the Company has classified this investment as long-term and its fair value equals par at maturity.

ITEM 4. Controls and Procedures

(a) *Evaluation of disclosure controls and procedures*. The Company evaluated the effectiveness of its disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this quarterly report on Form 10-Q. William C. Styslinger, III, our Chief Executive Officer, and Kevin M. Bisson, our Chief Financial Officer, reviewed and participated in this evaluation. Based upon that evaluation, Messrs. Styslinger and Bisson concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report and as of the date of the evaluation.

(b) *Changes in internal controls over financial reporting*As a result of the evaluation completed by the Company, and in which Messrs. Styslinger and Bisson participated, the Company has concluded that there were no changes during the fiscal quarter ended July 31, 2009 in its internal controls over financial reporting, which have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Litigation

None

Other Matters

ARRIS Litigation

On July 31, 2009, Arris Corporation filed a contempt motion in the U.S. District Court for the District of Delaware against SeaChange International relating to U.S. Patent No 5,805,804, a patent owned by Arris Corporation. In its motion, Arris Corporation is seeking further patent royalties and the enforcement of the permanent injunction entered by the Court on April 6, 2006 against certain of our products. In response, on August 3, 2009, we filed a complaint seeking a declaratory judgment from the Court to declare that its products are non-infringing with respect to the ‘804 patent and asserting certain equitable defenses.

On August 25, 2009, Arris Corporation filed 1) an answer to our complaint that included a counterclaim of patent infringement under the ‘804 patent; and 2) a motion to stay the declaratory judgment action until the resolution of the contempt motion. We have filed a motion to consolidate the Arris contempt motion with our declaratory judgment action. We believes that Arris’ contempt motion is without merit, and that our products do not infringe the remaining claims under the ‘804 patent.

Indemnification and Warranties

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, Multimedia Patent Trust, and VTran Media Technologies. Management performed an analysis of all requests under Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies* (“SFAS 5”) as interpreted by FASB Interpretation No. 45, *Guarantor’s Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others* (“FIN45”).

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 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. 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 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended January 31, 2009, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

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

Repurchase of the Company’s Equity Securities

On March 11, 2009, SeaChange’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, including pursuant to a Rule 10b5-1 plan maintained by the Company. This share 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 investment balances. The timing and amount of the shares to be repurchased will be based on market conditions and other factors, including price, corporate and regulatory requirements and alternative investment opportunities.

The repurchase program is scheduled to terminate on January 31, 2010. No shares were purchased during the three months ended July 31, 2009. As of July 31, 2009, the remaining maximum dollar value of shares that may yet be purchased under the program is $18.3 million.

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

The annual meeting of the stockholders of SeaChange was held on July 15, 2009 at which the stockholders voted on the following matters:

1. The election of one (1) member (William C. Styslinger, III) to SeaChange’s Board of Directors, to serve for a three-year term as a Class I Director;

2. The ratification of the appointment of Grant Thornton LLP, SeaChange’s independent registered public accounting firm.

Voting results were as follows:

	Votes For	Votes Against	Abstained
Election of William C. Styslinger, III	20,791,253	—	7,779,350
Ratification of appointment of independent registered public accounting firm, Grant Thornton LLP	28,540,635	28,468	1,500

After the annual meeting, Thomas F. Olson, Carlo Salvatori, Mary Palermo Cotton and Carmine Vona continued to serve as our directors, in addition to William C. Styslinger, III. As disclosed in our Current Report on Form-8-K filed on September 3, 2009, Reijane Huai was elected as a director on August 28, 2009.

ITEM 6. Exhibits

(a) Exhibits

2.1 Agreement for the Entire Issued Share Capital of eventIS Group B.V. dated as of September 1, 2009 by and among Ventise Holding B.V., SeaChange B.V. and SeaChange International, Inc.

31.1 Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

31.2 Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

SIGNATURES

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

Dated: September 8, 2009

SEACHANGE INTERNATIONAL, INC.

by: /s/ Kevin M. Bisson

Kevin M. Bisson
Chief Financial Officer, Senior Vice President,
Finance and
Administration, Treasurer and Secretary
(Principal Financial and Accounting Officer)

Index to Exhibits

No.	Description
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32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

Exhibit 2.1

DATED 1 SEPTEMBER 2009

VENTISE HOLDING B.V.

as Vendor

SEACHANGE B.V.

as Purchaser

and

SEACHANGE INTERNATIONAL, INC.

as Parent

AGREEMENT

FOR THE ACQUISITION OF

THE ENTIRE ISSUED SHARE CAPITAL OF

EVENTIS GROUP B.V.

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SCHEDULES

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SCHEDULE 4.9 AGREED FORM EMPLOYMENT AGREEMENTS AND MANAGEMENT AGREEMENTS

SCHEDULE 6.1 WARRANTIES

THE UNDERSIGNED:

(i) **Ventise Holding B.V.**, a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under the laws of The Netherlands, having its registered office at Eindhoven, the Netherlands and its place of business at Hulst 16, 5507 MH Veldhoven, the Netherlands (the "**Vendor**");

(ii) **SeaChange B.V.** a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), incorporated under the laws of the Netherlands, having its registered office at Teleportboulevard 140, 1043 EJ Amsterdam, the Netherlands (the "**Purchaser**"); and

(iii) **SeaChange International, Inc.**, a public corporation, incorporated under the laws of Delaware (United States of America), with corporate seat at Delaware, office address at 50 Nagog Park, Acton, Massachusetts 01720 and with registration number 2343307 (the "**Parent**");

the parties referred to sub (i) up to and including (iii) are collectively referred to as: the **Parties**" and individually as: a "**Party**".

WHEREAS:

(A) the Vendor is the legal and beneficial owner of 360 (three hundred sixty) ordinary shares, numbered 1 up to and including 360, each with a nominal value of EUR 50 (fifty euro) (the "**Shares**"), constituting one hundred percent (100 %) of the issued share capital of **eventIS Group B.V.** , a private company with limited liability, incorporated under the laws of the Netherlands, having its registered office at Veldhoven, The Netherlands and its place of business at Flight Forum 882, 5657 DV Eindhoven, the Netherlands (the "**Company**");

(B) the Company has implemented a restructuring of the eventIS group of companies (the "**Restructuring**") as a result of which the Company is the direct or indirect legal and beneficial owner of all issued shares in the capital of the Group Companies;

(C) the Company and its Group Companies (the "**Group**") are engaged in – *inter alia* – the business of developing new and advanced Digital TV products focusing on metadata management and distribution (the "**Business**");

(D) the Vendor initiated a structured sale process for the sale of the Shares and provided the Parent and its advisors with an information memorandum in respect of the Group dated March 2009 (the "**Information Memorandum**"), a legal vendor due diligence report prepared by AKD Prinsen Van Wijmen N.V. and a financial and tax vendor due diligence report prepared by Deloitte (the "**Vendor Due Diligence Reports**"). The Parent has furthermore performed a confirmatory due diligence investigation of the electronic data room that was prepared on behalf of the Vendor (the "**Data Room**"). Finally, the Parent has submitted a final and non-binding offer to purchase the Shares, which offer has been accepted by the Vendor, on the terms and conditions set out in the Agreement;

(E) the Vendor wishes to sell and the Purchaser wishes to purchase the Shares on the terms and conditions set out in this Agreement; and

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(F) the Vendor and the Purchaser have made, in respect of the envisaged transactions under the Agreement (the "**Transaction**"), all required notifications and have provided all required information and documents to, and have obtained all required consents, advice and approvals from, all relevant authorities, agencies, works councils, trade unions and other bodies, under all applicable laws and regulations, including but not limited to the relevant provisions of the Social and Economic Council Merger Regulation (*SER-Fusiegedragsregels 2000*).

HAVE AGREED AS FOLLOWS:

CLAUSE 1 DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

In this Agreement, unless the context otherwise requires or unless otherwise specified hereinafter, the definitions as set forth in **Schedule 1.1** (Definitions) are used.

1.2 Interpretations

In this Agreement, unless the context otherwise requires or unless otherwise specified hereinafter:

1.2.1 references to Clauses and Schedules are references to clauses (including all sub-clauses) of, and schedules to the Agreement and form an integral part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement and any reference to this Agreement shall include the Schedules and any other attachments to this Agreement;

1.2.2 any reference to "includes" or "including" shall mean "including but without limitation to the generality of the foregoing";

1.2.3 a reference to any statute or statutory provision shall be construed as a reference to the same as applicable on Closing Date;

1.2.4 references to a "person" shall be construed so as to include any individual (*natuurlijke persoon*), firm, company or other legal entity (*rechtspersoon*) or any joint venture, association or partnership (whether or not being a separate legal entity;

1.2.5 references to times of the day are to Central European Time;

1.2.6 words importing the singular include the plural and vice versa and words importing gender or the neuter include both genders and the neuter;

1.2.7 this Agreement is drafted in the English language. In this Agreement Dutch terms and legal concepts are expressed in English terms and not in their original Dutch terms. Where indicated in italics, Dutch equivalents of these English terms have been given. Terms and expressions of law and of legal concepts as used in this Agreement have the meaning attributed to them under the laws of the Netherlands and this Agreement should be read and interpreted accordingly;

1.2.8 headings to Clauses and Schedules are for convenience only and do not affect in any way the interpretation thereof;

1.2.9 where any obligation is qualified or phrased by reference to use "*reasonable endeavours*", "*reasonable efforts*" or wording of a similar nature, it means the efforts that a similarly situated person desirous of achieving a result would use in similar circumstances to achieve that result and, regard shall be had, among other factors, to (i) the price, financial interest and other terms of the obligation; (ii) the degree of risk normally involved in achieving the intended result; and (iii) the ability of an unrelated person to influence the performance of the obligation;

1.2.10 for the purpose of this Agreement and the documents pertaining hereto, any statement which refers to the knowledge, information, belief or awareness of the Vendor or the Vendor Parties – including the expressions "*to Vendor's best knowledge*" or "*known to Vendor*" – or any similar expression, shall be deemed to refer to the actual knowledge, belief or awareness of the Vendor at the date of this Agreement, as well as the knowledge the Vendor and the Vendor Parties are reasonably expected to have as managing directors of the Company and the Group Companies; and

1.2.11 the terms "material" or "materially", or any other words to that effect, when used with respect to the Company, one or more of the Group Companies and/or the Business, mean material to the Group Companies and the Business as a whole.

1.3 The Parties hereto have participated jointly in the negotiation and drafting of this Agreement and no provision of this Agreement shall be interpreted against a Party solely as a result of the fact that such Party was responsible for the drafting of such provision. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties hereto, and no presumption or burden of proof shall arise favouring or disfavouring any Party by virtue of the authorship of any of the provisions of this Agreement.

CLAUSE 2 <u>SALE AND PURCHASE</u>

2.1 Sale and Purchase

Subject to the terms and conditions set forth in this Agreement, the Vendor hereby sells and undertakes to transfer on Closing Date the Shares to the Purchaser and the Purchaser hereby purchases and undertakes to accept on Closing Date the transfer of the Shares from the Vendor to the Purchaser.

2.2 Effective Date

Subject to the terms and conditions set forth in this Agreement, the Parties hereby agree that the transfer of the beneficial ownership of the Shares is deemed effective as of the Effective Date.

CLAUSE 3 <u>CONSIDERATION AND PAYMENT</u>

3.1 Purchase Price

The aggregate purchase price for the Shares (the "**Purchase Price**") shall be comprised as follows:

3.1.1 the Initial Purchase Price <u>plus or minus</u> the Working Capital Adjustment;

3.1.2 the Deferred Fixed Purchase Price; and

3.1.3 the Deferred Performance-Based Purchase Price.

3.2 Initial Purchase Price

The initial purchase price for the Shares consists of a payment of EUR 24,000,000 (twenty-four million Euros) in cash by the Purchaser to the Vendor in accordance with Clause 4.10 (the "**Initial Purchase Price**").

3.3 Estimated Working Capital Adjustment

Not more than five (5) Business Days, but in no event less than three (3) Business Days, before Closing Date, the Vendor shall prepare the Estimated Working Capital Adjustment based on a good faith estimate of the Working Capital as of the Closing Date based on the accounting principles generally accepted in the Netherlands as in force as per the respective date and as applied on a consistent basis by the Company over the previous three (3) financial years (the "**Estimated Working Capital**"). The Vendor shall deliver written notice of the Estimated Working Capital Adjustment to the Parent within the time periods set forth in the first sentence of this Clause 3.3. The Parent and its advisors shall have the right to participate in the determination of and approve the Estimated Working Capital Adjustment, which approval shall not be unreasonably withheld, delayed or conditioned.

3.4 Transfer Notary Account

The Purchaser shall transfer the Initial Purchase Price <u>plus</u> the Estimated Working Capital Adjustment by wire transfer to the Notary's third party account prior to Closing, so as to ensure that said amounts are credited to the Notary's third party account prior to Closing.

3.5 Working Capital Adjustment

3.5.1 The Working Capital Adjustment shall be determined in accordance with the procedure set out in **Schedule 3.5.1**.

3.5.2 Within five (5) Business Days following determination of the final Working Capital Adjustment in accordance with Schedule 3.5.1, the Purchaser or the Vendor, as the case may be, shall make a transfer of immediately available funds as follows:

3.5.2.1 by the Purchaser to the Vendor's bank account, if and to the extent that the Working Capital exceeds the Estimated Working Capital; or

3.5.2.2 by the Vendor to the Purchaser's bank account, if and to the extent that the Estimated Working Capital exceeds the Working Capital.

