

---

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

---

**FORM 8-K**

---

**CURRENT REPORT**

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

**Date of report (Date of earliest event reported): June 30, 2006**

---

**SEACHANGE INTERNATIONAL, INC.**

(Exact Name of Registrant as Specified in its Charter)

---

**DELAWARE**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**0-21393**  
(Commission File Number)

**04-3197974**  
(I.R.S. Employer  
Identification No.)

**50 Nagog Park, Acton, MA**  
(Address of Principal Executive Offices)

**01720**  
(Zip Code)

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

**No change since last report**  
(Former Name or Address, if Changed Since Last Report)

---

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions *see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

---

**Item 1.01. Entry into a Material Definitive Agreement.***Fiscal Year 2007 Compensation and Bonus Plan*

On June 30, 2006, the Compensation Committee of the Board of Directors of SeaChange International, Inc. ("SeaChange") approved the fiscal year 2007 compensation and bonus plans for Bruce Mann and Steve Davi, executive officers of SeaChange.

Under the fiscal year 2007 plan, Mr. Mann will receive a base salary of \$268,834 and be eligible for a target bonus of a \$100,000 cash payment and a grant of 18,000 restricted stock units (RSUs); and Mr. Davi will receive a base salary of \$205,000 and be eligible for a target bonus of a \$100,000 cash payment and a grant of 18,000 RSUs. The level of bonus payable to each of Messrs. Mann and Davi is dependent on a number of performance factors, including SeaChange's earnings before interest, taxes, depreciation and amortization (EBITDA), cash position, customer satisfaction, and the completion by the recipient of employee development objectives. The bonus is based on half and full year performance. The cash bonus portion is payable after completion of the half and full year, while the RSU bonus portion is issuable upon completion of the full year and vests in equal annual installments over three years, with the first tranche of that portion relating to half year performance vesting four months after completion of the fiscal year and the first tranche of that portion relating to full year performance vesting at the end of the next fiscal year. In addition, the plan provides that each of Messrs. Mann and Davi will earn additional incentive compensation based upon sales within specified product areas.

*Amendment to On Demand Group Limited Purchase Agreement*

On June 30, 2006, SeaChange and the former stockholders of On Demand Group Limited (ODG) entered into an amendment to that certain Agreement for the Sale and Purchase of Share Capital of On Demand Group Limited, originally entered into as of September 23, 2005 (the "Purchase Agreement"). The amendment accelerates the second earnout payment of £1,236,502 otherwise payable in cash within seventy-five business days of January 31, 2007 under the Purchase Agreement, providing that it be satisfied now by the issuance to the sellers of shares of SeaChange's common stock having a fair market value of £1,236,502 as of the date of the amendment, resulting in the issuance of an aggregate of 341,360 shares of SeaChange's common stock. Two of the sellers, Andrew Birchall and Tony Kelly, have become executive officers of SeaChange since the original acquisition on September 23, 2005, and the other two sellers are immediate family members of Mr. Kelly. SeaChange has entered into this amendment to support ODG's long-term operational focus and to enable SeaChange to reduce its future cash expenditures.

This issuance of shares was exempt from registration pursuant to the Securities Act of 1933, as amended, pursuant to Section 4(2) as the sale was to a limited number of sophisticated individuals, and there was no general solicitation in connection with this sale. No cash was received by SeaChange in connection with this issuance; rather, the shares were issued as part of the consideration payable to the former stockholders of ODG for the shares previously held by such persons in ODG.

A copy of the amendment is filed with this report as Exhibit 2.1 and a copy of the original Purchase Agreement was originally filed as Exhibit 2.1 to SeaChange's Current Report on Form 8-K filed September 29, 2005.

---

**Item 2.01. Completion of Acquisition or Disposition of Assets**

See disclosure under the sub-heading "Amendment to On Demand Group Limited Purchase Agreement" in Item 1.01 above.

