TRANSCANADA PIPELINES LTD
Form 40-F/A
March 04, 2011

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U.S. Securities and Exchange Commission
Washington, D.C. 20549
Form 40-F/A
Amendment No. 1

o REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended **December 31, 2010** Commission File Number **1-8887**

TRANSCANADA PIPELINES LIMITED

(Exact Name of Registrant as specified in its charter)

Canada

(Jurisdiction of incorporation or organization)

4922, 4923, 4924, 5172

(Primary Standard Industrial Classification Code Number (if applicable))

Not Applicable

(I.R.S. Employer Identification Number (if applicable))

TransCanada Tower, 450 - 1 Street S.W.
Calgary, Alberta, Canada, T2P 5H1
(403) 920-2000

(Address and telephone number of Registrant's principal executive offices)

TransCanada PipeLine USA Ltd., 717 Texas Street
Houston, Texas, 77002-2761; (832) 320-5201

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered pursuant to section 12(b) of the Act: **None**
Securities registered pursuant to Section 12(g) of the Act: **None**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

ý Annual Information Form o Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

At December 31, 2010, 4,000,000 Cumulative Redeemable First Preferred Shares Series U
and 4,000,000 Cumulative Redeemable First Preferred Shares Series Y
were issued and outstanding.
675,673,927 common shares which are all owned by TransCanada Corporation

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of

1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes o No ý

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or 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 ý No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes o No o

The documents (or portions thereof) forming part of this Form 40-F/A are incorporated by reference into the following registration statement under the *Securities Act of 1933*, as amended:

Form	**Registration No.**
F-9	333-163641

EXPLANATORY NOTE

TransCanada PipeLines Limited ("TCPL") is filing this Form 40-F/A Amendment No. 1 to its Annual Report on Form 40-F for the year ended December 31, 2010 which was filed with the Securities and Exchange Commission on February 18, 2010, to correct the amount of the annual bonus awarded to the President and Chief Executive Officer in 2011 and to provide an enhanced explanation for that award, disclosed in Schedule "F" Compensation, Discussion and Analysis in TCPL's Amended Annual Information Form.

Other than as expressly set forth above, this Form 40-F/A does not, and does not purport to, update, or restate the information in any Item of the Form 40-F or reflect any events that have occurred after the Form 40-F was filed.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the Commission, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an Annual Report on Form 40-F arises; or transactions in said securities.

FORWARD-LOOKING INFORMATION

This document, the documents incorporated by reference, and other reports and filings made with the securities regulatory authorities may contain certain information that is forward-looking and is subject to important risks and uncertainties. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or other similar words are used to identify such forward looking information. Forward-looking statements in this document are intended to provide TCPL's securityholders and potential investors with information regarding TCPL and its subsidiaries, including management's assessment of TCPL's and its subsidiaries' future financial and operational plans and outlook. Forward-looking statements in this document may include, among others, statements regarding the anticipated business prospects, projects, and financial performance of TCPL and its subsidiaries, expectations or projections about the future, strategies and goals for growth and expansion, expected and future cash flows, costs, schedules (including anticipated construction and completion dates), operating and financial results and expected impact of future commitments and contingent liabilities. All forward-looking statements reflect TCPL's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among others, the ability of TCPL to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of TCPL's pipeline and energy assets, the availability and price of energy commodities, capacity payments, regulatory processes and decisions, changes in environmental and other laws and regulations, competitive factors in the pipeline and energy sectors, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments and economic conditions in North America. By its nature, forward-looking information is subject to various risks and uncertainties, which could cause TCPL's actual results and experience to differ materially from the anticipated results or expectations expressed. The Company's material risks and assumptions are discussed further in TCPL's Management's Discussion and Analysis filed as document 13.2 hereto including under the headings "Natural Gas Pipelines Opportunities and Developments", "Natural Gas Pipelines Business Risks", "Oil Pipelines Opportunities and Developments", "Oil Pipelines Business Risks", "Energy Opportunities and Developments", "Energy Business Risks" and "Risk Management and Financial Instruments". Additional information on these and other factors is available in the reports filed by TCPL with Canadian securities regulators and with the Commission. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this document or otherwise, and not to use future-oriented information or financial outlooks for anything other than their intended purpose. TCPL undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

SIGNATURES

Pursuant to the requirements of the *Exchange Act*, the Registrant certifies that it meets all of the requirements for filing on Form 40-F/A and has duly caused this amendment to the Annual Report to be signed on its behalf by the undersigned, thereto duly authorized, in the City of Calgary, Province of Alberta, Canada.

TRANSCANADA PIPELINES LIMITED

By: /s/ DONALD J. DEGRANDIS

Donald J. Degrandis
Vice-President and Corporate Secretary

Date: March 3, 2011

DOCUMENTS FILED AS PART OF THIS REPORT

13.1 TCPL's Amended Annual Information Form for the year ended December 31, 2010.

EXHIBITS

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.

TRANSCANADA PIPELINES LIMITED

AMENDED

ANNUAL INFORMATION FORM

February 14, 2011

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PRESENTATION OF INFORMATION

Unless the context indicates otherwise, a reference in this Annual Information Form (AIF) to TCPL or the Company includes TCPL s parent, TransCanada Corporation (TransCanada) and the subsidiaries of TCPL through which its various business operations are conducted and a reference to TransCanada includes TransCanada Corporation and the subsidiaries of TransCanada Corporation, including TCPL. Where TCPL is referred to with respect to actions that occurred prior to its 2003 plan of arrangement with TransCanada, which is described below under the heading TransCanada PipeLines Limited Corporate Structure , these actions were taken by TCPL or its subsidiaries. The term subsidiary , when referred to in this AIF, with reference to TCPL means direct and indirect wholly owned subsidiaries of, and legal entities controlled by, TransCanada or TCPL, as applicable.

Unless otherwise noted, the information contained in this AIF is given at or for the year ended December 31, 2010 (Year End). Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information is presented in accordance with Canadian generally accepted accounting principles (Canadian GAAP).

Certain portions of TCPL s Management s Discussion and Analysis dated February 14, 2011 (MD&A) are incorporated by reference into this AIF as stated below. The MD&A can be found on SEDAR at www.sedar.com under TCPL s profile.

The Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board (AcSB) previously announced that Canadian publicly accountable enterprises are required to adopt International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), effective January 1, 2011. As a United States (U.S.) Securities and Exchange Commission (SEC) registrant, TCPL prepares and files a Reconciliation to United States GAAP and has the option to prepare and file its consolidated financial statements using U.S. generally accepted accounting principles (U.S. GAAP). Previously, TCPL disclosed that effective January 1, 2011, the Company expected to begin reporting under IFRS. As a result of the developments noted below, management expects that the Company will adopt U.S. GAAP effective January 1, 2012. The Company s IFRS conversion project was proceeding as planned to meet the conversion date of January 1, 2011, prior to these developments. In accordance with Canadian GAAP, TCPL follows specific accounting policies unique to a rate-regulated business. These rate-regulated accounting (RRA) standards allow the timing of recognition of certain expenses and revenues to differ from the timing that may otherwise be expected in a non-rate-regulated business under Canadian GAAP in order to appropriately reflect the economic impact of regulators decisions regarding the Company s revenues and tolls. In October 2010, the AcSB and the Canadian Securities Administrators (CSA) amended their policies applicable to Canadian publicly accountable enterprises that use RRA in order to permit these entities to defer the adoption of IFRS for one year. Due to the continued uncertainty around the timing, scope and eventual adoption of an RRA standard under IFRS, TCPL will defer its adoption of IFRS accordingly and continue preparing its consolidated financial statements in 2011 in accordance with Canadian GAAP, as defined by Part V of the CICA Handbook, in order to continue using RRA. TCPL will continue to actively monitor IASB developments with respect to RRA and other IFRS. The impact of adopting U.S. GAAP is consistent with that currently reported in the Company s publicly filed Reconciliation to United States GAAP . Significant changes to existing systems and processes are not required to implement U.S. GAAP as the Company s primary accounting standard. For more information on TCPL s conversion project, see TCPL s MD&A under the headings Accounting Changes Future Accounting Changes International Financial Reporting Standards and Accounting Changes Future Accounting Changes U.S. GAAP Conversion Project .

Information in relation to metric conversion can be found at Schedule A to this AIF. Terms defined throughout this AIF are listed in the Glossary found at the end of this AIF.

FORWARD LOOKING INFORMATION

This AIF, the documents incorporated by reference into this AIF, and other reports and filings made with the securities regulatory authorities may contain certain information that is forward-looking and is subject to important risks and uncertainties. The words anticipate , expect , believe , may , should , estimate , project , outlook , forecast or other similar words are used to identify such forward looking information. Forward-l statements in this document are intended to provide securityholders and potential investors with information regarding TCPL and its subsidiaries, including management s assessment of TCPL s and its subsidiaries future financial and operational plans and outlook. Forward-looking statements in this document may include, among others, statements regarding the anticipated business prospects and financial performance of TCPL and its subsidiaries, expectations or projections about the future, strategies and goals for growth and expansion, expected and future cash flows, costs, schedules (including anticipated construction and completion dates), operating and financial results and expected impact of future commitments and contingent liabilities. All forward looking statements reflect TCPL s beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these

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forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among others, the ability of TCPL to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of the Company s pipeline and energy assets, the availability and price of energy commodities, capacity payments, regulatory processes and decisions, changes in environmental and other laws and regulations, competitive factors in the pipeline and energy sectors, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments and economic conditions in North America. By its nature, forward looking information is subject to various risks and uncertainties, including those material risks discussed in this AIF under the heading Risk Factors , which could cause TCPL s actual results and experience to differ materially from the anticipated results or expectations expressed. Additional information on these and other factors is available in the reports filed by TCPL with Canadian securities regulators and with the SEC. Readers are cautioned not to place undue reliance on this forward looking information, which is given as of the date it is expressed in this AIF or otherwise, and not to use future-oriented information or financial outlooks for anything other than their intended purpose. TCPL undertakes no obligation to update publicly or revise any forward looking information, whether as a result of new information, future events or otherwise, except as required by law.