3.6 Deferred Fixed Purchase Price

The deferred and fixed parts of the Purchase Price comprise (i) the Annual Cash Payments and (ii) the Annual Restricted Stock Payment (the "**Deferred Fixed Purchase Price**"):

3.6.1 subject to Clause 8.2, the Purchaser shall on the first, second and third anniversary of Closing pay an amount of EUR 1,200,000 (one million two hundred thousand Euros) in cash to the Vendor by means of a wire transfer of the relevant amount to the bank account designated by the Vendor (the "**Annual Cash Payments**");

3.6.2 subject to Clause 8.2, the Purchaser shall on the first, second and third anniversary of Closing pay an amount of EUR 800,000 (eight hundred thousand Euros) by means of procuring the issuance of common shares in the capital of the Parent (the "**Restricted Stock**") to the Vendor (the "**Annual Restricted Stock Payment**"). The number of Restricted Stock to be paid each year by the Purchaser shall be based on the 10-day volume-weighted average of the closing price of common shares of the Parent on the Nasdaq Stock Market, ending on the applicable anniversary date. All Restricted Stock issued as an Annual Restricted Stock Payment shall be free from any Encumbrance, other than such as exists pursuant to the Restricted Stock Agreement. Vendor's receipt of each Annual Restricted Stock Payment shall be conditioned on Vendor executing the Restricted Stock Agreement in the Agreed Form attached as **Schedule 3.6.2** (the "**Restricted Stock Agreement**"), which Restricted Stock Agreement provides for the vesting on the terms set forth therein of one-third (33.3%) of the Restricted Stock so issued on the anniversary of the date of issuance of such Restricted Stock. Provided that the Vendor shall provide written notification to the Parent and the Purchaser of its election not later than ninety (90) days prior to issuance of the Restricted Stock to the Vendor, the Vendor shall have the option to take up to forty percent (40%) of the Annual Restricted Stock Payment as a cash payment for equal value which shall be paid by the Purchaser in equal parts on the next three (3) anniversaries of Closing. The Parties agree that, in connection with the calculation of the number of Restricted Stock to be paid to the Vendor each year, the 10-day volume weighted average of the closing price of common shares of the Parent on the Nasdaq Stock Market, which is expressed in U.S. dollars, shall be converted to Euros based on the exchange rate of the date of payment, as calculated on the website 'www.xe.com'.

3.7 Deferred Performance-Based Purchase Price

Subject to Clause 8.2, additional deferred and performance-based parts of the Purchase Price shall be comprised as follows (the "**Deferred Performance-Based Purchase Price**"):

3.7.1 the Purchaser shall as per the thirty-first of January 2011, 2012 and 2013 be obligated to pay to the Vendor an amount in Euros equal to fifteen percent (15%) of the Group's product revenue on a U.S. GAAP basis with respect to Qualifying EventIS Products (excluding SeaChange products) in excess of a twenty percent (20%) compound growth target based on the Group's revenue in the twelve month period then ended as compared to the twelve month period ended January 31, 2010, which has been agreed by the Parties to be EUR 11,800,000. "**Qualifying EventIS Products**" shall mean services and/or proprietary products of the Group as of the date hereof, services and/or proprietary products developed solely by the Group subsequent to the Closing Date, as well as all services, third party software and third party hardware included in the sale of proprietary products of the Group.

As an example, if the Group's product revenue with respect to Qualifying EventIS Products for the 12-month period ending January 31, 2010 is X, then the annual payment is paid on revenue exceeding (X*1.2) for the year ending January 31, 2011, (X*1.44) for the year ending January 31, 2012 and (X*1.73) for the year ending January 31, 2013;

3.7.2 the Purchaser shall as per the thirty-first of January 2011, 2012 and 2013 be obligated to pay to the Vendor an amount in Euros equal to ten percent (10%) of the U.S. GAAP revenue generated by the Group during the twelve month period then ended with respect to sales of SeaChange Qualifying Products to Qualifying Customers. "**SeaChange Qualifying Products**" means services and/or proprietary products of the Parent and its Affiliates (other than the Group) as of the Closing Date, services and/or proprietary products developed solely by the Parent and its Affiliates (other than the Group) subsequent to the Closing Date, as well as all services provided and all hardware related to said products. For purposes of clarity, SeaChange Qualifying Products shall not include ODG products or services. "**Qualifying Customers**" means customers that satisfy the following criteria: (i) all customers located in a country on the European continent (for purposes of clarity, not including the Middle-East), except for the customers listed in **Schedule 3.7.2** attached hereto ("**Reserved Customers**"), (ii) customers located in a country outside of the European continent, provided that the Group has requested and the Parent has granted the Group written approval indicating that such customer shall be a Qualifying Customer for purposes hereof, and (iii) customers whose account sales responsibility is assigned in writing by an authorized officer of the Parent to the Group, referencing this Clause 3.7.2, indicating that such customer shall be a Qualifying Customer for purposes hereof. No amounts shall be payable by Purchaser to Vendor pursuant to this Clause 3.7.2 with respect to sales by either Media Power, SeaChange EMEA SARL or SeaChange EMEA LLP. The Parties hereto agree that, and the Parent shall procure that, if the Parent and its Affiliates (other than the Group) as of the Closing Date, during the period as from the Closing Date up to and including the thirty-first of January 2013, sell SeaChange Qualifying Products to Qualifying Customers, it shall be treated as though it was a sale by the Group of SeaChange Qualifying Products to Qualifying Customers for purposes of this Clause 3.7.2. In the event of such a sale, the Parent shall inform the Vendor thereof.

3.7.3 the Purchaser shall as per the thirty-first of January 2011, 2012, 2013 and 2014 be obligated to pay to the Vendor an amount in Euros equal to fifty percent (50%) of any Qualifying Net Proceeds that the Group has received on the basis of an entitlement solely relating to the years ended on the thirty-first of January 2011, 2012 and 2013, provided that the payment is received and/or netted against a cash payment due by the Group prior to 1 February 2014. "**Qualifying Net Proceeds**" shall mean cash received and/or netted against a cash payment due by the Group from third party sources unrelated to the sales of products and services related to the years ending on the thirty-first of January 2011, 2012 and 2013, netted for any costs and expenses to achieve said proceeds. For purposes of clarity, Qualifying Net Proceeds shall include government grants (federal, state, or local) or subsidies, as well as Tax refunds that result in an actual reduction in Tax payments of the Group; Qualifying Net Proceeds shall not include (i) amounts that otherwise would constitute Qualifying Net Proceeds but that were committed to be received by the Group prior to the Closing Date, and/or (ii) amounts received in connection with the sale of assets or equity or debt securities. For the avoidance of doubt, Qualifying Net Proceeds shall include – but shall not be limited to – WBSO, Op Zuid, Patentbox, Internationaal Innoveren and EU subsidies (such as Mediaplus and ITEA).

3.8 Determination of the Deferred Performance-Based Purchase Price

The Deferred Performance-Based Purchase Price shall be determined in accordance with the procedures, covenants and conditions set out in **Schedule 3.8**.

3.9 Security by Vendor

Except for a Breach of Clause 2 of Schedule 6.1 and a breach or violation by the Vendor of Clause 5.3.1, the Deferred Fixed Purchase Price and the Deferred Performance-Based Purchase Price shall form sole security for the Purchaser and/or the Parent in respect of the Vendor's liability under this Agreement. The Purchaser has the right to withhold payment or to claim set-off of any payment to the extent of the respective amounts of the Deferred Fixed Purchase Price and the Deferred Performance-Based Purchase Price in accordance with Clause 8.

CLAUSE 4 <u>CLOSING</u>

4.1 Closing Venue

Closing shall take place at 14:00 hours on the Closing Date at the offices of AKD Prinsen Van Wijmen N.V., Orlyplein 10, 1043 DP Amsterdam, the Netherlands, unless otherwise agreed between the Parties in writing. At Closing the Parties shall do or cause to be done all such acts and execute all such documents as shall in the reasonable opinion of the Vendor and the Parent be necessary to fully effect the Transactions, including all of the actions referred to in Clause 4.2 up to and including Clause 4.10 in the following order.

4.2 Notary Letter

The Parties and the Notary shall sign and enter into an agreement containing the fund flows as per Closing as contemplated by the Parties and an instruction to the Notary by the Parties to effect payment in accordance with the provisions of the relevant agreement (the "**Notary Letter**").

4.3 Confirmation of Availability of Funds

The Notary shall confirm to the Vendor and the Parent, once it has received the entire Initial Purchase Price <u>plus</u> the Estimated Working Capital Adjustment, that said amount is available to the Notary.

4.4 Deliveries

4.4.1 The Vendor shall deliver to the Purchaser:

4.4.1.1 the shareholders' register of the Company in which the transfer of the Shares to the Purchaser shall be registered;

4.4.1.2 evidence of the successful implementation of the Restructuring in accordance with applicable law.

4.5 Deposit Agreement

The Parties and the Notary shall enter into the Deposit Agreement in the Agreed Form of **Schedule 4.5.**

4.6 Managing Directors

Subject to Closing, all of the managing directors (*bestuurders*) shall resign in writing from their positions as managing directors of the Company and/or the respective Group Companies, which written resignations shall be confirmed by the Company and/or the relevant Group Companies and all of the managing directors shall be granted full discharge (*décharge*) by the Company and/or the relevant Group Companies for their management of the Company, for the period prior to their resignation up to Closing, the Agreed Form of such shareholders' resolutions is attached hereto as **Schedule 4.6**.

4.7 Restricted Stock Agreement

The Vendor and the Parent shall sign and enter into the Restricted Stock Agreement in the Agreed Form of Schedule 3.6.2.

4.8 Notaries Deed of Transfer

The Vendor and the Purchaser shall cause the Shares to be transferred through the execution of a notaries deed of transfer in the Agreed Form of **Schedule 4.8**, which deed will be executed before the Notary and shall contain the acknowledgement by the Company of such transfer.

4.9 Employment Agreements and Management Agreements

The Company or the respective Group Companies shall either sign and enter into an employment agreement or into a management agreement, as the case may be, with each of the Vendor Ultimate Shareholders, each employment agreement and/or management agreement in the Agreed Form of **Schedule 4.9**.

4.10 Transfer of Money

Upon fulfillment of the actions referred to in Clause 4.1 up to and including Clause 4.9, the Parties shall cause the Notary to wire transfer an amount equal to the Initial Purchase Price plus the Estimated Working Capital Adjustment to the Vendor's bank account without any deduction or set-off.

4.11 Closing Actions taken before Closing

To the extent that any of the actions referred to in this Clause 4 shall have been taken before Closing, they shall be deemed to have been taken at Closing.

CLAUSE 5 <u>POST-CLOSING COVENANTS</u>

5.1 Further Actions

In the event that at any time after Closing, any further action is necessary or desirable to carry out the purposes of this Agreement, each of the Parties shall take or cause to be taken all such required action, including the execution and delivery of such further instruments and documents, as may be reasonably requested by any other Party for such purposes or otherwise to complete or perfect the transactions contemplated by the abovementioned documents. Without limiting the generality of the foregoing, each of the Parties shall provide commercially reasonable efforts to assist the Parent in the preparation of the U.S. GAAP audited financial statements required to be filed by the Parent within seventy-five (75) days of the date hereof on a current report on Form 8-K with the U.S. Securities and Exchange Commission.

5.2 Employment Compensation Incentives

The Purchaser unconditionally and irrevocably agrees to pay upon the first anniversary of Closing to non shareholder employees of the Company and/or its Group Companies who remain employees of the Group as of such date employee bonuses in the aggregate an amount of EUR 250,000 (two hundred fifty thousand Euro). The distribution of the relevant amount to the employees shall be determined by Mr Erwin van Dommelen, one of the Vendor Ultimate Shareholders, or, should Mr. van Dommelen no longer be an employee of the Group as of such time, by Mr. Harry Koiter, or, should Mr. Koiter no longer be an employee of the Group as of such time either, by the Parent, with such list to be provided in writing to the Parent at least ninety (90) days prior to the first anniversary for review by the Parent. The Purchaser's obligations pursuant to this Clause 5.2 shall be subject to compliance with applicable law.

This Clause is deemed to constitute an irrevocable third party clause (*derdenbeding*) for the benefit of each of the respective employees of the Company and/or the Group Companies so designated in accordance with the previous paragraph.

5.3 Noncompetition

5.3.1 During the Noncompetition Period (as hereinafter defined), neither the Vendor nor each of the Vendor Parties will (i) with the exception of stockholdings or shares which are held by the Vendor or any of the Vendor Parties for purely financial investment purposes, directly or indirectly, as a stockholder, partner, member, manager, employee, consultant or other owner or participant in any person other than the Purchaser, its Affiliates, the Company or any of the Group Companies, engage in or assist any other person to engage in any Covered Business (as hereinafter defined) anywhere in the Covered Area (as hereinafter defined), (ii) directly or indirectly, solicit or endeavor to entice away from the Company or any Group Company, or offer employment or a consulting position to, or otherwise interfere with the business relationship of the Company or any Group Company with, any person who is, or was within the one-year period prior thereto, an employee of or consultant to the Company or any Group Company, and (iii) directly or indirectly, solicit or endeavor to entice away from the Company or any Group Company, endeavor to reduce the business conducted with the Company or any Group Company by, or otherwise interfere with the business relationship of the Company or any Group Company with, any person who is, or was within the one-year period prior thereto, a customer or client of, supplier, vendor or service provider to, or other person having business relations with, the Company or any Group Company.

5.3.2 For purposes of this Clause 5.3, the following terms shall have the following meanings:

"**Covered Area**" means the geographic regions in which the Group operates, sells products or provides services on the Closing Date, as well as geographic regions which the Group plans to enter after Closing but in respect of which entries the Group has made investments prior to the Closing Date.

"**Covered Business**" means (i) any business in which the Company or any Group Company is engaged on the Closing Date and (ii) any business in which the Company or any Group Company plans to engage after the Closing and which business is in an advanced stage of development on the Closing Date.

"**Noncompetition Period**" means the period commencing as of the Closing and ending on the three (3) year anniversary of the Closing.

5.3.3 In the event of a breach or violation by the Vendor or by any of the Vendor Parties of their respective obligations under Clause 5.3.1, and such breach or violation remaining unremedied by the Vendor or the relevant Vendor Party after seven (7) Business Days after having been notified by the Parent of the breach or violation, such party shall forfeit to the Parent, an immediately payable penalty of EUR 100,000 (one hundred thousand Euros) for any breach or violation of these provisions, and of EUR 5,000 (five thousand Euros), for each day such breach or violation continues, without limiting or prejudice to the Parent's right to also claim any Losses which it may incur as a consequence of such breach or violation. Neither the Vendor nor any of the Vendor Parties shall be jointly and severally liable towards the Parent for any obligation of any of the other parties with respect to a breach or a violation of their respective obligations under Clause 5.3.1, but the Vendor and each of the Vendor Parties shall only be liable towards the Parent for any breach or violation committed by itself.