**Item 3.02. Unregistered Sales of Equity Securities**

See disclosure under the sub-heading "Amendment to On Demand Group Limited Purchase Agreement" in Item 1.01 above.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
2.1	Variation Agreement, dated as of 30 June 2006, by and among SeaChange International, Inc., Anthony Kelly, Andrew Birchall and the others set forth on the signature pages thereto, to that certain Agreement for the Sale and Purchase of Share Capital of On Demand Group Limited

---

**SIGNATURE**

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

**SEACHANGE INTERNATIONAL, INC.**

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

Dated: July 5, 2006

---

**Exhibit Index**

<u>Exhibit No.</u>	<u>Description</u>
2.1	Variation Agreement, dated as of 30 June 2006, by and among SeaChange International, Inc., Anthony Kelly, Andrew Birchall and the others set forth on the signature pages thereto, to that certain Agreement for the Sale and Purchase of Share Capital of On Demand Group Limited

30 JUNE 2006

ON DEMAND GROUP LIMITED

ANTHONY KELLY, ANDREW BIRCHALL AND OTHERS

SEACHANGE INTERNATIONAL, INC.

VARIATION AGREEMENT  
IN RELATION TO THE  
AGREEMENT FOR THE SALE AND PURCHASE OF SHARE  
CAPITAL OF ON DEMAND GROUP LIMITED

---

**CONTENTS**

<u>Clause</u>	<u>Page</u>
1. Interpretation	1
2. Variation of the Purchase Agreement	1
3. Construction	2
4. Counterparts	2
5. Governing Law	2
6. Jurisdiction	3
SCHEDULE 1 THE SELLERS	4

---

**THIS AGREEMENT** is made on 30 June 2006

**BETWEEN:**

- (1) **THE PERSONS** whose names and addresses are set out in Schedule 1 (together the **'Sellers'**);
- (2) **ANDREW THOMAS BIRCHALL** and **ANTHONY WILLIAM KELLY** further details of whom are set out in Schedule 1 (together the **'Warrantors'**);
- (3) **SEACHANGE INTERNATIONAL, INC.**, a company incorporated under the laws of the State of Delaware whose registered office is at 50 Nagog Park, Acton, MA 01720, USA (the **'Buyer'**).

**WHEREAS:**

- (A) The parties have entered into an Agreement for the Sale and Purchase of Share Capital of On Demand Group Limited (the **'Purchase Agreement'**) dated 23 September 2005.
- (B) The parties wish to vary the terms of the Purchase Agreement.
- (C) Save as set out herein, the parties wish the Purchase Agreement to remain in full force and effect.

**IT IS AGREED** as follows:

1. **INTERPRETATION**

Words and phrases defined in the Purchase Agreement shall have the same meanings in this Agreement and this Agreement shall be interpreted in accordance with clause 1 of the Purchase Agreement.

2. **VARIATION OF THE PURCHASE AGREEMENT**

2.1 The following definitions contained in clause 1 of the Purchase Agreement are amended and restated in their entirety as follows:

**"Consideration Shares"** means the Accelerated Earn Out Consideration Shares (if any), the Second Period Shares, the Earn Out Consideration Shares and the Film Flex Earn Out Consideration Shares;

**"Share Allotment Date"** means:

- (a) in respect of the Second Period Shares, 30 June 2006;
- (b) in respect of the Earn Out Consideration Shares, 31 January 2008;
- (c) in respect of the Film Flex Earn Out Consideration Shares, the Film Flex Option Exercise Date;



2.2 Clause 3.1(c) of the Purchase Agreement is amended and restated to read in its entirety as follows:

(c) as soon as practicable subsequent to June 30, 2006 by the payment to each of the Sellers of their Relevant Proportion of that number of shares of common stock of \$0.01 par value per share in the capital of the Buyer, to be allotted and credited as fully paid to the Sellers, as is equal to £1,236,502 calculated in accordance with the Relevant Exchange Rate and at the average NASDAQ national market closing price for the 5 Business Days immediately preceding the relevant Share Allotment Date (collectively, the "Second Period Shares"); and

2.3 Recognizing that the issuance by the Buyer to the Sellers of the Second Period Shares is in lieu of any and all pre-existing payment obligations relating to the Second Earn Out Period, (a) any and all references to the "Third Cash Payment" and the "Accelerated Third Cash Payment" contained in the Purchase Agreement shall be and hereby are deleted in their entirety and all necessary consequential amendments shall be made and Buyer shall in no way be obligated to make payment to the Sellers of all or a portion of either the Third Cash Payment or the Accelerated Third Cash Payment, and (b) clauses 5.3(b), 5.6, 5.7 and 5.8 of the Purchase Agreement shall be and hereby are deleted in their entirety.