TRANSCANADA PIPELINES LIMITED

Corporate Structure

TCPL s head office and registered office are located at 450 - 1st Street S.W., Calgary, Alberta, T2P 5H1.

TCPL is a Canadian public company. Significant dates and events are set forth below.

Date	**Event**
March 21, 1951	Incorporated by Special Act of Parliament as Trans-Canada Pipe Lines Limited.
April 19, 1972	Continued under the *Canada Corporations Act* by Letters Patent, which included the alteration of its capital and change of name to TransCanada PipeLines Limited.
June 1, 1979	Continued under the *Canada Business Corporations Act* (CBCA).
July 2, 1998	Certificate of Arrangement issued in connection with the Plan of Arrangement with NOVA Corporation under which the companies merged and then split off the commodity chemicals business carried on by NOVA Corporation into a separate public company.
January 1, 1999	Certificate of Amalgamation issued reflecting TCPL s vertical short form amalgamation with a wholly owned subsidiary, Alberta Natural Gas Company Ltd.
January 1, 2000	Certificate of Amalgamation issued reflecting TCPL s vertical short form amalgamation with a wholly owned subsidiary, NOVA Gas International Ltd.
May 4, 2001	Restated TransCanada PipeLines Limited Articles of Incorporation filed.
June 20, 2002	Restated TransCanada PipeLines Limited By-Laws filed.
May 15, 2003	Certificate of Arrangement issued in connection with the plan of arrangement with TransCanada. TransCanada was incorporated pursuant to the provisions of the CBCA on February 25, 2003. The arrangement was approved by TCPL common shareholders on April 25, 2003 and following court approval, Articles of Arrangement were filed making the arrangement effective May 15, 2003. The common shareholders of TCPL exchanged each of their common shares (common share(s)) of TCPL for one common share of TransCanada The debt securities and preferred shares of TCPL remained obligations and securities of TCPL. TCPL continues to hold the assets it held prior to the arrangement and continues to carry on business as the principal operating subsidiary of the TransCanada

		group of entities.

Intercorporate Relationships

The following diagram presents the name and jurisdiction of incorporation, continuance or formation of TCPL s principal subsidiaries as at December 31, 2010. Each of the subsidiaries shown has total assets that exceeded 10 per cent of the total consolidated assets of TransCanada or revenues that exceeded 10 per cent of the total consolidated revenues of TransCanada as at and for the year ended December 31, 2010. TCPL owns, directly or indirectly, 100 per cent of the voting shares in each of each of these subsidiaries, with exception to TransCanada Keystone Pipeline, LP which TransCanada indirectly holds 100 per cent of the partnership interests thereof.

The above diagram does not include all of the subsidiaries of TCPL. The assets and revenues of excluded subsidiaries in the aggregate did not exceed 20 per cent of the total consolidated assets or total consolidated revenues of TCPL as at and for the year ended December 31, 2010.

GENERAL DEVELOPMENT OF THE BUSINESS

Commencing in 2011, TCPL s reportable business segments are Natural Gas Pipelines , Energy and Oil Pipelines . Natural Gas and Oil Pipelines are principally comprised of the Company s respective natural gas and oil pipelines in Canada, the U.S. and Mexico and its regulated natural gas storage operations in the U.S. Energy includes the Company s power operations and the non-regulated natural gas storage business in Canada.

TCPL s strategy in Natural Gas and Oil Pipelines is focused on growing its North American natural gas and crude oil transmission network and maximizing the long-term value of its existing pipeline assets. The Company has built a substantial energy business over the past decade and has achieved a major presence in power generation in selected regions of Canada and the U.S. More recently, TCPL has also developed a substantial non-regulated natural gas storage business in Alberta.

Summarized below are significant developments that have occurred in TCPL s Natural Gas Pipelines, Oil Pipelines and Energy businesses, respectively, and the significant acquisitions, dispositions, events or conditions which have had an influence on that development, during the last three financial years.

Developments in the Natural Gas Pipelines Business

Date		Description of Development
CANADIAN MAINLINE (Canadian Mainline)		
March 2008		The National Energy Board (NEB) approved the amended interim tolls for Canadian Mainline effective April 1, 2008. TCPL had filed an application with the NEB to increase the interim tolls previously approved in December 2007. This toll increase was a result of a significant decrease in forecasted flows on the system and was intended to allow TCPL to meet its 2008 revenue requirement.
December 2009		The NEB approved TCPL s application for 2010 final tolls for Canadian Mainline, effective January 1, 2010. The 2010 calculated return on equity was 8.52 per cent. Reduced throughput and greater use of shorter distance transportation contracts resulted in an increase in its tolls for 2010 compared to 2009.
August 2010		TCPL s open season to transport Marcellus volumes on the Canadian Mainline closed. The open season was initiated at the request of prospective shippers.
December 2010		TCPL filed an application with the NEB for approval of the interim 2011 tolls for the Canadian Mainline which contained certain changes to the tolling mechanism to reduce long haul tolls. The NEB decided not to approve the tolls as requested in the interim tolls application and set the current 2010 tolls as interim commencing January 1, 2011.
January 2011		TCPL filed for revised interim tolls effective March 1, 2011 based on the existing 2007 2011 settlement with customers. If approved, the revised interim tolls will allow for collection of revenues that will more closely reflect TCPL s costs and forecast throughput in 2011. TCPL is continuing its discussions with stakeholders with the

		intent of increasing the level of support for a potential settlement and expects to file a subsequent application for final 2011 tolls for the Canadian Mainline later in 2011.
ALBERTA SYSTEM (Alberta System)		
April 2008		An expansion of the Alberta System in the Fort McMurray area was placed in service on its projected on-stream date.
February 2009		The NEB approved TCPL s June 2008 application for federal regulation of the Alberta System effective April 29, 2009.
June 2010		TCPL reached a three year settlement agreement with the Alberta System shippers and other interested parties and filed a 2010-2012 Revenue Requirement Settlement Application with the NEB.
August 2010		The NEB approved TCPL s November 2009 application for the Alberta System s Rate Design Settlement and the commercial integration of the ATCO Pipeline system with the Alberta System.
September 2010		The NEB approved the Alberta System s 2010-2012 Revenue Requirement Settlement Application.
October 2010		The NEB approved final 2010 rates for the Alberta System, which reflect the Alberta System 2010-2012 Revenue Requirement Settlement and Rate Design Settlement.
December 2010		The NEB approved the interim 2011 tolls for the Alberta System reflecting the 2010-2012 Revenue Requirement Settlement and continuing to transition to the toll methodology approved in the Rate Design Settlement. TCPL expects to file for final 2011 tolls on the Alberta System which will reflect the outcome of further discussions with stakeholders with respect to 2011 tolls and commercial integration of the ATCO Pipeline system.
North Central Corridor Expansion (North Central Corridor)		
October 2008		The Alberta Utilities Commission (AUC), which previously regulated the Alberta System, approved TCPL s application for a permit to construct the North Central Corridor.
October 2008		Construction of the North Central Corridor commenced.
May 2009		The 140 kilometer (km) North Star section of the North Central Corridor was completed.
September 2009		Work on the final phase of the North Central Corridor commenced.
March 2010		The North Central Corridor was completed, on schedule and under budget.