5.4 Reasonable Restrictions

The Vendor and each Vendor Party (a) has carefully read and understands all of the provisions of this Agreement and has had the opportunity for this Agreement to be reviewed by counsel, (b) acknowledges that the duration, geographical scope and subject matter of Clause 5.3 and Clause 13 of this Agreement are reasonable and necessary to protect the goodwill, customer relationships, legitimate business interests, trade secrets and confidential and proprietary information of the Business, (c) acknowledges that the Parent and the Purchaser would not have closed the Transaction without the benefits contained in this Agreement, (d) will be able to earn a satisfactory livelihood without violating this Agreement and (e) understands that this Agreement is assignable by the Parent and the Purchaser and shall inure to the benefit of its successors and permitted assigns in accordance with Clause 15.4.

5.5 Company Intellectual Property

If the Vendor or any Vendor Party owns or shall at any time hereafter acquire any rights in any Company Intellectual Property, such Vendor Party shall, and hereby does, transfer all of its rights, title and interest in such Company Intellectual Property to the Company, and, to the extent such rights may not be transferable, such Vendor Party shall, and hereby does, to the extent permitted by law, renounce and waive all rights and claims relating to such Company Intellectual Property, all for no additional consideration. The Vendor and each Vendor Party shall execute and deliver such additional documents and instruments and take such other actions as the Parent or the Purchaser shall reasonably request to give effect to the provisions of this Section.

5.6 General Release

Effective as of the Closing, the Vendor and each Vendor Party voluntarily, knowingly and irrevocably releases and forever discharges the Company, the Group Companies and their respective officers, directors, managers, employees and Affiliates from any and all actions, agreements, amounts, claims, Losses, expenses, liabilities and obligations of every kind, nature or description, known or unknown, arising or existing prior to the Closing, except for any rights of such Vendor Party under this Agreement and any agreement entered into pursuant to this Agreement.

5.7 Vendor Parties' undertakings

The Vendor Parties hereby undertake and agree towards the Parent and the Purchaser that they will not, during the period as from the Closing Date up to and including the thirty-first of January 2013, make any amendment or variation to the shareholders' agreement concluded by and among them, as far as it relates to provisions that may affect the interests of the Parent and/or Purchaser, without the explicit prior written consent of the Parent, which consent shall not be unreasonably withheld.

5.8 Superseding Clauses

The Vendor and the Vendor Parties agree that the provisions of Clause 5.3, 5.4, 5.5, 5.6 and 5.7 will apply to the Vendor and the Vendor Party regardless of any other agreements to which the Vendor or Vendor Party, as applicable, is a party to with the Parent or its affiliates.

CLAUSE 6 <u>WARRANTIES</u>

6.1 Vendor's Representations and Warranties

The Vendor hereby represents and warrants to the Parent, the Purchaser and the Group Companies that on the Closing Date, each of the Warranties set forth in **Schedule 6.1** attached hereto, is true and accurate.

6.2 Exclusive Representations and Warranties

The Parties agree and acknowledge that the Warranties are the only warranties that the Vendor provides to the Parent, the Purchaser and the Group Companies, and the Parties hereby explicitly exclude the applicability of section 7:17 of the Dutch Civil Code (*Burgerlijk Wetboek*) ("**DCC**") and the Parent, the Purchaser and each of the Group Companies hereby waives any right to claim pursuant to said statutory provision.

6.3 Disclosed Information

The Parent and the Purchaser confirm that they have received the Information Memorandum, the Vendor Due Diligence Reports and have investigated the Data Room, acting in conjunction with its professional advisors, such as tax, legal, financial, accountancy and technical advisors, prior to the entering into of this Agreement.

6.4 No Warranties relating to the future

The Parent and the Purchaser acknowledge that the Vendor gives no representation, warranty or guarantee with respect to any projections, estimates or budgets relating to the future of the Group Companies or the Business.

6.5 Legal Successors

The Warranties shall also inure to the benefit of legal successors (*rechtsopvolgers*) that shall acquire the Shares, or part thereof.

6.6 No Knowledge of a Breach

The Purchaser and the Parent each confirm that as at the date hereof it or its professional advisers are not aware of a Breach.

CLAUSE 7 BREACH

7.1 Liability of the Vendor

In the event of a Breach, the Vendor shall be liable towards the Parent, or at the Parent's discretion, to the Purchaser or the Group Companies, for the Losses incurred, whereby (i) the Parties agree that the amount of Losses shall be determined pursuant to sections 6:95 and 6:96 of the Dutch Civil Code, and (ii) the Losses incurred by the Group Companies shall be deemed to be Losses incurred by the Purchaser and the Parent, and vice versa.

7.2 Repayment Purchase Price

Any payments of Losses under this Clause 7 shall be deemed to be a partial repayment of the Purchase Price.

CLAUSE 8 LIMITATION OF VENDOR'S LIABILITY FOR BREACHES

8.1 Vendor's Liability

The liability of the Vendor for compensation of Losses for a Breach will be limited as follows:

8.1.1 the Vendor's maximum aggregate liability under this Agreement, other than for a Breach of Clause 2 of Schedule 6.1, is limited to an amount equal to the Deferred Fixed Purchase Price and the Deferred Performance-Based Purchase Price, provided that any portion of the Deferred Fixed Purchase Price and/or the Deferred Performance-Based Purchase Price already received by the Vendor at the time it receives the relevant claim for Losses, shall in no event have to be repaid by the Vendor and the Vendor's maximum aggregate liability under this Agreement is progressively decreased with an amount equal to any such amounts paid by the Purchaser;

8.1.2 notwithstanding Clause 8.1.1, the liability of the Vendor for a Breach of Clause 5 of Schedule 6.1 shall survive the thirty-first January 2013 and remain EUR 1,200,000 (one million two hundred thousand Euros) until expiry of the statutory limitation period for such liability in the relevant jurisdiction plus three (3) months.

8.1.3 the Vendor's maximum aggregate liability for a Breach of Clause 2 of Schedule 6.1 is limited to the amount of the Purchase Price;

8.1.4 no claim for liability for a Breach can be made unless and until an individual claim exceeds an amount of EUR 10,000 (ten thousand Euros) per Breach and unless and until the amount of all claims made in respect of Breaches exceeds an amount of EUR 250,000 (two hundred and fifty thousand Euros), in which event the Vendor shall be liable for the entire amount of Losses and not merely the excess; and

8.1.5 the right to claim for a Breach will lapse:

8.1.5.1 in respect of Taxes, upon expiry of the statutory limitation period for such liability in the relevant jurisdiction plus three (3) months;

8.1.5.2 in respect of Clause 5.3, on the third anniversary of the Closing Date, notwithstanding the Noncompetition Period, if, prior to the close of business on the last Business Day of the Noncompetition Period, the Vendor has been notified of a Claim hereunder and such Claim has not yet been finally resolved or disposed of at such date, such Claim shall survive the aforesaid Noncompetition Period and shall remain a basis for compensation of Damages hereunder until such Claim is finally resolved or disposed of; and

8.1.5.3 in all other cases, on the 31st of March 2011, provided that the Vendor's liability for a Breach of Clause 2 of Schedule 6.1 will not be limited in time.

8.2 Sequence

In the event that a claim is submitted to the Vendor for Losses under this Agreement, any amount to be paid by the Vendor shall:

8.2.1 *first* be withheld and deducted from the Deferred Fixed Purchase Price then next payable to Vendor; and

8.2.2 *second*, if the amount of the Losses exceeds the amount of the Deferred Fixed Purchase Price, be deducted from the Deferred Performance-Based Purchase Price then next payable to Vendor.

8.3 Third Party Recovery

If the Parent, the Purchaser and/or the Group Companies or any other member of the Parent's group of companies or affiliates recovers from a third party, including, for the avoidance of doubt, any Tax authority or insurance company, a sum that is directly related to Losses resulting from a Breach, the liability of the Vendor in respect thereof shall, without double counting, be reduced by the actual amount recovered from a third party.

8.4 No Liability

The Vendor shall not be liable for a Breach if:

8.4.1 the Parent failed to notify the Vendor of a Breach within a reasonable period, as set forth in section 7:23 of the Dutch Civil Code – which the Parties agree to be thirty (30) Business Days – after the Breach became known to the Parent and/or the Purchaser,;

8.4.2 the Accounts provide for a specific provision (*voorziening*) relating to such Breach, to the extent such provision covers the Losses as a consequence of such Breach;

8.4.3 the Parent and/or the Purchaser on the date of this Agreement were aware of the facts and circumstances constituting or leading to the Breach and/or a claim for Losses under a Breach, on the basis of the Disclosed Information, provided that such facts and circumstances were apparent on the face of the documents comprising the Disclosed Information;

8.4.4 to the extent the Breach would not have arisen, but for a change in the applicable legislation occurring after the Effective Date, or any amendment to or withdrawal of any practice or interpretation thereof, or a change in the rates, methods of calculation, basis, imposition or collection of Taxes, in each case effective after the Effective Date and whether or not such change, amendment or withdrawal purports to be effective retrospectively in whole or in part;

8.4.5 to the extent that Losses resulting from such Breach solely arise from the Purchaser's or the Parent's failure to perform their respective obligations under this Agreement, including any breach of the Warranties of the Purchaser or the Parent, respectively; and/or

8.4.6 the Breach is a result of a change after Closing in the accounting policies or practices of the Company.

8.5 Determination of Losses

In calculating the Vendor's liability for a Breach and the amount of the Losses, any material adverse effect or other materiality qualifier contained in such representation or warranty will be disregarded, and such liability shall be reduced by the sum of the following economic benefits, if any, pertaining to that particular Breach:

8.5.1 any amount recovered under an insurance policy or from third parties by the Parent, the Purchaser, the Company, or any member of the Group, with respect to the matter to which such claim relates;

8.5.2 any relief from or deduction available to or benefit accruing to any member of the Group, the Parent or the Purchaser in respect of Taxes and actually arising by virtue of the Loss in respect of the Breach; and/or

8.5.3 any indemnification, compensation or reimbursement received from a third party by the Parent, the Purchaser and/or any member of the Group, further to the Loss in respect of the Breach.

Upon receipt of any payments as mentioned in Clause 8.5, the Purchaser and/or the Company, in case such payments are for the benefit of a member of the Group, shall reimburse the Vendor for any payments previously made by the Vendor, in relation to liability for Breaches related to such payment, provided that the amount of any Losses then still owed by the Vendor to the Parent or the Purchaser in respect of such Breach shall be reduced by the amount determined pursuant to Clause 8.5.

8.6 No Double Claims

The Purchaser shall not be entitled to recover from the Vendor more than once in respect of the same Loss suffered.

8.7 No Contingent Liabilities

If and to the extent a Breach pertains to a contingent liability, the Vendor shall only be liable under this Agreement if and to the extent the liability is no longer contingent and has materialised.

8.8 Mitigating Losses Regarding Third Party Claims

Without prejudice to Clauses 10.1.2 or 10.2, if any claim of the Parent or the Purchaser under this Agreement is a result of or in connection with a liability or alleged liability to a third party, the Parent or the Purchaser, as applicable, shall take reasonable efforts to prevent or limit any Losses for which the Vendor may be liable as a consequence of such Breach.

CLAUSE 9 <u>INDEMNIFICATION</u>

9.1 Indemnity

The Vendor shall indemnify and hold the Parent, the Purchaser and its Affiliates, or, at the election of the Parent, the Company or any of the Group Companies (collectively, the "**Indemnified Parties**"), harmless (*vrijwaren en schadeloos stellen*) from any and all Losses arising out of or in connection with:

(i) all liability of the Group, the Parent or the Purchaser arising from the failure to complete in accordance with applicable law the transactions contemplated pursuant to that certain Master Restructuring Agreement dated as of April 6, 2009, by and among the Vendor Parties;

(ii) all liability of the Group, Parent or Purchaser or any of their respective directors or managing directors arising from the Group's failure to timely file its 2004 annual accounts;

(iii) any and all Losses arising from any employee claim to (i) additional benefits or bonuses due to unlawful distinction among employees or (ii) an acquired right to a bonus despite such employee's failure to meet bonus eligibility criteria for a given period;

(iv) any and all Losses arising from the failure of the Company or any Group Company to comply with the Dutch Working Hours Act (*Arbeidstijdenwet*) with respect to required resting periods following on-call duties;

(v) any and all Losses arising from the failure of the Group to accrue for long term disability benefits;

(vi) any and all Losses arising from the failure of the Group to obtain VAR statements with respect to self-employed individuals predominantly employed by the Company;

(vii) any and all Losses arising from the failure of Vendor Party owned management companies to pay relevant Taxes prior to Closing;

(viii) any and all Losses arising from the fact that a contractor agreement existing on or prior to the Closing Date is deemed to be an employment agreement and not a contractor agreement, including the "**Be&C Agency Agreement**", the "**EventIS NZ Agency Agreement**" or the "**Rooney Consulting Agency Agreement**";

(ix) any and all Losses resulting from challenges to the Group's sole ownership of the Intellectual Property relating to the CASIS product, as such exists on the Closing Date;

(x) any and all Losses arising from the Group's use of the GNU General Public License (GPL) included in the Group's products prior to the Closing Date;

(xi) any and all Losses arising from different profit recognition or valuation methods for Taxes due to lack of (sufficient) work in progress positions of the Company and/or the Group Companies for the period prior to Closing;

(xii) any and all Losses arising from the improper capitalization or improper non-capitalization of intellectual property rights of the Company and/or the Group Companies for the period prior to Closing; and

(xiii) any and all losses arising from the choice of Erwin van Dommelen Beheer B.V. and Harry Koiter Beheer B.V. to sign and enter into a management agreement instead of an employment agreement, including any amounts required to be paid in addition to those specified in Article 3 thereunder;

(i) to (xiii) of this Clause 9.1, collectively, the "**Indemnified Events**". With regard to the indemnification under (xiii) of this Clause 9.1, the Parent, the Purchaser and its Affiliates, or, at the election of the Parent, the Company or any of the Group Companies, shall be, <u>at the election of the Parent, fully</u> indemnified and held harmless by Erwin van Dommelen Beheer B.V., Harry Koiter Beheer B.V., Erwin van Dommelen <u>and/or</u> Harry Koiter from any and all Losses arising out of, or in connection with, this specific indemnification.