2.4 Clause 5.12 of the Purchase Agreement is amended and restated to read in its entirety as follows:

Notwithstanding any other provision of this Agreement in no case shall the aggregate of the Second Cash Payment, £1,236,502 (being the consideration amount of the Second Period Shares), and the Earn Out Consideration Shares Amount together with any Accelerated Earn Out Consideration exceed the Maximum Earn Out.

3. **CONSTRUCTION**

Subject to the amendments set out in this Agreement, the Purchase Agreement shall remain in full force and effect and shall be read and construed as supplemented and amended by this Agreement.

4. **COUNTERPARTS**

4.1 This Agreement may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart.

4.2 Each counterpart shall constitute an original of this Agreement, but the counterparts shall together constitute but one and the same instrument.

5. **GOVERNING LAW**

This Agreement is governed by, and shall be construed in accordance with, English law.

---

6. **JURISDICTION**

- 6.1 Each party agrees that the courts of England are to have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement.
- 6.2 Each Seller irrevocably authorises and appoints the Sellers' Representative as his agent to accept on his behalf service of all legal process arising out of or in connection with this Agreement and such service shall be deemed complete whether or not forwarded to or received by the relevant Seller(s).

**IN WITNESS OF WHICH** this Agreement has been executed by the parties on the above date.

---

**SCHEDULE 1**  
**THE SELLERS**

**Name and Address:**

Andrew Birchall  
Weir Water,  
Admirals Bridge Lane,  
East Grinstead,  
RH19 4NN

Anthony Kelly  
29 Beauchamp Road,  
East Molesey,  
KT8 0PA

Judith Kelly  
29 Beauchamp Road,  
East Molesey,  
KT8 0PA

Michael Kelly  
Threeways,  
Tranwell Woods,  
Morpeh,  
NE61 6AQ

EXECUTED AND DELIVERED )  
as a deed by )  
**ANDREW THOMAS BIRCHALL** )  
in the presence of: ) /s/ Andrew Thomas Birchall

Witness Signature /s/ Charl de Beer  
Witness Full Name Charl de Beer  
Witness Address 64C Sutton Court Road  
W4 3EG, United Kingdom  
Witness Occupation Finance Director

EXECUTED AND DELIVERED )  
as a deed by )  
**ANTHONY WILLIAM KELLY** )  
in the presence of: ) /s/ Anthony William Kelly

Witness Signature /s/ Charl de Beer  
Witness Full Name Charl de Beer  
Witness Address 64C Sutton Court Road  
W4 3EG, United Kingdom  
Witness Occupation Finance Director

EXECUTED AND DELIVERED )  
as a deed by )  
**JUDITH KELLY** )  
in the presence of: ) /s/ Judith Kelly

Witness Signature /s/ Stephen Paul Riome  
Witness Full Name Stephen Paul Riome  
Witness Address 28 Richmond Drive  
Shepperton, Surrey  
Witness Occupation Engineer

EXECUTED AND DELIVERED )  
as a deed by )  
**MICHAEL KELLY** )  
in the presence of: ) /s/ Michael Kelly

Witness Signature /s/ L. Richardson  
Witness Full Name L. Richardson  
Witness Address The General Havelock  
East Sleekburn  
Bedlington.  
NE22 7AT  
Witness Occupation Secretary

---

EXECUTED AND DELIVERED  
as a deed by  
**SEACHANGE INTERNATIONAL, INC**

)  
)  
)

Director /s/ William C. Styslinger, III

/s/ Kevin M. Bisson

Secretary

---