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Date		Description of Development
Groundbirch Pipeline Project (Groundbirch)		
March 2010		The NEB approved TCPL s application after a public hearing, to construct and operate Groundbirch.
August 2010		TCPL received final regulatory approvals and commenced construction of Groundbirch.
December 2010		Groundbirch was completed on schedule and under budget, and began transporting natural gas from the Montenay shale gas formation into the Alberta System.
Horn River Pipeline Project (Horn River)		
February 2009		TCPL announced the successful completion of a binding open season, securing support for firm transportation contracts of 378 million cubic feet per day (MMcf/d) for the pipeline.
February 2010		TCPL filed an application with the NEB for approval to construct and operate the pipeline.
April 2010		The NEB announced that it would hold a public hearing process on TCPL s February 2010 application for approval to construct and operate the pipeline. The NEB hearing relating to the Horn River pipeline concluded in November 2010.
January 2011		TCPL received approval from the NEB to construct the Horn River pipeline.
FOOTHILLS SYSTEM (Foothills System)		
June 2010		TCPL reached an agreement to establish a cost of capital for Foothills System. The NEB approved final tolls for 2010, effective July 1, 2010.
MACKENZIE GAS PIPELINE PROJECT (Mackenzie Gas Project)		
December 2009		A Joint Review Panel of the Canadian government released a report on environmental and socio-economic factors in relation to the Mackenzie Gas Project. The report was submitted to the NEB as part of the review process for approval of the project.
December 2010		The NEB approved the proponents application to construct the Mackenzie Gas Project subject to numerous conditions.
ALASKA PIPELINE PROJECT (Alaska Pipeline)		
December 2008		The Alaska Commissioners of Revenue and Natural Resources issued the Alaska Gasline Inducement Act (AGIA) license to TCPL to advance the Alaska Pipeline. Subsequently, TCPL commenced the engineering, environmental, field and commercial work. Under AGIA, the State of Alaska has agreed to reimburse a share of the eligible pre-construction costs to TCPL to a maximum of US$500 million.
June 2009		TCPL reached an agreement with ExxonMobil Corporation (ExxonMobil) to jointly advance the Alaska Pipeline. A joint project team is developing the engineering, environmental, aboriginal relations and commercial work.
April 2010		The Alaska Pipeline open season commenced.
Third Quarter 2010		Interested shippers on the proposed Alaska Pipeline project submitted conditional commercial bids in the open season that closed July 30, 2010. The project is now working with shippers to resolve those conditions within the project s control.
BISON PIPELINE (Bison)		

September 2008		TCPL acquired Bison Pipeline LLC from Northern Border Pipeline Company (NBPL) for US$20 million. The assets of Bison Pipeline LLC included executed precedent agreements as well as regulatory, environmental and engineering work on Bison.
December 2010		Construction of Bison was completed.
January 2011		Bison was placed in commercial service upon receiving final regulatory approvals to commence operations.
GREAT LAKES SYSTEM (Great Lakes System)		
November 2009		The U.S. Federal Energy Regulatory Commission (FERC) initiated an investigation to determine whether rates on the Great Lakes System were just and reasonable. In response, Great Lakes Gas Transmission Limited Partnership (Great Lakes) filed a cost and revenue study with the FERC in February 2010.
July 2010		FERC approved, without modification, the settlement stipulation agreement reached among Great Lakes, active participants and the FERC trial staff. As approved, the stipulation and agreement applies to all current and future shippers on the Great Lakes System.

Date		Description of Development
NORTH BAJA SYSTEM (North Baja System)		
July 2009		TCPL completed the sale of North Baja Pipeline, LLC (North Baja) to its affiliate, TC PipeLines, LP. As part of the transaction, TCPL agreed to amend its incentive distribution rights with TC PipeLines, LP. Under the amendment, TCPL received additional common units in exchange for a resetting of its incentive distribution rights at a lower percentage which escalates with increases in TC PipeLines, LP distributions. The aggregate consideration received from the partnership included a combination of cash and common units totaling approximately US$395 million.
GUADALAJARA (Guadalajara)		
May 2009		TCPL announced that it was the successful bidder on a contract to build, own and operate the Guadalajara pipeline.
December 2010		The Guadalajara pipeline was 70 per cent complete at Year End.

Further information about developments in the Natural Gas Pipelines business can be found in the MD&A under the headings TransCanada s Strategy , Natural Gas Pipelines Highlights , Natural Gas Pipelines Financial Analysis and Natural Gas Pipelines Opportunities and Developments .

Developments in the Oil Pipelines Business

Date		Description of Development
KEYSTONE		
2008		TCPL increased its equity ownership in TransCanada Keystone Pipeline, LP (Keystone U.S.) and TransCanada Keystone Pipeline Limited Partnership (Keystone Canada) to 79.99 per cent from 50 per cent with ConocoPhillips equity ownership being reduced concurrently to 20.01 per cent.
March 2008		Keystone U.S. received a Presidential Permit authorizing the construction, maintenance and operation of facilities at the U.S. and Canada border for the transportation of crude oil between the two countries. The Presidential Permit, was issued following the issuance by the U.S. Department of State of the Final Environmental Impact Statement on January 11, 2008 for the construction of the Keystone U.S. pipeline and its Cushing extension (the Cushing Extension).
June 2008		The NEB approved the application for additional pumping facilities required to expand the Canadian portion of Keystone (as defined below and referred to in this section as Keystone) from approximately 435,000 barrels per day (Bbl/d) to 591,000 Bbl/d to accommodate volumes to be delivered to the Cushing markets.
July 2008		TCPL announced plans for Keystone U.S. Gulf Coast expansion (the U.S. Gulf Coast Expansion) to provide additional capacity in 2013 of 500,000 Bbl/d from Western Canada to the U.S. Gulf Coast, near existing terminals in Port Arthur, Texas.
October 2008		The Company successfully conducted an open season for the U.S. Gulf Coast Expansion by securing additional firm, long term transportation contracts.

August 2009		TCPL became sole owner of Keystone project through the purchase of ConocoPhillips remaining interest (approximately 20 per cent) for US$553 million and the assumption of US$197 million of short-term debt.
March 2010		The NEB approved TCPL s application to construct and operate the Canadian portion of the U.S. Gulf Coast Expansion.
April 2010		The U.S. Department of State issued a Draft Environmental Impact Statement for the U.S. Gulf Coast Expansion.
June 2010		Keystone oil pipeline commenced operating at a reduced maximum operating pressure as the first phase of Keystone began delivering oil to Wood River and Patoka in Illinois (Wood River/Patoka).
November 2010		The open season for the Bakken Marketlink (Bakken Marketlink) project, which commenced in September 2010, closed successfully. The Company secured firm, five year shipper contracts of 65,000 Bbl/d.
November 2010		The open season for the Cushing Marketlink (Cushing Marketlink) project, which commenced in September 2010, closed successfully. The Company secured contractual support sufficient to proceed with the Cushing Marketlink project, which would when completed have the ability to provide 150,000 Bbl/d of crude oil from Cushing, Oklahoma to the U.S. Gulf Coast.
December 2010		The reduced maximum operating pressure restriction on the Canadian conversion phase of the base Keystone oil pipeline was removed by the NEB following the completion of in-line inspections.
Fourth Quarter 2010		Construction of the Cushing Extension was completed, and line fill commenced in late 2010.
January 2011		The required operational modifications were completed on the Wood River/Patoka phase of Keystone oil pipeline. As a result, the system was capable of operating at the approved design pressure and the Company commenced recording earnings for the Wood River/Patoka phase in February 2011.
February 2011		The commercial in service of the Cushing Extension commenced.

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Further information about developments in the Oil Pipelines business can be found in the MD&A under the headings TransCanada s Strategy , Oil Pipelines Highlights , Oil Pipelines Financial Analysis and Oil Pipelines Opportunities and Developments .

Developments in the Energy Business

Date		Description of Development
RAVENSWOOD GENERATING STATION (Ravenswood)		
August 2008		TCPL completed its acquisition of Ravenswood for US$2.9 billion, subject to certain post-closing adjustments, pursuant to a purchase agreement with KeySpan Corporation and certain subsidiaries.
BÉCANOUR (Bécancour)		
June 2010		Hydro-Québec Distribution (Hydro-Québec) notified TCPL it would exercise its option to extend the agreement to suspend all electricity generation from Bécancour throughout 2011. Hydro-Québec had previously announced that it would exercise its option to extend the agreement to suspend all electricity generation from Bécancour throughout 2010. Under the original agreement, Hydro-Québec has the option, subject to certain conditions, to extend the suspension on an annual basis until such time as regional electricity demand levels recover. TCPL will continue to receive payments under the agreement similar to those that would have been received under the normal course of operation.
BRUCE POWER (Bruce Power)		
January 2008		The sixteenth and final new steam generator was installed in Bruce A (as defined below and referred in this section as Bruce A) Units 1 and 2.
Fourth Quarter 2008		A review of the end of life estimates for Units 3 and 4 was completed. As a result of the review, Unit 3 was expected to be in commercial service until 2011, providing an additional two years of generation before refurbishment. After the refurbishment, the end of life estimate for Unit 3 was to be extended to 2038. The review also showed that Unit 4 was expected to remain in commercial service until 2016, providing seven years of generation before refurbishment, after which the end of life estimate for Unit 4 was expected to be extended to 2042.
July 2009		Bruce Power and the Ontario Power Authority (OPA) amended certain terms and conditions included in the Bruce Power Refurbishment Implementation Agreement. The amendments were consistent with the intent of the agreement, originally signed in 2005, and recognize the significant changes in Ontario s electricity market. Under the original agreement, Bruce A committed to refurbish and restart the currently idle Units 1 and 2, extend the operating life of Unit 3 and replace the steam generators on Unit 4. An amendment in 2007 provided for a full refurbishment of Unit 4, which will extend the expected operating life of the unit. This most recent amendment included amendments to Bruce B (as defined below and referred in this section as Bruce B) floor price mechanism, the removal of a support payment cap for Bruce A, an amendment to the capital cost-sharing mechanism, and provision for deemed generation payments to Bruce Power at the contract prices under circumstances where generation from Bruce A and Bruce B is reduced due to system curtailments on the Independent Electricity System Operator controlled grid in Ontario.