This Clause is deemed to include an irrevocable third party clause (*derdenbeding*) for the benefit of the Company and each of the Group Companies.

9.2 Limitations of Liability

The Parties agree that the limitations of Vendor's liability as set forth in Clauses 8.1.4 and 8.1.5 do not apply to the indemnities set forth in this Clause 9. The investigations carried out by, or information furnished to the Purchaser or representatives or advisers of each shall not relieve the Vendor from its liability under Clause 9, nor shall such investigation or information prejudice or mitigate in any way the right of the Parent or the Purchaser to make a claim relating to an Indemnified Event.

CLAUSE 10 <u>TREATMENT OF CLAIMS</u>

10.1 Treatment of Claims

If the Parent or the Purchaser becomes aware of a Breach or an Indemnified Event, the Parent shall:

10.1.1 within a reasonable period of time, as set forth in section 7:23 of the Dutch Civil Code – which the Parties agree to be thirty (30) Business Days – after the Breach or Indemnified Event became known to the Parent and/or the Purchaser, deliver written notice in accordance with Clause 15.1, which written notice shall contain full details of such Breach or Indemnified Event, including the nature and amount of the claim and such other specifics as reasonably requested by the Vendor;

10.1.2 take such actions as the Vendor may reasonably request to avoid, dispute or mitigate any claim or matter which would give rise to a Breach or an Indemnified Event, unless the Parent's commercial interests reasonably require otherwise;

10.1.3 take such actions as may in the reasonable opinion of the Parent be required to diminish the adverse effect of a Breach or an Indemnified Event on the Company, the Group, the Business or the business of the Parent, such actions to be in consultation with the Vendor; and

10.1.4 where a time limit applies to a claim giving rise to a liability or a potential liability under the Agreement, the Parent and the Purchaser shall use reasonable efforts to ensure that such time limit (whether for appeal or otherwise) is complied with (unless otherwise instructed by the Vendor).

10.2 Treatment of Third Party Claims

If a claim of the Parent or the Purchaser for a Breach or an Indemnified Event is based on a claim by a third party against an Indemnified Party (for the purposes of this Clause 10.2 referred to as: the "**Third Party Claim**"), the following shall apply:

10.2.1 the Parent shall notify the Vendor in writing of the Third Party Claim as soon as reasonably possible after becoming aware of the Third Party Claim. The Parent shall invite the Vendor to a meeting to discuss the Third Party Claim;

10.2.2 the Vendor shall be entitled, at its sole discretion, to notify the Parent in writing of its intention to and to subsequently take action or defend or settle the Third Party Claim, provided that the Vendor accepts and acknowledges its liability towards the Parent under such Third Party Claim;

10.2.3 if and when the Vendor takes over the defence of a Third Party Claim, the Parent shall leave the conduct of the Third Party Claim entirely to the Vendor, provide the Vendor with reasonable assistance to conduct the Third Party Claim on behalf of the Parent, the Purchaser, the Company and/or the relevant Group Company, including granting the Vendor with the necessary powers of attorney ((*proces-*)*volmachten*), and the Vendor shall regularly update the Parent and consult with the Parent as to the defence strategy regarding the Third Party Claim, provided, that (i) the Parent may participate in any such Third Party Claim with counsel of its choice and at its expense, (ii) the Parent, at any time when any Third Party Claim is having or could reasonably be expected to have a material adverse effect on the Parent and its Affiliates, taken as a whole, may assume the defence and otherwise deal with such Third Party Claim in good faith, with counsel of its choice, and (iii) at any time when a Third Party Claim relates to any criminal proceeding, indictment or investigation, the Parent may assume the defence of such Third Party Claim if the Vendor does not provide the Parent with the written notice contemplated by Clause 10.2.2 electing to assume the defence of a Third Party Claim, the Parent shall take reasonable action to defend the Third Party Claim, provided that and notwithstanding Clause 10.1.2 and 10.1.3:

10.2.3.1 without prejudice to Clause 10.1.2, regularly update the Vendor and consult with the Vendor as to the defence strategy regarding the Third Party Claim; and

10.2.3.2 all reasonable costs of the defence of such Third Party Claim shall constitute Losses;

10.2.4 none of the Parties may enter into a settlement of any Third Party Claim without the written consent of the respective other Party unless such settlement provides the latter Party with a full release from such Third Party Claim and does not require such Party to pay any amount or to agree to any restriction upon its future activities, and both Parties shall take the interests of the respective other Party into consideration; and

10.2.5 notwithstanding the aforegoing, each Party may take over the defence and prosecution of a Third Party Claim from the respective other Party if such other Party has failed or is failing to vigorously prosecute or defend such Third Party Claim.

CLAUSE 11 PARENT'S WARRANTIES

11.1 Representations and Warranties of the Parent

The Parent hereby represents and warrants to the Vendor that on the date of the Agreement and on the Closing Date each of the following statements set forth below (the "**Parent's Warranties**") is true and accurate:

11.1.1 the Parent is a corporation, duly incorporated and validly existing under the laws of the jurisdiction of its incorporation;

11.1.2 the Parent has the requisite power and authority (corporate and other) to enter into and execute the Agreement and to consummate the transactions contemplated herein. The execution of the Agreement and the consummation of the transactions herein have been duly and validly authorised and approved by all necessary corporate actions on behalf of the Parent, and no other proceedings are necessary to authorise the Parent entering into the Agreement or the consummation of the transactions contemplated herein;

11.1.3 the Agreement constitutes the legal, valid and binding obligations of the Parent, enforceable in accordance with its terms;

11.1.4 the execution and performance of the Agreement by the Parent and the Parent's compliance with the transactions contemplated herein shall not:

11.1.4.1 conflict with any provision of the certificate of incorporation, by-laws or other constituent documents of the Parent, or any resolution of its board of directors or of its shareholders; and

11.1.4.2 violate any binding obligations of the Parent, or any statute, law, rule, regulation, order, writ, injunction, judgement, award, or decree or any court, arbitrator, stock exchange or (other) governmental authority;

11.1.5 the Parent has arranged on an unconditional basis all necessary financing or has sufficient funds available to it to enter into and consummate this Agreement, as well as to perform all obligations in connection therewith;

11.1.6 other than as explicitly provided for in this Agreement, no consent, approval, order or authorisation of, or registration with, declaration or filing with, any person, (governmental) body or authority, and/or entity is required on the part of the Parent in connection with the execution and delivery and consummation of this Agreement;

11.1.7 the Parent is not subject to any form of bankruptcy, liquidation, receivership, administration, arrangement or scheme with creditors, moratorium, interim or provisional supervision by a court or court appointee, whether in the jurisdiction of the place of control or incorporation (if elsewhere), and whether in or out of court;

11.1.8 all forms, reports, schedules, statements, exhibits and other documents – including pursuant to Item 601(b)(10) of Regulation S-K - required to be filed with the U.S. Securities and Exchange Commission (the "**SEC**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") (such documents collectively, the "**SEC Documents**") have been duly and timely filed with the SEC by the Parent and its subsidiaries under the Securities Act and the Exchange Act; and/or

11.1.9 the SEC Documents filed by the Parent and/or its Affiliates comply with the applicable requirements of the Securities Act and the Exchange Act, and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were or will be made, not misleading. To the best knowledge of Parent, there are no SEC inquiries or investigations, other governmental inquiries or investigations or internal investigations pending or threatened, regarding the Parent.

11.2 Security by Parent

As security for the Purchaser's obligations towards the Vendor under this Agreement, the Parent hereby:

11.2.1 guarantees as its own direct, primary, unconditional and irrevocable obligation to the Vendor, the payment and performance when due of all amounts and all obligations of the Purchaser under this Agreement or any agreement ancillary hereto; and

11.2.2 hereby undertakes, represents and warrants to the Vendor that it shall maintain its cash reserves at a level sufficient to pay the Deferred Fixed Purchase Price and the Deferred Performance-Based Purchase Price to the Vendor in full when due.

11.3 The Parent shall be jointly and severally liable (*hoofdelijk aansprakelijk*) for the Purchaser's obligations under this Agreement or any agreement ancillary hereto and the obligations of the Parent under Clause 11.2:

11.3.1 constitute the Parent's direct, primary and unconditional obligations to pay on demand any sum which the Purchaser is required to pay under this Agreement and to perform on demand any obligation of the Purchaser under this Agreement without requiring the Vendor first to take steps against the Purchaser or any other person; and

11.3.2 shall not be affected by any matter or thing which, but for this provision, might operate to affect or prejudice those obligations, including without limitation:

11.3.2.1 any time or indulgence granted to the Purchaser or any other person; or

11.3.2.2 the exercise, variation, renewal or release of, or refusal or neglect to perfect or enforce any right, remedy or security against the Vendor or any other person.

CLAUSE 12 <u>PURCHASER'S WARRANTIES</u>

12.1 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to the Vendor that on the date of the Agreement and on the Closing Date each of the following statements set forth below (the "**Purchaser's Warranties**") is true and accurate:

12.1.1 the Purchaser is a private company with limited liability, duly incorporated and validly existing under the laws of the jurisdiction of its incorporation;

12.1.2 the Purchaser has the requisite power and authority (corporate and other) to enter into and execute the Agreement and to consummate the transactions contemplated herein. The execution of the Agreement and the consummation of the transactions herein have been duly and validly authorised and approved by all necessary corporate actions on behalf of the Purchaser, and no other proceedings are necessary to authorise the Purchaser entering into the Agreement or the consummation of the transactions contemplated herein;

12.1.3 the Agreement constitutes the legal, valid and binding obligations of the Purchaser, enforceable in accordance with its terms;

12.1.4 the execution and performance of the Agreement by the Purchaser and the Purchaser's compliance with the transactions contemplated herein shall not:

12.1.4.1 conflict with any provision of the articles of association (including by-laws) or other constituent documents of the Purchaser, or any resolution of its supervisory board, management board or other corporate governing body or of its shareholders, or certificate holders; and

12.1.4.2 violate any binding obligations of the Purchaser, or any statute, law, rule, regulation, order, writ, injunction, judgement, award, or decree of any court, arbitrator, stock exchange or (other) governmental authority.

12.1.5 the Purchaser has arranged on an unconditional basis all necessary financing or has sufficient funds available to it to enter into and consummate this Agreement, as well as to perform all obligations in connection therewith;

12.1.6 other than as explicitly provided for in this Agreement, no consent, approval, order or authorisation of, or registration with, declaration or filing with, any person, (governmental) body or authority, and/or entity is required on the part of the Purchaser in connection with the execution and delivery and consummation of this Agreement; and

12.1.7 the Purchaser is not subject to any form of bankruptcy, liquidation, receivership, administration, arrangement or scheme with creditors, moratorium, interim or provisional supervision by a court or court appointee, whether in the jurisdiction of the place of control or incorporation (if elsewhere), and whether in or out of court.

CLAUSE 13 <u>CONFIDENTIALITY</u>

13.1 Confidential Treatment

Without prejudice to their obligations under the Confidentiality Agreement and subject to Clause 13.2 and Clause 14, each of the Parties shall treat as strictly confidential all information received or obtained as a result of entering into or performing the Agreement which relates to:

13.1.1 the negotiations relating to the Agreement or any document referred to in the Agreement;

13.1.2 the provisions or subject matter of the Agreement or any document referred to in this Agreement; and/or

13.1.3 in the case of the Vendor: the Parent and the Purchaser and in the case of the Parent and the Purchaser: the Vendor.

At all times following the Closing, neither the Vendor nor any Vendor Party shall, directly or indirectly, disclose, divulge or make use of any trade secrets or other information of a business, financial, marketing, technical or other nature pertaining to the Purchaser, the Group, any of their respective Affiliates or the Business, including information of others that the Parent, the Purchaser, the Company or any Group Company has agreed to keep confidential.

13.2 Exceptions

The obligations of the Parties under this Clause shall not apply in respect of disclosure of such information in the following circumstances:

13.2.1 to professional advisors, provided that such advisors are subject to a confidentiality undertaking similar to this Clause 13;

13.2.2 as required by any applicable law, regulation, court order and/or in arbitrational proceedings, including without limitation in order to make such disclosures as required under applicable securities legislation or as a Party or its Affiliates deem appropriate for the purpose of complying with applicable securities legislation, it being acknowledged and agreed that the Parent shall be obligated to file a copy of this Agreement with the United States Securities and Exchange Commission;

13.2.3 where such information is deemed to be generally known or already in the public domain prior to the signing date of this Agreement other than as a result of a breach of any undertaking or duty of confidentiality by that Party; and/or

13.2.4 in order to enforce any right or remedy or assert any defence a Party may have if, in the opinion of the Party's counsel, such disclosure is legally required and provided further that if the disclosing Party proposes to make any such disclosure based upon its counsel's opinion, such Party will use its best efforts to assure that confidential treatment will be accorded to the information and/or documents in question.

provided that any such information disclosed pursuant to Clause 13.1 and 13.2 shall be disclosed only after consultation (where practicable) with the other Party.

CLAUSE 14 ANNOUNCEMENTS

14.1 Announcements by Parties

Subject to Clause 14.2, and without prejudice to Clause 14, no Party shall make or issue at any time after Closing any announcement, notification, circular or other publicity relating to any matter referred to in the Agreement ("**Announcement**") without the other Parties' prior written consent to the form and content of such Announcement.

14.2 Exceptions

Clause 14.1 does not apply to any Announcement:

14.2.1 required by the laws of any relevant jurisdiction or by the rules or regulations of any recognised securities exchange or of any regulatory or governmental body or that a Party or its Affiliates deem appropriate for the purpose of complying with the rules or regulations of any recognised securities exchange or of any regulatory or governmental body. In such an event, the Party making or sending the Announcement shall, as far as practicable, consult with the other Party as to the form and content of such Announcement. In the event that both Parties are separately required to make or send such Announcement, they will make or send it simultaneously; or

14.2.2 which is in the Agreed Form made or sent by or on behalf of the Parent after Closing, advising the press, employees, customers, suppliers, advisors or agents of the Company of the change in control of the Company.