October 2010		The last of the 960 calandria tubes were successfully installed in Bruce A Units 1 and 2.
December 2010		The last of the fuel channel assemblies into Bruce A Unit 2 were successfully installed.
February 2011		A maintenance outage of approximately three weeks commenced on February 1, 2011 on Bruce B Unit 8 and outages of approximately seven weeks each are scheduled to begin in mid-April 2011 for Bruce B Unit 7 and mid-October 2011 for Bruce B Unit 5. Bruce A expects an outage of approximately one week on Unit 3 in July 2011 and, following approval from the Canadian Nuclear Safety Commission, the West Shift Plus outage of approximately six months is scheduled to commence in early November 2011 on Unit 3. The West Shift Plus outage is a key part of the life extension strategy for Unit 3 and is an extension of the West Shift program which was successfully executed in 2009. Subject to regulatory approval, Bruce Power expects to load fuel into Unit 2 in second quarter 2011 and achieve a first synchronization of the generator to the electrical grid by the end of 2011, with commercial operation expected to occur in first quarter 2012. Bruce Power expects to load fuel into Unit 1 in third quarter 2011, with a first synchronization of the generator during first quarter 2012 and commercial operation expected to occur during third quarter 2012. Plant commissioning and testing are underway and will accelerate in second quarter 2011 when construction activities are essentially complete.
February 2011		The Bruce Power Refurbishment Implementation Agreement was amended to reflect: the suspension date for contingent support payments on Bruce A output was extended to June 1, 2012 from December 31, 2011, and as a result, all output from Bruce A will receive spot prices from June 1, 2012 until the restart of Units 1 and 2 is complete; and a recovery of costs incurred by Bruce A in connection with development of fuel programs.
PORTLANDS ENERGY CENTRE (Portlands Energy)		
April 2009		Portlands Energy was fully commissioned, ahead of time and under budget.
OAKVILLE GENERATING STATION		
September 2009		The OPA advised TCPL that it was awarded a 20 year Clean Energy Supply contract to build, own and operate a 900 MW a generating station in Oakville, Ontario.

Date		Description of Development
October 2010		The Government of Ontario announced that it would not proceed with the Oakville generating station. TCPL commenced negotiations with the OPA on a settlement which would terminate the Clean Energy Supply contract and compensate TCPL for the economic consequences associated with the contract s termination.
CARTIER WIND (Cartier Wind)		
November 2008		The 109 MW Carleton wind farm, the third of five phases of Cartier Wind, became operational.
Third Quarter 2009		Construction activity began on the Cartier Wind s 212 MW Gros-Morne and 58 MW Montagne-Sèche wind farms. The Montagne-Sèche project and phase one of the Gros-Morne project are expected to be operational in 2011, and phase two of the Gros-Morne project is expected to be operational in 2012, subject to the necessary approvals.
COOLIDGE (Coolidge)		
May 2008		TCPL announced that the Phoenix, Arizona based utility, Salt River Project Agricultural Improvement and Power District, signed a 20 year power purchase agreement to secure 100 per cent of the output from Coolidge.
December 2008		The Arizona Corporation Commission granted a Certificate of Environmental Compatibility approving Coolidge.
August 2009		TCPL began construction of Coolidge.
December 2010		At Year End, construction of Coolidge was approximately 95 per cent complete and commissioning was approximately 80 per cent finished.
KIBBY WIND (Kibby Wind)		
July 2008		Kibby Wind received unanimous final development plan approval from Maine s Land Use Regulation Commission.
October 2009		The first phase of Kibby Wind, including 22 turbines capable of producing a combined 66 MW of power, was completed and placed in service ahead of schedule and under budget.
October 2010		The 66 MW second phase of the Kibby Wind was completed and placed in service. This phase included the installation of an additional 22 turbines, ahead of schedule and on budget.
SUNDANCE (Sundance)		
February 2011		On February 8, 2011, TransCanada received from TransAlta Corporation ("TransAlta") notice under the Sundance A power purchase arrangement that TransAlta has determined that the Sundance 1 and 2 generating units cannot be economically repaired, replaced, rebuilt or restored and that TransAlta therefore seeks to terminate the power purchase arrangement in respect of those units. TransCanada has not received any information that would validate TransAlta s determination that the units cannot be economically restored to service. TransCanada has 10 business days from the date of TransAlta s notice to either agree with or dispute TransAlta s determination that the Sundance 1 and 2 generating units cannot be economically repaired, replaced, rebuilt or restored. TransCanada will assess any information provided by TransAlta during this 10 -day period. If TransCanada disputes TransAlta s determination, the issue will be resolved using the dispute resolution procedure under the terms of the power purchase arrangement. In December 2010, the Sundance 1 and 2 generating units were withdrawn from service for testing. In January 2011, these same units were subject to a force majeure claim by TransAlta under the power purchase arrangement. TransCanada

		has received insufficient information to make an assessment of TransAlta s force majeure claim and therefore has recorded revenues under the power purchase arrangement as though this event was a normal plant outage.
Second Quarter 2010		Sundance B Unit 3 experienced an unplanned outage related to mechanical failure of certain generator components that the facility operator, TransAlta, has asserted is a force majeure event. TransCanada has received no information that validates a claim of force majeure and therefore has recorded revenues under the power purchase arrangement as though this event was a normal plant outage. TransCanada is pursuing the remedies available to it under the terms of the power purchase arrangement.
HALTON HILLS GENERATING STATION (Halton Hills)		
September 2010		Halton Hills, which was constructed pursuant to a 20 year Clean Energy Supply contract with the OPA in November 2006, was completed and placed in service.
ZEPHYR (Zephyr) AND CHINOOK (Chinook) POWER TRANSMISSION LINES		
February 2009		The FERC approved the application filed by TCPL in December 2008 requesting approval to charge negotiated rates and to proceed with open seasons in the spring of 2009 for Zephyr and Chinook, respectively. Zephyr is a proposed 1,609 km (1,000 mile), 500 kilovolt high voltage direct current (HVDC) line that would be capable of delivering primarily wind generated power from Wyoming to Nevada. Chinook is a proposed 1,609 km (1,000 mile), 500 kilovolt HVDC line that would be capable of delivering primarily wind generated power to markets from Montana to Nevada. The open seasons commenced in October 2009.
May 2010		TCPL concluded a successful open season for Zephyr. Support from key markets and a positive regulatory environment are necessary before the significant siting and permitting activities required to construct Zephyr will commence and TCPL anticipates making a decision on whether to proceed in 2011.
December 2010		TCPL closed the open season for Chinook without allocating capacity to Montana shippers. TCPL continues to advance the Chinook project, and discussions with Montana wind developers and other market participants is ongoing.

Further information about developments in the Energy business can be found in the MD&A under the headings TCPL s Strategy , Energy Highlights , Energy Financial Analysis and Energy Opportunities and Developments .

BUSINESS OF TCPL

TCPL is a leading North American energy infrastructure company focused on Natural Gas Pipelines, Oil Pipelines and Energy. At Year End, Natural Gas Pipelines accounted for approximately 54 per cent of revenues and 49 per cent of TCPL s total assets, Oil Pipelines had not yet recorded any revenues but accounted for 18 per cent of TCPL s total assets and Energy accounted for approximately 46 per cent of revenues and 27 per cent of TCPL s total assets. The following is a description of each of TCPL s three main areas of operation.

The following table shows TCPL s revenues from operations by segment, classified geographically, for the years ended December 31, 2010 and 2009.

Revenues From Operations (millions of dollars)	**2010**	**2009**
Natural Gas Pipelines		
Canada - Domestic	$2,125	$2,389
Canada - Export(1)	837	755
United States and other	1,411	1,585
	4,373	4,729
Oil Pipelines	Nil	Nil
Energy(2)		
Canada Domestic	2,243	2,690
Canada - Export(1)	1	1
United States and other	1,447	761
	3,691	3,452
Total Revenues(3)	$8,064	$8,181

(1) Exports include pipeline revenues attributable to deliveries to U.S. pipelines and power deliveries to U.S. markets.

(2) Revenues include sales of natural gas.

(3) Revenues are attributed to countries based on country of origin of product or service.

Natural Gas Pipelines Business

TCPL is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas and regulated gas storage facilities. TCPL s network of wholly owned natural gas pipelines extends more than 60,000 km (37,000 miles), and its partially owned natural gas pipelines extend more than 8,800 km (5,500 miles), tapping into virtually all major gas supply basins in North America. TCPL has substantial Canadian and U.S. natural gas pipeline and related holdings, including those listed below. The following natural gas pipelines are owned 100 per cent by TCPL unless otherwise stated.

TCPL has the following natural gas pipelines and related holdings in Canada:

- TCPL s Canadian Mainline is a 14,101 km (8,762 mile) natural gas transmission system in Canada that extends from the Alberta/Saskatchewan border east to the Québec/Vermont border and connects with other natural gas pipelines in Canada and the U.S.

- TCPL s Alberta System is a natural gas transmission system in Alberta and Northeast British Columbia (B.C.) which gathers natural gas for use within the province of Alberta and delivers it to provincial boundary points for connection with the Canadian Mainline and the Foothills System and with third party natural gas pipelines. The 24,187 km (15,029 mile) Alberta System is one of the largest carriers of natural gas in North America. During the past three completed financial years TCPL has enhanced the Alberta System as follows:

  - North Central Corridor, which extends the northern section of the Alberta System, was completed in March 2010; and

  - TCPL continues to advance further pipeline development in B.C. and Alberta to transport unconventional shale gas supply as follows:

    Groundbirch was completed in December 2010, connecting the Alberta System to natural gas supplies from the Montney shale gas formation in Northeast B.C. TCPL has entered into firm transportation agreements with Groundbirch pipeline customers for 1.24 billion cubic feet per day (Bcf/d) by 2014;

    TCPL has applied to build the proposed Horn River pipeline, an extension of the Alberta System to serve production from the new shale gas supply in the Horn River basin north of Fort Nelson, B.C. TCPL received approval from the NEB to construct the Horn River pipeline in January 2011. The Horn River pipeline is scheduled to be operational in second quarter 2012 with commitments for contracted natural gas of over 634 MMcf/d by 2014; and

    the Company has received requests for additional natural gas transmission service throughout the northwest portion of the Western Canadian Sedimentary Basin, including the Horn River and Montney areas of B.C. These new requests are expected to result in the need for further extensions and expansions of the Alberta System.

- TCPL s Foothills System is a 1,241 km (771 mile) natural gas transmission system in Western Canada which carries natural gas for export from central Alberta to the U.S. border to serve markets in the U.S. Midwest, Pacific Northwest, California and Nevada.

- TransCanada Pipeline Ventures LP owns a 161 km (100 mile) pipeline and related facilities that supply natural gas to the oil sands region near Fort McMurray, Alberta as well as a 27 km (17 mile) pipeline that supplies natural gas to a petrochemical complex at Joffre, Alberta.

- TQM (TQM) is 50 per cent owned by TCPL. TQM is a 572 km (355 mile) pipeline system that connects with the Canadian Mainline near the Québec/Ontario border and transports natural gas to markets in Québec, and connects with the Portland System. TQM is operated by TCPL.

- The Mackenzie Gas Project is a proposed natural gas pipeline extending 1,196 km (743 mile) that would connect northern onshore natural gas fields with North American markets. TCPL has the right to acquire an equity interest in the project.

TCPL has the following natural gas pipeline and related holdings in the U.S.:

- The proposed Alaska Pipeline is a 4.5 Bcf/d natural gas pipeline and treatment plant. The pipeline would extend 2,737 km (1,700 miles) from the natural gas treatment plant at Prudhoe Bay, Alaska to Alberta, or an alternative pipeline to Valdez, Alaska. TCPL received approval of its plan to conduct an open season from the FERC in March 2010. An open season commenced at the end of April 2010, and continued until July 2010. TCPL is continuing to negotiate with potential shippers from the initial open season. The Alaska Pipeline project is a joint effort between TCPL and ExxonMobil pursuant to the AGIA.

- TCPL s ANR System (ANR System) is a 17,000 km (10,563 mile) natural gas transmission system which transports natural gas from producing fields located in the Texas and Oklahoma panhandle regions, from the offshore and onshore regions of the Gulf of Mexico, and from the U.S. Midcontinent region to markets located mainly in Wisconsin, Michigan, Illinois, Indiana and Ohio. ANR System also connects with other natural gas pipelines, providing access to diverse sources of North American supply, including Western Canada, and the mid-continent and Rocky Mountain supply regions, and a variety of markets in the Midwestern and Northeastern U.S.

Underground gas storage facilities owned and operated by American Natural Resources Company and ANR Storage Company (collectively, ANR) provide regulated gas storage services to customers on the ANR System and the Great Lakes System in upper Michigan. In total, the ANR business unit owns and operates natural gas storage facilities throughout the State of Michigan with total natural gas storage capacity of 250 billion cubic feet (Bcf).

- The GTN System (GTN System) is TCPL s 2,178 km (1,353 miles) natural gas transmission system that transports Western Canada Sedimentary Basin and Rocky Mountain sourced natural gas to third party natural gas pipelines and markets in Washington, Oregon and California, and connects with the Tuscarora Gas Transmission Company (Tuscarora) pipeline.

- The Bison pipeline is a 487 km (303 mile) natural gas pipeline from the Powder River Basin in Wyoming connecting to the Northern Border Pipeline System (NBPL System) in Morton County, North Dakota. The Company commenced construction of the Bison pipeline in July 2010 and the pipeline became operational in January 2011. The Bison pipeline has long term shipping commitments for 407 MMcf/d.

- The Great Lakes System is a 3,404 km (2,115 mile) natural gas transmission system connecting to the Canadian Mainline and serves markets primarily in Eastern Canada and the Northeastern and Midwestern U.S. TCPL operates the Great Lakes System and effectively owns 71.3 per cent of the system through its 53.6 per cent ownership interest and its indirect ownership, which it has through its 38.2 per cent interest in TC PipeLines, LP.

- The NBPL System is 50 per cent owned by TC PipeLines, LP and is a 2,250 km (1,398 mile) natural gas transmission system, which serves the U.S. Midwest. TCPL operates and effectively owns 19.1 per cent of the NBPL System through its 38.2 per cent interest in TC PipeLines, LP.

- Tuscarora is 100 per cent owned by TC PipeLines, LP. TCPL operates the Tuscarora System (Tuscarora System) a 491 km (305 mile) pipeline system transporting natural gas from the GTN System at Malin, Oregon to Wadsworth,

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Nevada with delivery points in Northeastern California and Northwestern Nevada. TCPL effectively owns 38.2 per cent of the system through its 38.2 per cent interest in TC PipeLines, LP.

- North Baja is 100 per cent owned by TC PipeLines, LP. TCPL operates the North Baja System, a natural gas transmission system which extends 138 km (86 miles) from Ehrenberg, Arizona to a point near Ogilby, California on the California/Mexico border and connects with a third party natural gas pipeline system in Mexico. TCPL effectively owns 38.2 per cent of the same through its 38.2 per cent interest in TC PipeLines, LP.

- The Iroquois System (Iroquois System) is a gas transmission system that connects with the Canadian Mainline near Waddington, New York and delivers natural gas to customers in the Northeastern U.S. TCPL has a 44.5 per cent ownership interest in this 666 km (414 mile) pipeline system.

- The Portland System (Portland System) is a 474 km (295 mile) pipeline that connects with TQM near East Hereford, Québec and delivers natural gas to customers in the Northeastern U.S. TCPL has a 61.7 per cent ownership interest in the Portland System and operates this pipeline.

- TCPL holds a 38.2 per cent interest in TC PipeLines, LP, a publicly held limited partnership of which a subsidiary of TCPL acts as the general partner. The remaining interest of TC PipeLines, LP is widely held by the public. TC PipeLines, LP owns a 50 per cent interest in the NBPL System, 46.4 per cent in the Great Lakes System, 100 per cent of the Tuscarora System and 100 per cent of the North Baja System.

TCPL has the following natural gas pipeline and related holdings in Mexico and South America:

- TransGas is a 344 km (214 mile) natural gas pipeline system which runs from Mariquita in the central region of Colombia to Cali in the southwest of Colombia. TCPL holds a 46.5 per cent ownership interest in this pipeline.

- Owned 30 per cent by TransCanada, Gas Pacifico is a 540 km (336 mile) natural gas pipeline extending from Loma de la Lata, Argentina to Concepción, Chile. TransCanada also has a 30 per cent ownership interest in INNERGY, an industrial natural gas marketing company based in Concepción that markets natural gas transported on Gas Pacifico.

- Tamazunchale is a 130 km (81 mile) natural gas pipeline in east-central Mexico which extends from the facilities of Pemex Gas near Naranjos, Veracruz to an electricity generating station near Tamazunchale, San Luis Potosi.

- The proposed Guadalajara pipeline is under construction and when completed will extend approximately 305 km (190 miles) transporting natural gas from a LNG terminal under construction near Manzanillo on Mexico s Pacific coast to Guadalajara, the second largest city in Mexico. The Guadalajara pipeline is supported by a twenty-five year contract for its entire capacity with Comisión Federal de Electridad, Mexico s state-owned electric power company. Guadalajara pipeline has an expected in service date of mid-2011 and was 70 per cent complete at Year End.

Further information about the Company s pipeline holdings, developments and opportunities and significant regulatory developments which relate to Natural Gas Pipelines can be found in the MD&A under the headings Natural Gas Pipelines , Natural Gas Pipelines Opportunities and Developments and Natural Gas Pipelines Financial Analysis .

Oil Pipelines Business

With increasing production from crude oil sands in Alberta and new crude oil discoveries in the U.S., including the Bakken shale play in Montana and North Dakota, along with growing demand for secure, reliable sources of energy, TCPL has identified opportunities to develop new oil pipeline capacity. The Company s Keystone crude oil pipeline and other opportunities in TCPL s oil pipeline business are described below.

Keystone (Keystone) is a crude oil pipeline system designed to initially carry 1.1 million Bbl/d which is comprised of the completed 3,467 km (2,154 mile) Wood River/Patoka and Cushing Extension phases, and the proposed 2,673 (1,661 mile) U.S. Gulf Coast Expansion. The Wood River/Patoka phase transports crude oil from Hardisty, Alberta to U.S. Midwest markets at Wood River and Patoka, Illinois and is designed for an initial nominal capacity of 435,000 Bbl/d. The Wood River/Patoka phase was placed in service in June 2010. The Cushing Extension extends the pipeline to Cushing, Oklahoma and increases nominal capacity to 591,000 Bbl/d if design capacity is achieved. The Cushing Extension was placed in service in February 2011. The proposed U.S. Gulf Coast Expansion, which would expand and extend Keystone from Hardisty to a delivery point near existing terminals in Port Arthur, Texas, is expected to provide additional

pipeline capacity in 2013, pending U.S. regulatory approval.