CLAUSE 15 MISCELLANEOUS

15.1 Notifications

All communications, notices and disclosures required or permitted by this Agreement shall be in writing and shall be given by hand delivery, by prepaid registered or certified mail (with return receipt requested), by an established overnight courier providing proof of delivery or by facsimile, addressed as follows, unless and until any party notifies each other party in accordance with this Clause 15.1 of a change of address:

15.1.1 If to Vendor:

Attn: Erwin van Dommelen
Address: Ventise Holding B.V., Hulst 16, 5507 MH Veldhoven
Fax: +31 (40) 248 8179

With a copy to (which shall not constitute notice):

Attn:	Gerhard Nusteling / Vincent Bettonville
Address:	AKD Prinsen van Wijmen N.V., Orlyplein 10, 1043 DP Amsterdam
Fax:	+31 (88) 253 5260

15.1.2 If to Parent or Purchaser:

Attn:	William C. Styslinger, III
Address:	SeaChange International, Inc., 50 Nagog Park, Acton, Massachusetts 01720
Fax:	+1 (978) 897-9590

With a copy to (which shall not constitute notice):

Attn:	William B. Asher
Address:	Choate, Hall & Stewart LLP, Two International place, Boston, MA 02110
Fax:	+1 (617) 248-4000

15.2 Civil Notary

The Purchaser acknowledges that the Notary is associated with AKD Prinsen Van Wijmen N.V. and that it is aware of the guidelines concerning associations between civil law notaries (*notarissen*) and attorneys-at-law (*advocaten*) as established by the Board of the Royal Professional Organization of Civil Law Notaries (*Koninklijke Notariële Beroepsorganisatie*). The Purchaser explicitly agrees that the Vendor is represented by AKD Prinsen Van Wijmen N.V. in any matter relating to this Agreement and any disputes in connection therewith.

15.3 Purchaser Acting as Principal

The Purchaser entered into this Agreement as a principal and not on behalf of any third party, as an agent, broker, or otherwise, and the Purchaser shall consummate the Transactions for its own risk and account.

15.4 No Assignment or Transfer

None of the Parties shall assign or transfer, or purport to assign or transfer, any of their rights and/or obligations, in part or in whole, under the Agreement without the prior written consent of the other Party.

Notwithstanding the provisions of this Clause 15.4, the Parent or the Purchaser shall be entitled to assign its rights and obligations under this Agreement to any member of Parent's group in conjunction with a transfer of shares in the Company, and Vendor hereby agrees to cooperate with such assignment, provided that (i) the Parent and/or the Purchaser give prior notice to the Vendor of such assignment, and (ii) the Parent and the Purchaser remain jointly and severally liable (*hoofdelijk aansprakelijk*) for the obligations towards the Vendor under this Agreement.

15.5 Costs

The Parties shall each pay their own costs, charges and expenses in relation to the negotiation, preparation, execution and implementation of the Agreement and the sale and purchase of the Shares. The Purchaser shall bear the Notary's costs.

15.6 Entire Agreement

The Agreement constitutes the entire agreement and understanding between the Parties with respect to its subject matter and replaces and supersedes all prior agreements, arrangements, undertakings or statements regarding the present subject matter, including but not limited to the memorandum of understanding dated 16 June 2009, as amended.

15.7 No Rescission, No Nullification

Other than as provided for in the Agreement, the Agreement may not be rescinded (*ontbonden*) or nullified (*vernietigd*) in whole or in part and the Parties hereby acknowledge and agree that articles 6:265 and 6:228, as well as title 1 of Book 7 of the DCC – save for section 7:23 – shall not be applicable to the Agreement after Closing.

15.8 Amendments

No variation of the Agreement shall be effective unless made in writing and signed by or on behalf of each of the Parties.

15.9 Invalid Provisions

If part of the Agreement is or becomes invalid or non-binding, the Parties shall remain bound to the remaining part. The relevant parties shall in that event replace the invalid or non-binding part by provisions, which are valid and binding, and the effect of which, given the contents and purpose of the Agreement, is to the greatest extent possible similar to the invalid or non-binding part.

15.10 No Implied Waiver; No Forfeit of Rights

No failure to exercise and no delay in exercising any right or remedy in connection with the Agreement by a Party shall operate as a waiver or a forfeiture of that right or remedy. No single or partial exercise of any right or remedy under this Agreement by a Party shall preclude any other or further exercise of that right or remedy or the exercise of any other right or remedy.

15.11 Third Party Clause

No Clause or provision of the Agreement shall be deemed to constitute a third party clause, except as explicitly provided for otherwise.

15.12 Counterparts

This Agreement may be signed in any number of counterparts, each of which shall be an original, but only all of which, when taken together, shall constitute one and the same document.

15.13 The Company

The Company will sign this Agreement evidencing its acceptance and acknowledgement of the relevant provisions of this Agreement, as well as confirming that it shall duly and promptly observe the provisions of this Agreement that relate to it and - as far as possible - give full force and effect to this Agreement according to its spirit and intention.

15.14 The Vendor Parties

Each of the Vendor Parties will sign this Agreement evidencing its acceptance and acknowledgement of its rights and obligations – and solely and exclusively for such purposes – under Clauses 4.9, 5.3, 5.4, 5.5 , 5.6 , 5.7 and 5.8 of this Agreement.

CLAUSE 16 GOVERNING LAW AND JURISDICTION

16.1 Governing Law

The Agreement, any agreements resulting herefrom and the (negotiation) process prior thereto shall be governed by and construed in accordance with the laws of the Netherlands.

16.2 Domicile

For the purpose of the serving of legal documents in relation to litigation, the Parties choose domicile at the addresses mentioned in Clause 15.1.

16.3 Jurisdiction

Notwithstanding the competence of the Amsterdam court in summary proceedings (*voorzieningenrechter*) (and with the exception of disputes regarding settlement of the Working Capital Adjustment or the Deferred Performance-Based Purchase Price which are addressed in Schedule 3.5.1 and Schedule 3.8, respectively), any and all disputes arising from or in connection with this Agreement or any other agreement in continuation of this Agreement, shall be settled by mutual consultation between the Parties in good faith as promptly as possible, but failing an amicable settlement, shall be settled in accordance with the Arbitration Rules of the Netherlands Arbitration Institute. The arbitral tribunal shall be composed of three (3) arbitrators, the place of arbitration shall be Amsterdam, the Netherlands, and the arbitral procedure shall be conducted in the English language. Consolidation of the arbitral proceedings with other arbitral proceedings pending in the Netherlands, as provided in section 1046 of the Dutch Code of Civil Procedure, is excluded.

(signature pages to follow)

THUS AGREED UPON AND SIGNED on 1 September 2009.

/s/ Erwin van Dommelen

Ventise Holding B.V.
By: Mr E.J. van Dommelen
Its: managing director

/s/ W.A.C. van der Heijden

Ventise Holding B.V.
By: Mr W.A.C. van der Heijden
Its: managing director

/s/ William C. Styslinger, III

SeaChange B.V.
By: Mr W. C. Styslinger, III
Its: proxy holder

/s/ William C. Styslinger, III

Seachange International Inc.
By: Mr W. C. Styslinger, III
Its: director

With reference to Clause 15.13 hereof:

/s/ Erwin van Dommelen

EventIS Group B.V.
By: Mr E.J. van Dommelen
Its: managing director of Erwin van Dommelen beheer B.V., managing director of eventIS Group B.V.

(2nd signature page to follow)

With reference to Clause 15.14 hereof:

/s/ Erwin van Dommelen

ERWIN VAN DOMMELEN BEHEER B.V.
By: Mr E.J. van Dommelen
Its: managing director

/s/ Harry Koiter

HARRY KOITER BEHEER B.V.
By: Mr H. Koiter
Its: managing director

/s/ J.L.M. Verhoeven

CAPTIVE B.V.
By: Mr J.L.M. Verhoeven
Its: managing director

/s/ W.A.C. van der Heijden

K30 SOFTWARE B.V.
By: Mr W.A.C. van der Heijden
Its: managing director of K30 Automatisering B.V., managing director of K30 Software B.V.

/s/ J. Venema

XALJOX B.V.
By: Mr J. Venema
Its: managing director

/s/ S. Marzban

MARZBAN MANAGEMENT LTD.
By: Mr S. Marzban
Its: managing director

/s/ Erwin van Dommelen

MR E.J. VAN DOMMELEN

/s/ Harry Koiter

MR H. KOITER

/s/ J.L.M. Verhoeven

MR J.L.M. VERHOEVEN

/s/ W.A.C. van der Heijden

K30 AUTOMATISERING B.V.
By: Mr W.A.C. van der Heijden
Its: managing director

/s/ W.A.C. van der Heijden

MR W.A.C. VAN DER HEIJDEN

/s/ J. Venema

MR J. VENEMA

/s/ K. Seiler

MR K. SEILER

/s/ P. Hahn

MR P. HAHN

/s/ S. Marzban

MR S. MARZBAN

SCHEDULE 1.1

(DEFINITIONS)

Accounting Principles:	the accounting practices and principles applied on a consistent basis by the Company over the previous three (3) financial years based on generally accepted accounting practices and principles in the Netherlands as in force as per Accounts Date;
Accounts Date:	31 December 2008;
Accounts:	the Group's pro forma consolidated accounts over the financial year 2008, including the notes to the accounts (*toelichting op de jaarrekening*) and the management report (*jaarverslag*);
Affiliate:	in relation to a specified person, a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified;
Agreed Form:	in relation to any document, the draft of such document which is either annexed to the Agreement and which is initialled by the Parties by way of their agreement in relation to such draft document, or is agreed later, in writing, between the relevant Parties;
Agreement:	this agreement regarding the sale and purchase of the Shares including all Schedules and Annexes thereto;
Announcement:	as defined in Clause 14.1;
Annual Cash Payment:	as defined in Clause 3.6.1;
Annual Restricted Stock Payment:	as defined in Clause 3.6.2;
Assets:	as defined in Clause 9.1 of Schedule 6.1;
Be&C Agency Agreement:	agreement by and between the Company and Delphine Calvini;
Breach:	a breach by the Vendor of this Agreement, and/or a breach of any of the Warranties as set forth in Clause 6.1;
Business Day:	9 a.m. to 5 p.m. on any day (other than a Saturday or Sunday) on which banks are open for normal banking business in Amsterdam, the Netherlands;
Business:	as defined in Recital (C);

Clause:	each clause to this Agreement;
Closing Date:	shall be 1 September 2009;
Closing:	consummation of the transactions contemplated by this Agreement in accordance with Clause 4;
Company Intellectual Property:	Intellectual Property owned or used by the Company or any Group Company;
Company:	EventIS Group B.V.;
Confidentiality Agreement:	the confidentiality agreement executed by the Vendor and the Parent dated March 2009;
Covered Area:	as defined in Clause 5.3.2;
Covered Business:	as defined in Clause 5.3.2;
Data Room:	as defined in Recital (D);
DCC:	Dutch Civil Code (*Burgerlijk Wetboek*);
Deferred Fixed Purchase Price:	as defined in Clause 3.6;
Deferred Performance-Based Purchase Price:	as defined in Clause 3.7;

Deferred Purchase Price Dispute Notice:	as defined in section 1.1.3 of Schedule 3.8;
Deposit Agreement:	the agreement between the Parent, the Vendor and the Notary in the Agreed Form of Schedule 4.5, to be executed by the relevant parties as per Closing, pursuant to which a digital video disk (DVD), containing all Data Room information, will be deposited with and held in escrow on behalf of the Parties by the Notary;
Disclosed Information:	the information disclosed in the Information Memorandum, the Vendor Due Diligence Reports, the Data Room and the Agreement,;
Dispute Notice:	as defined in section 1.2 to Schedule 3.5.1;
Effective Date:	being the same date as Closing Date;
Environmental Regulation:	means any law, statute, regulation, decree or other statutory regulation issued by any regulatory body such as a supranational, national, provincial, or municipal body or by a corporate body entrusted with a public mission, that relates to the protection of the environment, including but not limited to air, water and soil, and/or nature;
Employees:	as defined in Clause 11.1 of Schedule 6.1;
Employee Benefit Plan:	means any bonus, profit sharing, savings, redundancy and/or exit arrangement, share option and/or stock appreciation rights scheme and/or share repurchase scheme;

Encumbrance:	any encumbrance or security interest whatsoever including (without limitation) any mortgage, pledge, option right, priority right, retention right, charge, usufruct or lien;
Estimated Working Capital Adjustment:	the balance of (i) the Estimated Working Capital, less (ii) the Target Working Capital, being a negative amount if the Estimated Working Capital is less than the Target Working Capital and a positive amount if the Estimated Working Capital is greater than the Target Working Capital;
Estimated Working Capital:	as defined in Clause 3.3;
EventIS NZ Agency Agreement:	agreement by and between the Company and Cees van Egmond;
Exchange Act	as defined in Clause 11.1.8;
Group Companies:	EventIS Interactive Solutions B.V., EventIS GmbH, EventIS UK Limited, EventIS B.V., EventIS Software Solutions B.V.;
Group:	as defined in Recital (C);
Indemnified Events:	as defined in Clause 9.1;
Indemnified Parties:	as defined in Clause 9.1;
Information Memorandum:	as defined in Recital (D);
Information Technology:	means all computer systems, including but not limited to, hardware, (embedded) software, network and communication systems, data bases, data files, and any and all associated documentation and materials, which at or before the Closing Date are used by the Company or any of the Group Companies;
Initial Purchase Price:	as defined in Clause 3.2;
Intellectual Property:	all intellectual property rights of every kind including all (i) patents, patent applications, patent disclosures and inventions, (ii) trademarks, service marks, trade dress, trade names, logos and corporate names (in each case, whether registered or unregistered) and registrations and applications for registration thereof, (iii) copyrights (registered or unregistered) and registrations and applications for registration thereof, (iv) computer software, data, data bases and documentation thereof, (v) trade secrets and other confidential or proprietary information (including, without limitation, ideas, formulas, compositions, inventions (whether patentable or unpatentable and whether or not reduced to practice), know-how, manufacturing and production processes and techniques, research and development information, drawings, specifications, designs, plans, proposals, technical data, copyrightable works, financial and marketing plans and customer and supplier lists and information), (vi) World Wide Web addresses and domain name registrations, (vii) works of authorship including, without limitation, computer programs, source code and executable code, whether embodied in software, firmware or otherwise, documentation, designs, files, records, data and mask works and any rights in semiconductor masks, layouts, architectures or topography, (viii) goodwill associated with any of the foregoing, and (ix) Information Technology;

IP License:	as defined in Clause 10.1 of Schedule 6.1;
Losses:	all damages (including reasonable attorneys' fees and costs of investigation) on account of a Breach;
Material Agreement:	as defined in section 6.3 of Schedule 6.1;
Noncompetition Period:	as defined in clause 5.3.2;
Non-Owned Property:	as defined in section 7.2 of Schedule 6.1;
Notary Letter:	as defined in Clause 4.2;
Notary:	a civil law notary of the offices of AKD Prinsen Van Wijmen N.V., Amsterdam, the Netherlands, or any other civil law notary appointed by the Vendor;
Parent's Warranties:	the representations and warranties given by the Parent to the Vendor, set forth in Clause 11.1;
Parties:	the Vendor, the Parent and the Purchaser;
Permits and Licenses:	means all public and private licenses, permits, permissions, leaves, authorizations, approvals, exemptions, dispensations, however named, required for the Company and the Group Companies to conduct their businesses, and to continue conducting their businesses in the place and in the manner the businesses are currently conducted and as the Company and the Group Companies intend to conduct them;
Publicly Available Software:	as defined in Clause 10.10 of Schedule 6.1;
Purchase Price:	as defined in Clause 3.1;

Purchaser's Warranties:	the representations and warranties given by the Purchaser to the Vendor, set forth in Clause 12.1;
Qualifying EventIS Products:	as defined in Clause 3.7;
Real Estate Leases:	as defined in Clause 7.4 of Schedule 6.1;
Required Consents:	as defined in Clause 2.5 of Schedule 6.1;
Restricted Stock Agreement:	as defined in Clause 3.6.2;
Restructuring:	as defined in Recital (B);
Retirement Benefit Arrangement:	means any arrangement, whether collective or individual, irrespective in which format and irrespective of origin (including but not limited to collective (labour) agreements, individual (employment) agreements, social plans, redundancy pay schemes and early retirement schemes), under which the Company or any of the Group Companies makes payments for providing retirement, death, disability, leaving service or life assurance benefits;
Rooney Consulting Agency Agreement:	agreement by and between the Company and Sean Rooney;
Schedule:	each schedule to this Agreement;
SEC:	as defined in Clause 11.1.8;
SED Documents:	as defined in Clause 11.1.8;
Securities Act:	as defined in Clause 11.1.8;
Shares:	the 360 ordinary shares with a nominal value of EUR 50 each in the capital of the Company, together constituting one hundred per cent (100 %) of the issued share capital of the Company;
Target Working Capital:	the anticipated amount of the Working Capital determined by the Parties at EUR 3,000,000 (three million Euros);
Tax Authority:	means any taxing or other authority competent to impose any liability in respect of Taxes or responsible for the administration and/or collection of Taxes or enforcement of any law in relation to Taxes;

Tax or Taxes:	means all taxes, social security charges, contributions, duties and other levies of whatever nature, separately or jointly due to, payable to, levied by, imposed upon by, claimed to be owed to, awarded by or held responsible for by any supranational, national, federal, state, provincial, municipal, local, foreign or other authority having the power to tax, including but not limited to corporate income tax, such tax taken to include surtax, wage tax, value added tax, social security contributions and employee social security contributions, income tax, tax on profits, tax on gross receipts, license tax, payroll tax, employment tax, customs and excise duties, tax on severance payments, stamp duty, occupation levies, premium tax, windfall profit tax, environmental taxes and duties, capital tax and other legal transactions taxes, franchise tax, withholding tax, tax on disability or unemployment payments, real property tax, personal property tax, sales tax, tax based on use, transfer tax, registration tax, municipal tax, estimated or preliminary tax, or any other tax of any kind whatsoever, including any interest, penalties, or other additions thereto, whether disputed or not;

Third Party Claim:	as defined in Clause 10.2;
Transaction:	as defined in Recital (F);
U.S. GAAP:	United States generally accepted accounting principles;
Vendor Due Diligence Report:	as defined in recital (D);
Vendor Parties:	collectively, the following persons: Erwin van Dommelen Beheer B.V., Harry Koiter Beheer B.V., capTiVe B.V., K30 Software B.V., XaljoX B.V., Marzban Management Ltd., Mr K. Seiler, Mr P. Hahn, Mr E.J. van Dommelen, Mr. H. Koiter, Mr J.L.M. Verhoeven, Mr W.A.C. van der Heijden, K30 Automatisering B.V. and Mr J. Venema, Mr S. Marzban,
Vendor Ultimate Shareholders:	collectively, the following persons: Mr. Erwin Jeroen van Dommelen, Mr. Harm Koiter, Mr. Klaus Seiler, Mr. Peter Hahn, Mr. J.L.M. Verhoeven, Mr. W.A.C. van der Heijden, Mr. J. Venema and Mr S. Marzban;
Vendor:	Ventise Holding B.V.;
Warranties:	the representations and warranties given by the Vendor to the Purchaser, set forth in Schedule 6.1;
Working Capital:	shall be the balance of cash and cash equivalents plus net working capital, whereby net working capital consists of the inventory, trade receivables and other receivables minus trade payable and other liabilities, based on the Accounting Principles. For the avoidance of doubt deferred revenue is excluded. **Schedule 3.5.1A** consists of the pro forma consolidated net working capital calculation of the Company for the financial years 2006, 2007 and 2008, ending on 31 December;
Working Capital Adjustment:	the balance of (i) the Working Capital minus (ii) the Estimated Working Capital, being a negative amount if the Working Capital is less than the Estimated Working Capital and a positive amount if the Working Capital is greater than the Estimated Working Capital;

* * * * * * * *

SCHEDULE 3.5.1

(DETERMINATION OF WORKING CAPITAL ADJUSTMENT)

The Parties shall use their best efforts to determine the Working Capital Adjustment as soon as reasonably possible following Closing Date in accordance with the following mechanism and procedure:

1.1 within seventy-five (75) days of Closing Date, the Parent shall have prepared and delivered to the Vendor a proposal for the Working Capital Adjustment, in conformity with Schedule 3.5.1A;

1.2 within fifteen (15) Business Days after the date on which the draft proposal for the Working Capital Adjustment have been delivered by the Parent to the Vendor, the Vendor shall complete its examination thereof and may deliver to the Parent a written dispute notice containing an alternative Working Capital Adjustment and setting forth the respective grounds for such alternative adjustment (the "**Dispute Notice**");

1.3 in connection with this review, the Parent shall provide the Vendor with such information as the Vendor reasonably may require allowing the Vendor to evaluate the draft proposal for the Working Capital Adjustment, provided that the Vendor shall have executed a confidentiality agreement reasonably acceptable to the Parent;

1.4 if the Vendor notifies the Parent of its acceptance of the amounts set forth in the proposed Working Capital Adjustment or if the Vendor fails to deliver the Dispute Notice within the aforementioned fifteen (15) Business Day period, the Working Capital Adjustment proposed by the Parent shall be conclusive, final and binding for the purpose of this Agreement; and

1.5 the Parent and the Vendor shall use all reasonable efforts to resolve any dispute resulting from the Dispute Notice within fifteen (15) Business Days after the Vendor has received the Dispute Notice from the Parent. If any such dispute is not resolved within that period, then an independent accounting firm reasonably acceptable to the Parent and the Vendor may be appointed by either of the Parent or the Vendor – and if they cannot agree on such a firm, then an independent accounting firm shall be appointed by the chairman of the Netherlands Institute of Registered Accountants (*Nederlands Instituut voor Registeraccountants*) upon the application of either of the Parent or the Vendor – to make the final determination under the terms of this Agreement of any amounts outstanding under the Dispute Notice. The Parties shall use their best endeavours to procure that the independent accountant's determination is made within fifteen (15) Business Days after his appointment, and shall provide him with all such information, data and co-operation as he may request for the purpose of making the determination in a timely manner. The independent accountant's resolution shall be final and binding for purpose of this Agreement and shall constitute the final establishment of the Working Capital Adjustment. The costs and expenses of the independent accounting firm and its services rendered pursuant to this Schedule 3.5.1 shall be one hundred percent (100%) borne by the Party which calculation of the Working Capital Adjustment deviates most from the Working Capital Adjustment determined by the independent accountant.

SCHEDULE 3.5.1A

(PRO FORMA CONSOLIDATED NET WORKING CAPITAL CALCULATION OF THE COMPANY FOR THE FINANCIAL YEARS 2006, 2007 AND 2008, ENDING ON 31 DECEMBER)

Net working capital - eventIS

€000	Dec 06	Dec 07	Dec 08
Inventory	1,053	319	13
Trade receivables	1,809	1,430	2,852
Trade payables	(1,384)	(812)	(550)
Trade working capital	**1,479**	**937**	**2,316**
Other receivables	282	403	247
Other liabilities	(760)	(463)	(324)
Other net working capital Items	**(478)**	**(61)**	**(77)**
	-	-	-
Total	**1,000**	**876**	**2,239**

Net debt - eventIS

€000	Dec 06	Dec 07	Dec 08
CIT	585	620	42
Other	(41)	1	-
Cash and equivalents	(1,063)	(2,098)	(2,536)
Total funding	**(519)**	**(1,478)**	**(2,495)**

Estimated working Capital

€000	Dec 06	Dec 07	Dec 08
Net working capital	1,000	876	2,239
Cash and cash equivalents	519	1,478	2,495
Estimated working Capital	**1,519**	**2,354**	**4,734**
Target working Capital			
Working Capital Adjustment			

Source: Management information

SCHEDULE 3.8

(DETERMINATION OF DEFERRED PERFORMANCE-BASED PURCHASE PRICE)

Determination of Deferred Performance-Based Purchase Price

1.1 The Parties shall use their best efforts to determine the Deferred Performance-Based Purchase Price, as further specified in Clause 3.7.1 up to and including Clause 3.7.3, as soon as reasonably possible following the thirty-first of January of 2011, 2012 and 2013 respectively, in accordance with the following mechanism and procedures:

1.1.1 within three (3) months following the thirty-first of January of each respective year, the Parent shall have prepared and delivered to the Vendor the Deferred Performance-Based Purchase Price for such year in conformity with U.S. GAAP, containing a breakdown to the respective elements referred to in Clause 3.7.1 up to and including Clause 3.7.3, and such figures which are required to substantiate the respective calculations, accompanied by a certification as regards the completeness of all relevant customer accounts and revenues eligible for the Deferred Performance-Based Purchase Price, signed by the Parent's CEO, CFO or COO;

1.1.2 the Parent shall provide the Vendor with such information as the Vendor reasonably may require allowing the Vendor to review the draft calculation of the Deferred Performance-Based Purchase Price. Upon the Vendor's first request the Parent shall provide the Vendor's auditor reasonable access during normal business hours to such books and records containing relevant information in respect of the calculation of the Deferred Performance-Based Purchase Price, provided each such person is bound by confidentiality covenants;

1.1.3 within one (1) month of the date on which the draft calculation of the Deferred Performance-Based Purchase Price has been delivered by the Parent to the Vendor or in case the Vendor has requested the Parent to provide the Vendor's auditor access to the books and records of the Parent's group of companies, within one (1) month of the date on which the Vendor's auditor has acquired such access, the Vendor shall complete its examination thereof and may deliver to the Parent a written dispute notice containing an alternative calculation of the Deferred Performance-Based Purchase Price (the "**Deferred Purchase Price Dispute Notice**");

1.1.4 if the Vendor notifies the Parent of its acceptance of the amounts set forth in the draft calculation of the Deferred Performance-Based Purchase Price or if the Vendor fails to deliver the Deferred Purchase Price Dispute Notice within the aforementioned one (1) month period, the calculation of the Deferred Performance-Based Purchase Price proposed by the Parent shall be conclusive, final and binding for the purpose of this Agreement; and

1.1.5 the Vendor and the Parent shall use all reasonable efforts to resolve any dispute resulting from the Deferred Purchase Price Dispute Notice within one (1) month of the Parent's receipt of the Deferred Purchase Price Dispute Notice from the Vendor. If any such dispute is not resolved within that period, then an independent accounting firm reasonably acceptable to the Vendor and the Parent may be appointed by either of the Vendor or the Parent – and if they cannot agree on such a firm, then an independent accounting firm shall be appointed by the chairman of the Netherlands Institute of Registered Accountants (*Nederlands Instituut voor Registeraccountants*) upon the application of either of the Vendor or the Parent – to make the final determination under the terms of this Agreement of any amounts outstanding under the Deferred Purchase Price Dispute Notice. The Parties shall use their best endeavours to procure that the independent accountant's determination is made within one (1) month of his appointment, and shall provide him with all such information, data and co-operation as he may request for the purpose of making the determination in a timely manner. The independent accountant's resolution shall be final and binding for purpose of this Agreement and shall constitute the final establishment of the Deferred Performance-Based Purchase Price for the respective year. The costs and expenses of the independent accounting firm and its services rendered pursuant to this Schedule 3.9 shall be one hundred percent (100%) borne by the Party which calculation of the Deferred Performance-Based Purchase Price for the respective year deviates most from the Deferred Performance-Based Purchase Price determined by the independent accountant.

1.2 Within five (5) Business Days following determination of the final Deferred Performance-Based Purchase Price in accordance with Schedule 3.8, the Purchaser, as the case may be, shall transfer the amount of the Deferred Performance-Based Purchase Price for the respective year to the Vendor's bank account.

Covenants of the Purchaser

2.1 Nothing in these covenants shall require Purchaser or its Affiliates to make available to the Company and/or any Group Companies any loan or share capital, unless such loans or capital contributions are necessitated by prior dividend distributions or capital repayments subsequent to the Closing Date. The Purchaser and its Affiliates shall be free to take and to cause the Business to take such actions as to the business and affairs of the Purchaser and its Affiliates as the Purchaser determines at its reasonable discretion and in the best interest of the Purchaser and its Affiliates, taken as a whole.