The Company is pursuing the opportunity to transport growing Bakken shale crude oil production from the Williston Basin in Montana and North Dakota for delivery to major U.S. refining markets. Following an open season conducted in the second half of 2010, the Company secured firm, five year shipper contracts totaling 65,000 Bbl/d for its proposed Bakken Marketlink project, which would transport U.S. crude oil from Baker, Montana to Cushing, Oklahoma on facilities that form part of the U.S. Gulf Coast Expansion. Following an open season conducted in the second half of 2010, the Company secured contractual support sufficient to proceed with the Cushing Marketlink project, which would when completed transport up to 150,000 Bbl/d of crude oil from Cushing, Oklahoma to the U.S. Gulf Coast on facilities that form part of the U.S. Gulf Coast Expansion. With these commitments, TCPL will file for the necessary regulatory approvals in the U.S. to construct and operate the Bakken and Cushing Marketlink pipelines. Commercial in service is anticipated in 2013.

Further information about the Company s pipeline holdings, developments and opportunities and significant regulatory developments which relate to Oil Pipelines can be found in the MD&A under the headings Oil Pipelines , Oil Pipelines Opportunities and Developments and Oil Pipelines Financial Analysis .

Regulation of the Natural Gas and Oil Pipelines Businesses

Canada

Under the terms of the *National Energy Board Act* (Canada), the Canadian Mainline, TQM, and the Foothills and Alberta systems (collectively referred to in this section as the Systems) are regulated by the NEB (the Alberta System became subject to federal jurisdiction on April 29, 2009 following NEB approval of an application by TCPL). The NEB sets tolls which provide TCPL the opportunity to recover projected costs of transporting natural gas, including the return on the average investment base for each of the Systems. In addition, new facilities are approved by the NEB before construction begins and the NEB regulates the operations of each of the Systems. Net earnings of the Systems may be affected by changes in investment base, the allowed return on equity, the level of deemed common equity and any incentive earnings.

The NEB regulates the terms and conditions of service, including rates, and the physical operation of the Canadian portion of Keystone. NEB approval is also required for facility additions, such as the Canadian portion of the proposed U.S. Gulf Coast Expansion project which was approved by the NEB in March 2010.

United States

TCPL s wholly owned and partially owned U.S. pipeline systems, including the ANR, GTN, Great Lakes, Iroquois, Portland, NBPL, North Baja and Tuscarora systems, are considered natural gas companies operating under the provisions of the *Natural Gas Act of 1938* and the *Natural Gas Policy Act of 1978*, and are subject to the jurisdiction of the FERC. The *Natural Gas Act of 1938* grants the FERC authority over the construction and operation of pipelines and related facilities. The FERC also has authority to regulate rates for natural gas transportation and interstate commerce.

The FERC also regulates the terms and conditions of service, including transportation rates, on the U.S. portion of Keystone system. Certain states in which Keystone has right of ways also regulate construction and siting of Keystone.

Energy Business

The Energy segment of TCPL s business includes the acquisition, development, construction, ownership and operation of electrical power generation plants, the purchase and marketing of electricity, the provision of electricity account services to energy and industrial customers, the development, construction and ownership and operation of non-regulated natural gas storage in Alberta.

The electrical power generation plants and power supply that TCPL has an interest in, including those under development, in the aggregate, represent more than 10,800 MW of power generation capacity. Power plants and power supply in Canadian power

account for approximately 65 per cent of this total, and power plants in U.S. power account for the balance, being approximately 35 per cent.

TCPL owns and operates the following facilities:

- Ravenswood generating station, located in Queen s, New York, is a 2,480 MW power plant that consists of multiple units employing steam turbine, combined cycle and combustion turbine technology. Ravenswood has the capacity to serve approximately 20 per cent of New York City s peak load.

- Halton Hills, a 683 MW natural gas-fired power plant in Halton Hills, Ontario, which was placed in service in September 2010. All of the power produced by the facility is sold to the OPA under a 20 year Clean Energy Supply contract.

- Kibby Wind, a 132 MW wind farm located in the Kibby and Skinner Townships in Maine. The first 66 MW phase of Kibby Wind was place in service in October 2009 and the second 66 MW phase was placed in service in October 2010.

- TC Hydro, TCPL s hydroelectric facilities located in New Hampshire, Vermont and Massachusetts on the Connecticut and Deerfield Rivers, consists of 13 stations and associated dams and reservoirs with a total generating capacity of 583 MW.

- Ocean State Power (Ocean State Power), a 560 MW natural gas-fired, combined-cycle facility in Burrillville, Rhode Island.

- Bécancour, a 550 MW natural gas-fired cogeneration power plant located near Trois-Rivières, Québec. The entire power output is supplied to Hydro-Québec under a 20 year power purchase agreement expiring in 2026. Steam is also sold to an industrial customer for use in commercial processes. Since 2008, electricity generation at the Bécancour power plant has been temporarily suspended under an agreement entered into with Hydro-Québec. Under the agreement, TCPL receives payments that are similar to those that would have been received under the normal course of operation.

- Natural gas-fired cogeneration plants in Alberta at Carseland (80 MW), Redwater (40 MW), Bear Creek (80 MW) and MacKay River (165 MW).

- Grandview, a 90 MW natural gas-fired cogeneration power plant located on the site of the Irving Oil Limited oil refinery in Saint John, New Brunswick. Irving Oil Limited is under a 20 year tolling arrangement that expires in 2025, to supply fuel for the plant and to contract 100 per cent of the plant s heat and electricity output.

- Cancarb, a 27 MW facility located in Medicine Hat, Alberta fuelled by waste heat from TCPL s adjacent thermal carbon black facility.

- Edson, an underground natural gas storage facility connected to the Alberta System near Edson, Alberta. The facility s central processing system is capable of maximum injection and withdrawal rates of 725 MMcf/d of natural gas. Edson has a working natural gas storage capacity of approximately 50 Bcf.

TCPL has the following long-term power purchase arrangements in place:

- TCPL has the rights to 100 per cent of the generating capacity of the 560 MW Sundance A coal-fired power generation facility under a power purchase arrangement that expires in 2017. TCPL also has the rights to 50 per cent of the generating capacity of the 706 MW Sundance B facility under a power purchase arrangement, which expires in 2020. The Sundance A and Sundance B facilities are located in South Central Alberta.

- The Sheerness (Sheerness) facility, which consists of two coal-fired thermal power generating units, is located in Southeastern Alberta. TCPL has the rights to 756 MW of generating capacity from the Sheerness power purchase arrangement that expires in 2020.

TCPL has interests in the following:

- Two nuclear power generating stations, Bruce A, which is owned 48.8 per cent by TCPL and has four 750 MW reactors, of which two are currently operating and two are being refurbished, and Bruce B, which is owned 31.6 per cent by TCPL and has four operating reactors with a combined capacity of approximately 3,200 MW. Bruce Power is two partnerships with generating facilities and offices located on 2,300 acres northwest of Toronto, Ontario on which are housed Bruce A and Bruce B. The two units of Bruce A which are being refurbished are expected to re-commence commercial operations in first quarter and third quarter 2012.

- A 60 per cent ownership in CrossAlta, which is a 68 Bcf underground natural gas storage facility connected to the Alberta System near Crossfield, Alberta. The facility s central processing system is capable of maximum injection and withdrawal rates of 550 MMcf/d of natural gas.

- A 62 per cent interest in the Carleton (109 MW), Anse-à-Valleau (101 MW), and Baie-des-Sables (110 MW) wind farms, the first three phases of the Cartier Wind energy project, which commenced commercial operation in November 2008, November 2007 and November 2006, respectively.

- Portlands Energy, a 550 MW, combined-cycle natural gas power plant located in Toronto, Ontario is 50 per cent owned by TCPL. This facility, which was fully commissioned in April 2009, provides electricity under a 20 year Accelerated Clean Air Energy Supply contract with the OPA.

TCPL owns the following facilities which are under construction or development:

- The Cartier Wind energy project consists of five wind projects in the Gaspé region of Québec contracted by Hydro-Québec representing a total of 590 MW when complete. Three of the wind farms are in service, and two are currently under construction. The Montagne-Sèche project and phase one of the Gros-Morne project (101 MW) are expected to be operational in 2011, and phase two of the Gros-Morne project (111 MW) is expected to be operational in 2012, subject to the necessary approvals. Cartier Wind is 62 per cent owned by TCPL. All of the power produced by Cartier Wind is sold to Hydro-Québec under a 20 year power purchase agreement.

- Coolidge is a simple-cycle, natural gas-fired peaking power generation station under construction in Coolidge, Arizona. Based on optimal operating conditions, TCPL expects an electrical output of approximately 575 MW from this facility, designed to provide a quick response to peak power demands. Construction commenced in August 2009 and was approximately 95 per cent complete at Year End. The generating station is expected to be placed in service in accordance with its 20 year power purchase agreement with the Salt River Project Agricultural Improvement and Power District in second quarter 2011.

Further information about TCPL s energy holdings and significant developments and opportunities in relation to Energy can be found in the MD&A under the headings Energy , Energy Highlights , Energy Financial Analysis , and Energy Opportunities and Developments .

GENERAL

Employees

At Year End, TCPL had approximately 4,230 full time active employees, substantially all of whom were employed in Canada and the U.S., as set forth in the following table.