2.2 The intent of the Parent and the Purchaser is to support the Business as performed prior to the Closing Date. The Parent and the Purchaser shall, and shall procure that any person within the Purchaser's group of companies shall, during the period of time until 31 January 2013:

2.2.1 refrain from any acts, actions or omissions intended to result in the reduction or distortion of the amount of the Deferred Performance-Based Purchase Price, including but not limited to diverting any business which would ordinarily have gone through the Company or any of the Group Companies;

2.2.2 procure that (a) the Company's and/or the Group Companies business will be continued in the ordinary course and is not materially changed or terminated without the Vendor's consent and that such business will be conducted on normal arm's length terms, that (b) all invoicing by the Company and/or each of the Group Companies will be adequately and correctly performed without any unnecessary delay, and that (c) all revenue of the Company and the Group Companies will be adequately recorded in the respective accounts and the accounts of the Company and/or each of the Group Companies shall at all times be kept in accordance and in full compliance with U.S. GAAP which are consistent with past practice; and

2.2.3 not, without the prior written consent of the Vendor (not to be unreasonably withheld, conditioned or delayed), (a) effectuate a sale and transfer of Shares and/or the shares in the share capital of one or more Group Companies to a third party (excluding intra-group transfers), (b) effectuate the dissolution or liquidation of the Company and/or one or more Group Companies, (c) discontinue all or a substantial part of the business of the Company's or any Group Company, (d) sell and transfer all or a substantial part of the Company's assets or the Group Companies' assets and (e) effectuate a legal merger and/or a legal de-merger involving the Company or one or more Group Companies.

* * * * * * * *

SCHEDULE 6.1

(WARRANTIES)

Defined terms used in this Schedule 6.1 shall have the same meaning as in the Agreement, to which this Schedule 6.1 forms a Schedule, unless otherwise defined below.

1. THE VENDOR

1.1 The Vendor is duly incorporated, organised and validly existing under the laws of the Netherlands.

1.2 The Vendor has the requisite right, power, authority and capacity and has taken all necessary corporate action to represent, to enter into and to perform all its obligations under the Agreement and any other documents to be executed by it pursuant to or in connection with the Agreement.

1.3 The Agreement and any other documents to be executed by it pursuant to or in connection with the Agreement constitute binding obligations of the Vendor, enforceable against the Vendor in accordance with their respective terms.

1.4 No consent, order, authorisation, approval, declaration or filing is required on the part of the Vendor for or in connection with the execution, delivery or performance of the Agreement and any other documents to be executed by the Vendor pursuant to or in connection with the Agreement.

1.5 The Vendor's execution, delivery and performance of the Agreement and any other documents to be executed by the Vendor pursuant to or in connection with the Agreement will not result in any violation of or be in conflict with any law, rule, order, regulation, or articles of association or other organizational document to which the Vendor is a party or by which the Vendor is bound.

2. THE COMPANY

2.1 The Company is a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*), duly incorporated, organised and validly existing under the laws of the Netherlands with all requisite power to carry on its business as presently conducted.

2.2 Each of the Group Companies is duly incorporated, organised and validly existing under the respective laws of incorporation with all requisite power to carry on its business as presently conducted.

2.3 No resolutions have been made by any corporate body to amend the current articles of association of the Company and any Group Company.

2.4 The Agreement and any other documents to be executed by it pursuant to or in connection with the Agreement constitute binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

2.5 The Company and each of the Group Companies, their officers and their respective businesses have at all times engaged in their activities in accordance with all material applicable statutory requirements, governmental regulations and their articles of association or other rules of their organisation and have not done or omitted to do anything which is a contravention of any of the same giving rise to any fine, penalty or other liability or sanction imposed on or incurred by or threatened to be imposed on or incurred by the Company or any Group Company.

2.6 Neither the Company, nor any of the Group Companies is or has been subject to any proceedings for (i) a legal merger (*fusie* within the meaning of section 2:309 DCC), (ii) a legal division (*splitsing* within the meaning of section 2:334 (a) DCC), (iii) its dissolution (*ontbinding*), (iv) its liquidation (*vereffening*), (v) its bankruptcy (*faillissement*), (vi) suspension of payment (*surséance van betaling*) and/or (vii) the offering of a settlement agreement to its creditors outside bankruptcy.

2.7 Neither the Company, nor any of the Group Companies has any participation (as shareholder, partner, investor or otherwise) in any other company, corporation, firm or partnership nor any branch, affiliate, agency, other place of business or other permanent establishment, nor any obligation to acquire such participation, other than the Company's participation in each of the Group Companies.

2.8 The Shares constitute the entire issued and outstanding share capital of the Company, have been validly issued and fully paid up in accordance with all requirements of applicable law and are free and clear of any encumbrances, options, rights of pre-emption, rights to acquire and other rights exercisable by third parties. The Vendor is the unassailable holder with full rights and capacity to transfer and sell the Shares and at the Closing shall transfer to the Purchaser good title to the shares. The Company, directly or indirectly, is the unassailable holder of the entire issued share capital of each of the Group Companies, and with respect to each Group Company such share capital has been validly issued and fully paid up in accordance with all requirements of applicable law and is free and clear of any encumbrances, options, rights of pre-emption, rights to acquire and other rights exercisable by third parties. Without limiting the generality of the foregoing, the loan underlying the Encumbrances on the shares of the Company held by Harry Koiter Beheer B.V. and Erwin van Dommelen Beheer B.V. for the benefit of P.E. Krabbendam Beheermaatschappij B.V. has been repaid and the Encumbrances have been released.

2.9 There are no rights outstanding to acquire new shares in the Company or any of the Group Companies, by conversion or otherwise. There are no outstanding options, rights or agreements, written or oral, under which third parties could demand the sale, transfer and/or encumbrance of any of the Shares or shares of the Group Companies, by conversion or otherwise, except as contemplated by the Agreement.

2.10 No depository receipts (*certificaten van aandelen*) have been issued for any of the Shares or the shares of the Group Companies with the co-operation of the Company or the applicable Group Company.

3. THE ACCOUNTS

3.1 The Accounts comply with all applicable statutory and legal requirements in force at the time of their preparation and adoption and have been prepared in accordance with the Accounting Principles.

3.2 The balance sheet of the Accounts give a true and fair view of the Group's net assets and the composition thereof, including liabilities, all in accordance with the Accounting Principles at the end of the relevant financial period. The profit and loss account which forms a part of the Accounts, gives a true and fair view of the Group's financial results and the composition thereof, classified in cost and income, for the relevant financial period.

3.3 The Accounts contain provisions adequate to cover all Taxes (including deferred Tax) that are attributable to the Business as per the Accounts Date.

3.4 The Accounts contain accruals and provisions adequate to cover all commitments and liabilities attributable to the Group known as of the Accounts Date.

4. CHANGES SINCE ACCOUNTS DATE

4.1 Since the Accounts Date, the Group has conducted its affairs prudently and in a manner consistent with past practice.

4.2 Since the Accounts Date, no events have occurred and no situation is existing or threatening which have or could have a material adverse effect (financially or otherwise) on the business, assets, liabilities and/or results of the Group compared with such position as of the Accounts Date.

5. TAXES

5.1 The Company and each Group Company has always duly, timely and correctly paid all Taxes for which it has been assessed, or which have become due or will become due, or which have arisen or accrued or will arise or accrue with regard to the period up to and including the Closing Date or, insofar these Taxes have not been paid, they have been adequately and fully provided for in the Accounts.

5.2 Other than as set out in section 05 and 08 of the Data Room, the Company and each Group Company has duly, timely and correctly made all filings, returns, payments and withholdings, given all notices, maintained all records and supplied all other information in relation to Taxes which it was required to make, give, maintain or supply and all such returns, payments, withholdings, notices, records and information were complete and accurate.

5.3 Other than as set out in section 05 and 08 of the Data Room, neither the Company, nor any Group Company has entered into any arrangement (including but not limited to "rulings") with any tax authority or is subject to a special regime with regard to (the payment of) Taxes.

5.4 There neither is nor has been any dispute, including but not limited to litigation, between the Company or any Group Company and any Tax Authority, nor, other than as set out in section 05 and 08 of the Data Room, has the Company been the subject of any extraordinary investigation by any Tax Authority and, to the best knowledge of the Vendor, there are no facts which are likely to give rise to any such dispute or investigation.

5.5 For Tax purposes, the Company and each Group Company is and has been resident only in the jurisdiction in which it is incorporated and does not have nor had a permanent establishment or permanent representative or other taxable presence in any jurisdiction other than that in which it is resident for Tax purposes. Neither the Company, nor any Group Company constitutes or has constituted a permanent establishment or is or has been a permanent representative of another person.

5.6 To the best of Vendor's knowledge, the Company and each Group Company has complied in all respects with the requirements and provisions of the "*Wet op de omzetbelasting 1968*" and all regulations and orders made there under (the "**VAT Legislation**") and has made and maintained accurate and up to date records, invoices, accounts and other documents required by or necessary for the purpose of the VAT Legislation and the Company and each Group Company has at all time punctually made all payments and filed all returns required hereunder.

5.7 All applications for governmental subsidies, which have been made or are reflected in the Accounts, have been duly and correctly made and no refunds and no interest, penalties or additions regarding such refunds are or will be due in respect of governmental subsidies.

6. AGREEMENTS AND COMMITMENTS

6.1 Neither the Company nor any of the Group Companies is a party to an agreement or commitment other than in the ordinary course of the Business and on an arms-length basis.

6.2 Neither the Company nor any of the Group Companies has any obligation or liability under any guarantee or indemnity or letter of credit or comfort letter.

6.3 Set forth in the Data Room are the true, correct and complete copies of:

6.3.1 each commercial agreement – other than, for the avoidance of doubt, based on purchase orders – with respect to which the Company or any Group Company has more than EUR 100,000 (one hundred thousand Euros) revenues recognized during 2008;

6.3.2 each supply agreement with respect to which the Company or any Group Company has incurred more than EUR 100,000 costs during 2008, save for the agreements with Dell and Zappware;

6.3.3 an overview of the revenues per client account for the years 2006, 2007 and 2008;

6.3.4 agreements under which the amount payable by the Company or any Group Company is dependent on the revenue, income or other similar measure of the Company, any Group Company or any other person;

6.3.5 agreements, instruments and arrangements relating to the financing of the Company or any Group Company;

6.3.6 agreements and other arrangements of the Company or any Group Company with any officer, director, manager, shareholder, member or Affiliate of the Company or any Group Company or any of their respective relatives or Affiliates;

6.3.7 agreements or other arrangements which place any limitation on the method of conducting or scope of the Business including, without limitation, any agreement that contains any exclusivity, non-disclosure, non-competition, non-solicitation or no-hire provisions;

6.3.8 agreements relating to or involving any agency relationship or reseller agreement or other similar arrangement; and

6.3.9 agreements with respect to mergers or acquisitions, sales of securities by the Company or any Group Company agreements with governmental agencies, departments or authorities.

6.4 Each of the agreements listed in Clause 6.3 above is valid, binding and in full force and effect.

6.5 Neither the Company nor any of the Group Companies is a party to an agreement leading to liabilities exceeding EUR 75,000 (seventy fife thousand Euros) in 2008, other than the (i) employment agreements, (ii) consultancy agreements, (iii) management agreements, (iv) pension arrangements, (v) insurance arrangements, (vi) real estate lease agreements and (vii) car lease agreements, in each case as set out in sections 03.03, 06, 07.01, 07.04, 07.06, 05.03, 07.05, 01.04 and 08 of the Data Room.

6.6 Except as specified on Annex 6.5, no consent, order, authorisation, approval, declaration or filing is required on the part of the Company for or in connection with the execution, delivery or performance of the Agreement and any other documents to be executed by the Company pursuant to or in connection with the Agreement, or the conduct of the business of the Company or any Group Company following the Closing (the "Required Consents").

6.7 To the best of Vendor's knowledge, no party to any agreement with the Company or any Group Company is in breach of such agreement.

6.8 Subject to obtaining the Required Consents, the transactions contemplated by the Agreement will not result in a breach of, or give any third party a right to terminate or vary, or result in any Encumbrance under, any contract or relationship to which the Company or any Group Company is a party.

6.9 There are no agreements in existence, including but not limited to non-competition agreements or territorial division, exclusive or preferred delivery and supply arrangements in existence, which restrict or could restrict the Company or any Group Company in its freedom to conduct or further develop its activities.

7. PROPERTY

7.1 Neither the Company, nor any Group Company owns any real property.

7.2 The Data Room sets out an accurate list of each interest in real property (including all land, buildings, easements, rights of way and other real property rights) leased by the Company or any Group Company (the "Non-Owned Property") and lists the agreements or stipulations relating to the personal or rights *in rem* pursuant to which the Company or the Group Companies occupy the Non-Owned Property.

7.3 To the best of Vendor's knowledge, neither the Company, the Group Companies nor the Vendor have failed to perform any material obligation from any agreement relative to the Non-Owned Property. The Company and/or the Group Companies occupy the Non-Owned Property in accordance with all relevant material contractual and other material terms and conditions.

7.4 Neither the Company nor any Group Company has been informed that any lessor under any of the leases set forth in the Data Room (the "Real Estate Leases") has taken action in respect of any Real Estate Lease or threatened to terminate any Real Estate Lease before the expiration date specified in such lease.

8. ENVIRONMENTAL MATTERS

8.1 Other than as set out in section 07.01 and 08 of the Data Room, the Company and each Group Company has at all times been and still is in compliance with the applicable Environmental Regulations, and there are no facts or circumstances that will impair future compliance, at least not without additional cost.

8.2 Neither the Company, nor any Group Company has received any notifications from government authorities or third parties, nor has it been notified of any intended sanctions or the imposition of sanctions on account of actual or alleged violation of Environmental Regulations, nor is any such notification to be anticipated or expected.

9. ASSETS

9.1 The Group has full legal and beneficial title to the assets used in the businesses of the Company and the Group Companies including but not limited to office inventory, computers and televisions (the "**Assets**"). Such Assets are free and clear of any Encumbrances and none of the Group has agreed to grant any Encumbrances thereon to any person. None of the Assets are held by third parties.