Calgary		1,862
Western Canada (excluding Calgary)		460
Houston		453
U.S. Midwest		453
U.S. Northeast		409
Eastern Canada		264
U.S. Southeast/Gulf Coast		233
U.S. West Coast		86
Mexico and South America		10
	Total	**4,230**

Social and Environmental Policies

Health, safety and environment (HS&E) are top priorities in all of TCPL s operations and activities. These areas are guided by the Company s HS&E Commitment Statement, which outlines guiding principles for a safe and healthy environment for TCPL s employees, contractors and the public, and for TCPL s commitment to protect the environment. All employees are responsible for TCPL s HS&E performance. TCPL is committed to being an industry leader in conducting its business so that it meets or exceeds all applicable laws and regulations, and minimizes risk to people and the environment. TCPL is committed to tracking and improving its HS&E performance, and to promoting safety on and off the job, in the belief that all occupational injuries and illnesses are preventable. TCPL endeavors to do business with companies and contractors that share its perspective on HS&E performance and to influence them to improve their collective performance. TCPL is committed to respecting the diverse environments and cultures in which it operates and to support open communication with its stakeholders.

The Health, Safety and Environment Committee of the Board of Directors (the Board) monitors compliance with the Company s HS&E corporate policy through regular reporting. TCPL s HS&E management system is modeled on the International Organization for Standardization s (ISO) standard for environmental management systems, ISO, 14001, and focuses resources on the areas of significant risk to the organization s HS&E business activities. Management is informed regularly of all important HS&E operational issues and initiatives through formal reporting processes. TCPL s HS&E management system and performance are assessed by an independent outside firm every three years. The most recent assessment occurred in December 2009 and did not identify any material issues. The HS&E management system is subject to ongoing internal review to ensure that it remains effective as circumstances change.

As one of TCPL s priorities, safety is an integral part of the way its employees work. In 2010, one of TCPL s objectives was to sustain health and safety performance. Overall, TCPL s safety frequency rates in 2010 continued to be better than most industry benchmarks.

The safety and integrity of the Company s existing and newly developed infrastructure also continued to be top priorities. All new assets are designed, constructed and commissioned with full consideration given to safety and integrity, and are brought into service only after all necessary requirements have been satisfied. The Company expects to spend approximately $250 million in 2011 for pipeline integrity on its wholly owned pipelines, an increase of approximately $95 million over 2010 primarily due to increased levels of in-line pipeline inspection on all systems and pipeline enhancements in areas of population encroachment. Under the approved regulatory models in Canada, non-capital pipeline integrity expenditures on NEB regulated pipelines are treated on a flow-through basis and, as a result, these expenditures have no impact on TCPL s earnings. Under the Keystone contracts, pipeline integrity expenditures are recovered through the tolling mechanism and, as a result, these expenditures have no impact on TCPL s earnings. Expenditures for GTN System may also be recovered through a cost recovery mechanism in its rates if threshold expenditures are achieved. TCPL s pipeline safety record in 2010 continued to be above industry benchmarks. TCPL experienced no pipeline breaks in 2010. Spending associated with public safety on the Energy assets is focused primarily on the Company s hydro dams and associated equipment, and is consistent with previous years.

Aboriginal and Stakeholder Relations

TCPL has recognized the enhanced level of engagement of a wide variety of stakeholders in its business activities that can have a significant impact on the Company s ability to obtain approvals for new assets and to maintain its licences to operate. TCPL has adopted a code of business ethics which applies to the Company s employees that is based on the Company s four core values of integrity, collaboration, responsibility and innovation, which guide the interaction between and among the Company s employees and serve as a standard for TCPL in its dealings with all stakeholders. The code, which may be viewed on TransCanada s website at www.transcanada.com, sets out the fundamental principles of compliance with the law, fair dealing and a commitment to HS&E.

TCPL s approach to stakeholder engagement is based on building relationships, mutual respect and trust while recognizing the unique values, needs and interests of each community. Key principles that guide TCPL s engagement include: the Company s respect for the diversity of Aboriginal/Native American communities and recognition of the importance of the land to these communities; and the Company s belief in engaging stakeholders from the earliest stages of its projects, through the project development process and into operations.

Environmental Protection

TCPL s facilities are subject to stringent federal, provincial, state and local environmental statutes and regulations regarding environmental protection, including requirements that establish compliance and remedial obligations. Such laws and regulations generally require facilities to obtain and comply with a wide variety of environmental restrictions, licences, permits and other approvals. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and/or criminal

penalties, the imposition of remedial requirements, and/or the issuance of orders respecting future operations. TCPL has ongoing inspection programs designed to keep all of its facilities in compliance with environmental requirements.

At December 31, 2010, TCPL recorded liabilities of approximately $84 million (2009 - $91 million) for remediation obligations and compliance costs associated with environmental regulations. The Company believes it has considered all necessary contingencies and established appropriate reserves for environmental liabilities, however, there is the risk that unforeseen matters may arise requiring the Company to set aside additional amounts.

TCPL is not aware of any material outstanding orders, claims or lawsuits against it in relation to the release or discharge of any material into the environment or in connection with environmental protection.

In 2010, the Company owned assets in four regions, Alberta, Québec, B.C., and the Northeastern U.S., where regulations exist to address industrial greenhouse gas (GHG) emissions. TCPL has procedures in place to address these regulations. In Alberta, under the Specified Gas Emitters Regulation, industrial facilities emitting GHGs over an intensity threshold level are required to reduce GHG emissions intensities by 12 per cent below an average baseline. TCPL s Alberta-based facilities are subject to this regulation, as are the Sundance and Sheerness coal-fired power facilities with which TCPL has power purchase arrangements. As an alternative to reducing emissions intensities, compliance can be achieved through acquiring offsets or making payments to a technology fund at a cost of $15 per tonne of carbon dioxide (CO2) equivalents in excess of the mandated reduction. A program is in place to manage the compliance costs incurred by these assets as a result of regulation. Compliance costs on the Alberta System are recovered through tolls paid by customers. Some of the compliance costs from the Company s power generation facilities in Alberta are recovered through market pricing and contract flow-through provisions. TCPL has estimated and recorded related costs of $22 million for 2010, after contracted cost recovery.

In Québec, the natural gas distributor collects the hydrocarbon royalty on behalf of the provincial government through a green fund contribution charge on gas consumed. In 2010, the cost pertaining to the Bécancour facility arising from the hydrocarbon royalty was less than $1 million as a result of an agreement between TCPL and Hydro-Québec to temporarily suspend the facility s power generation. The cost is expected to increase substantially when the plant returns to service.

The carbon tax in B.C., which came into effect in mid-2008, applies to CO2 emissions from fossil fuel combustion. Compliance costs for fuel combustion at the Company s compressor and meter stations in B.C. are recovered through tolls paid by customers. Costs related to the carbon tax in 2010 were estimated at $4 million. As specified by this law, the cost per tonne of CO2 will increase in July 2011 to $25.00 from $20.00.

Northeastern U.S. states that are members of the Regional Greenhouse Gas Initiative (RGGI) implemented a CO2 cap-and-trade program for electricity generators effective in January 2009. Under the RGGI, both the Ravenswood and Ocean State Power generation facilities will be required to submit allowances following the end of the first compliance period on December 31, 2011. TCPL participated in the quarterly auctions of allowances for the Ravenswood and Ocean State Power generation facilities and incurred related costs of approximately $5 million in 2010. These costs were generally recovered through the power market and the net impact on TCPL was not significant.

RISK FACTORS

Environmental Risk Factors

Environmental Risks

Environmental risks from TCPL s operating facilities typically include: air emissions, such as nitrogen oxides, particulate matter and GHGs; potential impacts on land, including land reclamation or restoration following construction; the use, storage and release of chemicals or hydrocarbons; the generation, handling and disposal of wastes and hazardous wastes; and water impacts such as uncontrolled water discharge. Environmental controls including physical design, programs, procedures and processes are in place to effectively manage these risks.

As mentioned above, TCPL s operations are subject to various environmental laws and regulations that establish compliance and remediation obligations. Compliance obligations can result in significant costs associated with installing and maintaining pollution controls, fines and penalties resulting from any failure to comply, and potential limitations on operations. Remediation obligations can result in significant costs associated with the investigation and remediation of contaminated properties, and with damage claims arising from the contamination of properties. It is not possible for TCPL to estimate the amount and timing of all future expenditures related to environmental matters due to:

- uncertainties in estimating pollution control and clean up costs, including at sites where only preliminary site investigation or agreements have been completed;
- the potential discovery of new sites or additional information at existing sites;
- the uncertainty in quantifying the Company s liability under environmental laws that impose joint and several liability on all potentially responsible parties;
- the evolving nature of environmental laws and regulations, including the interpretation and enforcement of them; and
- the potential for litigation on existing or discontinued assets.

Oil Leaks and Spills

In 2010, the Wood River/Patoka phase of Keystone became operational. Steel pipelines are a safe, efficient and economical method of transporting crude oil. The equipment and procedures put in place with respect to Keystone provide the capability to contain oil leaks quickly and safely.

TCPL s pipelines are designed, constructed and operated to the highest industry standards and meet or exceed all regulatory requirements. Keystone is continuously monitored and is fully automated with remotely started secure pumps and valves. A variety of methods are used to detect and prevent leaks. In the unlikely event of a leak or spill, valves can be closed to isolate the leak and limit spill volumes.