9.2 All Assets owned or leased by the Company or any of the Group Companies or otherwise used by them in their businesses have been properly and regularly maintained, are, subject to normal wear and tear, in such operating condition and repair that they are suitable and in satisfactory working order for the purposes for which they are presently being used and are not redundant.

10. INTELLECTUAL PROPERTY

10.1 <u>The Data Room</u> in the sections 07.08, 02.06, 03.03, 07.01.01 and 08 details the Company Intellectual Property included in clauses (i)-(iii) and (vi) of the definition of Intellectual Property. The Data Room in section 07.08, 02.06, 03.03, 07.01.01 and 08 details all licenses and other rights granted by the Company or any Group Company to any person with respect to any Company Intellectual Property and all licenses and other rights granted by any person to the Company or any Group Company with respect to any Company Intellectual Property (for this purpose, excluding so-called "off-the-shelf" products and "shrink wrap" software licensed to the Company or any Group Company in the ordinary course of business and easily obtainable without material expense) identifying the subject Company Intellectual Property and describing the material terms of such licenses or other rights (collectively, the "**IP Licenses**").

10.2 Other than as set out in the sections 07.08, 02.06, 03.03, 07.01.01 and 08 of the Data Room, neither the Company nor any of the Group Companies has IP Licenses.

10.3 Other than as set out in the sections 07.08, 02.06, 03.03, 07.01.01 and 08 of the Data Room, the Company and/or a Group Company has full and unassailable title to the Company Intellectual Property, without any Encumbrances or other restrictions. To the extent that the Company and/or a Group Company does not have full title to any Company Intellectual Property, a proper and adequate license or agreement to operate the Business in an ordinary and normal manner consistent with present and past practice has been obtained or entered into by the Company and/or a Group Company and all such licenses (including all amendments, novations, supplements or replacements to those licenses and agreements) are in full force and effect, no notice having been given on either side to terminate them and the obligations of all parties thereto have been fully complied with.

10.4 The Group's rights in the Company Intellectual Property are valid and continuing, have been properly maintained and (where necessary) timely renewed, and will not be altered or impaired by the consummation of the transactions contemplated by the Agreement.

10.5 Neither the Company, nor any Group Company has entered into any sort of agreement granting to or obtaining from third parties a right to the Company Intellectual Property nor has any such information been divulged and/or disclosed to any third party, other than the Intellectual Property exchanged under the non-disclosure agreements and under (draft) agreements with clients, as disclosed in section 07.08, 02.06, 03.03, 07.01.01 and 08 of the Data Room.

10.6 To the Vendor's best knowledge, no activities of the Company or any of the Group Companies (or of any licensee under any licence granted by the Company any of the Group Companies) infringe any intellectual property rights of any third party. No claim has been made against the Company or any of the Group Companies or any such licensee in respect of such infringement.

10.7 Neither the Company, nor any Group Company is required to pay any royalties or other compensation to any third parties in respect of its ownership or use of any Company Intellectual Property, other than payments in the ordinary course of business for so-called "off-the-shelf" products or "shrink wrap" software.

10.8 Other than as set out in the sections 07.08, 02.06, 03.03, 07.01.01 and 08 of the Data Room, each item of Company Intellectual Property owned by the Company or a Group Company is valid and subsisting, and all necessary registration, maintenance and renewal fees in connection with such Company Intellectual Property have been paid and all necessary documents and certificates in connection with such Company Intellectual Property have been filed with the relevant authorities in the Netherlands or foreign jurisdictions, as the case may be, for the purposes of maintaining such Company Intellectual Property. As to Vendor's best knowledge, there is no threatened or reasonably foreseeable loss or expiration of any Company Intellectual Property.

10.9 The Company and each Group Company has taken reasonable measures to protect their rights in, and the confidentiality of, the Company Intellectual Property belonging to the Company or such Group Company or provided by any other person to the Company or any Group Company.

10.10 Other than as set out in section 7.8.2 of the Data Room, none of the software owned by the Company or any Group Company incorporates, includes or is dependent on any Publicly Available Software and the Group has not used Publicly Available Software in whole or in part in the development of any part of its Intellectual Property in a manner that may subject its Intellectual Property in whole or in part, to all or part of the license obligations of any Publicly Available Software. "Publicly Available Software" means each of (i) any software that contains, or is derived in any manner (in whole or in part) from, any software that is distributed as free software, open source software (e.g. Linux), or similar licensing and distribution models; and (ii) any software that requires as a condition of use, modification, and/or distribution of such software that such software or other software incorporated into, derived from, or distributed with such software (a) be disclosed or distributed in source code form; (b) be licensed for the purpose of making derivative works; or (c) be redistributable at no or minimal charge. Publicly Available Software includes, without limitation, software licensed or distributed under any of the following licenses or distribution models similar to any of the following: (a) GNU General Public License (GPL) or Lesser/Library GPL (LGPL), (b) the Artistic License (e.g. PERL), (c) the Mozilla Public License, (d) the Netscape Public License, (e) the Sun Community Source License (SCSL), the Sun Industry Source License (SISL), and the Apache Server License.

11. EMPLOYEES AND EMPLOYEE BENEFITS

11.1 The persons employed in the Business are either employed on the basis of an employment agreement with the Company or any of the Group Companies (the "**Employees**") or are seconded by a third party in accordance with a valid agreement between the Company or any of the Group Companies and such third party. No person is working for or providing services to the Company or any Group Companies on any other basis than an employment agreement (e.g. on the basis of a management agreement, services agreement (*overeenkomst van opdracht*) or secondment agreement (*uitzend- of inleenovereenkomst*)) other than as set forth in the Data Room, which states and specifies such arrangements.

11.2 The Data Room at section 03 and 08 contains a true, accurate and complete list of all Employees stating date of commencement of employment of each Employee, and specifying all terms of employment applicable to such Employees, including but not limited to salaries, fringe benefits and premiums.

11.3 The Companies have obtained all required work permits for their Employees.

11.4 The Company and the Group Companies have complied vis-à-vis the Employees at all times with applicable labour laws, collective bargaining agreements (*collectieve arbeidsovereenkomst, CAO*), and individual employment agreements.

11.5 The Company and the Group Companies have complied at all times with all applicable laws affecting employment and occupational safety, including, where applicable, the Dutch Working Conditions Act (*Arbeidsomstandighedenwet*).

11.6 Other than in the ordinary course of business pursuant to the existing employment agreements at Accounts Date, since the Accounts Date, there has been no change in the terms of employment including the Retirement Benefit Arrangements of any Employee nor has any proposal been announced to establish such change. There is no agreement with any Employee to increase his or her salary and/or fringe benefits at a date in the future.

11.7 Neither the Company nor any Group Company has any obligation, whether legally or established by custom or otherwise, to any of its former Employees or directors, including but not limited to payment of any salary, severance, fringe benefit or other forms of compensation.

11.8 Save as set forth in section 03 and 08 of the Data Room, there are no Employee Benefit Plans in existence for the account of the Company or any of the Group Companies and/or for the benefit of the Employees and/or former employees. To the extent that there are any such Employee Benefit Plans, such arrangements have at all times been operated in accordance with governing rules and terms and laws applicable thereto from time to time, and the signing of the Agreement does not affect any right there under.

11.9 There are no delays and during the previous 2 (two) years there have been no delays in any payment due to the Employees or former Employees or directors, including but not limited to payment of salaries, fringe benefits and other financial obligations, social security obligations and/or income tax obligations, that could lead to a dispute with the Company or any of the Group Companies.

11.10 All holidays the Employees are entitled to have been used or given financial compensation for or have been provided for in the Accounts.

11.11 There are no amounts owing or agreed to be loaned or advanced by the Company or any Group Company to any Employee or former Employee.

11.12 The consummation of the transactions contemplated by the Agreement will not (i) entitle any individual to severance pay, (ii) accelerate the time of payment or vesting under any Employee Benefit Plan, or (iii) increase the amount of compensation or benefits due to any individual, other than as set forth in this Agreement.

11.13 There is no dispute pending with respect to any of the Employees and/or former Employees and no notification of such notice has been received by the Company or any of the Group Companies.

11.14 To the best knowledge of the Vendor, no employee of the Company or any Group Company is obligated under any agreement or commitment, or subject to any judgment, decree or order of any court or administrative agency, that could interfere with such employee's duties to the Company or any Group Company, or that could conflict with the Business.

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12. PENSIONS

12.1 The arrangements listed in section 06 and 08 of the Data Room are the only Retirement Benefit Arrangements. There are no obligations (whatsoever and irrespective whether towards employees or spouses or dependants, etc.) to provide retirement benefits other than as disclosed in the Data Room.

12.2 All premiums and charges required to be paid in connection with the Retirement Benefit Arrangements have been paid in full or adequate provision therefore has been made in the Accounts. The Company and each Group Company has met all of its obligations for present liabilities, whether actual, contingent or latent, conditional or unconditional, in respect of the Retirement Benefit Arrangements and related to (termination of) employment up to the Closing Date (including without prejudice to the generality of the foregoing so called back service liabilities). All risk benefits payable on death or disability are fully insured.

12.3 The Retirement Benefit Arrangements have correctly been administered and insured in compliance with their terms and with all laws, regulations and government taxation or funding requirements as applicable from time to time.

13. INSURANCE

13.1 The terms and conditions of the insurance, the insurance premium and other applicable conditions are common in the sector in which the Group is operating, and all premiums, including payments by or to the Group, have been duly paid to date or accrued for. No notice of cancellation, non-renewal, imposition of new conditions for any insurance has been received by the Company or any Group Company.

13.2 All policies of insurance maintained by the Group are valid and enforceable and the Company and each Group Company has complied with all of its obligations there under.

14. LITIGATION

14.1 Neither the Company nor any of the Group Companies are a party to any legal proceeding, including any civil-law, criminal, administrative or Tax proceeding, before any court or arbitration tribunal, mediator or third party charged with giving a binding opinion, nor are any such proceedings threatened nor has the Company or any Group Company received any notice to that effect.

14.2 There is no outstanding judgement, order, arbitral award or decision of a court, tribunal, arbitrator, governmental agency or other regulatory body against the Company or any of the Group Companies.

14.3 To the Vendor's best knowledge, neither the Company nor any Group Company is under any criminal or administrative investigation (including investigations involving competition or Tax laws), nor are any such investigations expected. Neither the Company nor any Group Company is currently planning to initiate any proceeding before any court or arbitration tribunal, mediator or third party charged with giving a binding opinion.

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15. INFORMATION PROVIDED

15.1 To the Vendor's best knowledge, in the course of the negotiations leading to the Agreement, Vendor has - directly or indirectly - provided the Parent with all material information concerning the Shares, the Group and their businesses, affairs or assets and liabilities. All information provided by Vendor, the Group and their respective officers, representatives and professional advisors to Parent and its representatives and professional advisers whether in the course of the negotiations leading to this Agreement or otherwise, was when given and is now true and accurate.

16. WARRANTY CLAIMS

16.1 Since the Accounts Date, there have been no material claims against the Company or any Group Company alleging any defects in the Company's or any Group Company's services or products, or alleging any failure of the products or services of the Company or any Group Company to meet applicable specifications, warranties or contractual commitments.

16.2 Other than set out in sections 07.03.03, 07.03.04 and 08 of the Data Room, and other than pursuant to Dutch law, the Company's and each Group Company's liability for breach of warranty is limited to repair or replacement of products or nonconforming parts. The Company's and each Group Company's products are free from material defects and perform in all material respects in accordance with all applicable specifications, warranties and contractual commitments.

17. BUSINESS RELATIONSHIPS

17.1 The Company's and the Group Companies' relationships with such customers, suppliers, vendors and service providers are good commercial working relationships.

17.2 During the previous 18 months, no customer representing more than EUR 250,000 (two hundred and fifty thousand Euros) of consolidated annualized revenues and no significant supplier, vendor or service provider (x) has terminated its relationship with the Company or any Group Company, (y) has decreased or limited materially the services, supplies or materials supplied to or purchased from the Company or any Group Company, or (z) has materially changed its business relationship with the Company or any Group Company.

18. AFFILIATE TRANSACTIONS

Except as set forth in the Data Room, (a) neither the Company nor any Group Company is a party to any contract or arrangement with, or indebted, either directly or indirectly, to any of its officers, directors, managers, members or shareholders, or any of their respective relatives or Affiliates, and (b) none of such persons is indebted to the Company or any Group Company or has any direct or indirect ownership interest in, or any contractual or business relationship with, any person with which the Company or any Group Company is or was affiliated or with which the Company or any Group Company has a business relationship, or any person which, directly or indirectly, competes with the Company or any Group Company.

19. BROKERS

No finder, broker, agent, financial advisor or other intermediary who has acted on behalf of the Vendor, the Company or any Group Company in connection with the negotiation or consummation of this Agreement or the transactions is entitled to any fee, payment, commission or other consideration from the Parent or the Purchaser in connection therewith as a result of any arrangement made by any of them.

Exhibit 31.1

CERTIFICATION

I, William C. Styslinger, III, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: September 8, 2009

/s/ William C. Styslinger, III

William C. Styslinger, III
Chief Executive Officer,
Chairman of the Board and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Kevin M. Bisson, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: September 8, 2009

/S/ KEVIN M. BISSON

Kevin M. Bisson
Chief Financial Officer, Senior Vice President, Finance and
Administration, Treasurer and Secretary
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of SeaChange International, Inc. (the "Company") on Form 10-Q for the period ending July 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William C. Styslinger, III, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

/s/ William C. Styslinger, III

Name: **William C. Styslinger, III**
Title: **Chief Executive Officer**
Chairman of the Board and Director
(Principal Executive Officer)

Dated: September 8, 2009

Exhibit 32.2

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

In connection with the Quarterly Report of SeaChange International, Inc. (the "Company") on Form 10-Q for the period ending July 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin M. Bisson, Chief Financial Officer, Senior Vice President, Finance and Administration, Treasurer and Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

/s/ Kevin M. Bisson

Name: **Kevin M. Bisson**

Title: **Chief Financial Officer, Senior Vice President, Finance and Administration, Treasurer and Secretary (Principal Financial and Accounting Officer)**

Dated: September 8, 2009