The Company has established emergency response plans to be enacted in the unlikely event of a leak or spill along TCPL s operational crude oil pipeline. The plans encompass the necessary personnel and equipment to respond to any size of spill as well as clean-up and remediation operations to minimize any effects on the environment. The plan outlines specific environmental features in the vicinity of the pipeline and containment and remediation efforts are based on practices that are well-understood and tested. In addition, TCPL has an on-going program to provide local emergency responders with the information and training necessary to ensure their preparedness for responding to events.

Changing Legislation and Regulations

The impact of new or proposed provincial, state and/or federal safety and environmental laws, regulations, guidelines and enforcement in Canada and the U.S. on TCPL s business is not yet certain. TCPL makes assumptions about possible expenditures to safety and environmental matters based on current laws and regulations and interpretations thereof. If the laws or regulations or the interpretation thereof changes, the Company s assumptions may change. Incremental costs may or may not be recoverable under existing rate structures or commercial agreements. Proposed changes in environmental policy, legislation or regulation are routinely monitored by TCPL, and where the risks are potentially large

or uncertain, the Company works independently or through industry associations to comment on proposals.

In April 2010, the Environmental Protection Agency (EPA) published an Advanced Notice of Proposed Rulemaking to solicit comments with respect to EPA s reassessment of current regulations under the Toxic Substances Control Act, governing the authorized use of polychlorinated biphenyls (PCBs) in certain equipment. The proposed changes could require notification to the EPA when PCBs are discovered in any pipeline system, a phase out and eventual elimination of PCB use in pipeline systems and air compressor systems and the immediate elimination of the storage of PCB equipment for reuse. If finalized as proposed, these changes are likely to have significant cost implications for the Company s U.S. assets.

Regulation of air pollutant emissions under the U.S. Clean Air Act (CAA) and state regulations continue to evolve. A number of EPA initiatives could lead to impacts ranging from requirements to install emissions control equipment, to additional administrative and reporting requirements. At this time, there is insufficient detail to accurately determine the potential impacts of these initiatives. While the majority of the proposals are not expected to be material to TCPL, the Company anticipates additional future costs related to the monitoring and control of air emissions.

In addition to those climate change policies already in force, there are also several federal (Canada and U.S.), regional and provincial initiatives currently in development. While recent political and economic events may significantly affect the scope and timing of new policies, TCPL anticipates that most of the Company s facilities in Canada and the U.S. are or will be subject to federal and/or regional climate change regulations to manage industrial GHG emissions. Certain of these initiatives are outlined below.

The Canadian government has continued to express interest in pursuing a harmonized continental climate change strategy. In January 2010, Environment Canada submitted a revised GHG reduction target to the United Nations Framework Convention on

Climate Change as part of its submission for the Copenhagen Accord. The revised target represents a 17 per cent reduction in GHG emissions by 2020 relative to 2005 levels. In June 2010, the Federal government initiated consultation on its policy for coal-fired power operations with the stated intention of publishing the draft regulatory framework in Canada Gazette in early 2011. TCPL participated in this consultation process directly through meetings with government officials and through the Canadian Electricity Association. The new regulations to reduce GHG emissions for coal-fired operations are expected to come into effect in July 2015.

In the U.S., the EPA is proceeding towards regulating industrial GHG emissions under the CAA. In May 2010, the EPA issued its final version of the Tailoring Rule which outlines emissions thresholds and a schedule for phasing in certain permitting requirements under the CAA. Under this rule, the Prevention of Significant Deterioration program stipulates the air pollution protection criteria a company must meet to obtain a construction permit. Requirements will apply to GHG emissions starting in January 2011. The second phase of the program will commence in July 2011, with new rulemaking in 2012 to establish emission thresholds and permitting requirements to take effect in 2013. In addition to the Prevention of Significant Deterioration requirements, the Tailoring Rule sets comparable emissions thresholds and timetables for new and existing facilities to obtain operating permits under Title V of the CAA. The regulation of GHG emissions by the EPA under the CAA would have implications for TCPL with respect to permitting for existing, new and modified facilities.

The Western Climate Initiative (WCI) continues to work toward implementing a regional cap-and-trade program expected to come into effect in 2012. The cap-and-trade program would be a key component of the plan to help WCI members reach their goal of reducing GHG emissions 15 per cent below 2005 by 2020. Beginning in 2012, the cap would cover utilities and large industrial sectors, and expand by 2015 to cover transportation fuels, and commercial and residential fuels. The WCI comprises seven Western states and four Canadian provinces. While TCPL has assets located in all four Canadian member provinces (B.C., Manitoba, Ontario and Québec) and five of the member states (California, Oregon, Washington, Montana and Arizona), the cap-and-trade program is proposed to begin in 2012 in California and the Canadian provinces of B.C., Québec, and Ontario. The programs would cover TCPL s pipeline and power facilities, however, TCPL expects the cost of compliance would be largely recoverable on the facilities that trigger emissions thresholds.

TCPL monitors climate change policy developments and, when warranted, participates in policy discussions in jurisdictions where the Company has operations. The Company is also continuing its programs to manage GHG emissions from its facilities and to evaluate new processes and technologies that result in improved efficiencies and lower GHG emission rates.

With respect to business opportunities, the Company has well established processes and criteria for assessing new business opportunities including those that may arise as a result of climate change policies. These processes have been and continue to be key contributors to TCPL s financial strength and success. Governments in North America are developing long-term plans for limiting GHG emissions. These plans, combined with a shift in consumer attitude and demand for low-emissions fuels, will require changes in energy supply and infrastructure. With the Company s experience in pipeline transmission and power generation, TCPL is well-positioned to participate in these opportunities.

With respect to physical risks arising from climate change, TCPL has in place a set of procedures to manage its response to natural disasters such as forest fires, tornadoes, earthquakes, floods, volcanic eruptions and hurricanes regardless of cause. These procedures are included in TCPL Operating Procedures and are part of the Company s Incident Management System. The procedures ensure that the health and safety of the Company s employees and the environment are not compromised during natural disasters.

TCPL s assets are located throughout North America and the Company s facility design must deal with different geographical areas. In northern regions, changing permafrost levels due to warmer temperatures have been experienced, however, very few kilometers of TCPL s pipeline systems are currently in permafrost regions. If TCPL builds new facilities in northern areas, the Company s facility designs will take into account the potential for changing permafrost levels.

Other Risk Factors

A discussion of the Company s risk factors can be found in the MD&A under the headings Natural Gas Pipelines Opportunities and Developments , Natural Gas Pipelines Business Risks , Natural Gas Pipelines Outlook , Oil Pipelines Opportunities and Developments , Oi Pipelines Business Risks , Oil Pipelines Outlook , Energy Opportunities and Developments , Energy Business Risks , Energy Outlook Management and Financial Instruments .

DIVIDENDS

All of TCPL s common shares are held by TransCanada and as a result, any dividends declared by TCPL on its common shares are paid to TransCanada. TCPL s Board has not adopted a formal dividend policy. The Board reviews the financial performance of TCPL quarterly and makes a determination of the appropriate level of dividends to be declared in the following quarter. Provisions of various trust indentures and credit arrangements to which TCPL is a party, restrict TCPL s ability to declare and pay dividends to TransCanada and preferred shareholders under certain circumstances and, if such restrictions apply, they may, in turn, have an impact on TransCanada s ability to declare and pay dividends on its common and preferred shares. In the opinion of TCPL management, such provisions do not currently restrict or alter TCPL s ability to declare or pay dividends.

The holders of TCPL s cumulative redeemable first preferred shares, series U (the Series U Preferred Shares) are entitled to receive as and when declared by the Board, fixed cumulative cash dividends at an annual rate of $2.80 per share, payable quarterly. The dividends declared per share on TCPL s respective common shares, Series U Preferred Shares, and cumulative redeemable first preferred shares, series Y (the Series Y Preferred Shares) during the past three completed financial years are set forth in the following table.

	2010	**2009**	**2008**
Dividends declared on common shares(1)	$1.67	$1.62	$1.49
Dividends declared on Series U Preferred Shares	$2.80	$2.80	$2.80
Dividends declared on Series Y Preferred Shares	$2.80	$2.80	$2.80

(1) TCPL dividends on its common shares are declared in an amount equal to the aggregate cash dividend paid by TransCanada to its public shareholders. The amounts presented reflect the aggregate amount divided by the total outstanding common shares of TCPL.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

TCPL s authorized share capital consists of an unlimited number of common shares, of which 675,673,927 were issued and outstanding at Year End, and an unlimited number of first preferred shares and second preferred shares, issuable in series. There were 4,000,000 Series U Preferred Shares and 4,000,000 Series Y Preferred Shares issued and outstanding at Year End. The following is a description of the material characteristics of each of these classes of shares.

Common Shares

As the holder of all of TCPL s common shares, TransCanada holds all the voting rights in those common shares.

Series U Preferred Shares

Subject to certain limitations, the Board may, from time to time, issue first preferred shares in one or more series and determine for any such series, its designation, number of shares and respective rights, privileges, restrictions and conditions. The first preferred shares as a class, have, among others, provisions to the following effect.

The holders of the Series U Preferred Shares are entitled to receive dividends as set out above under Dividends .

The first preferred shares of each series shall rank on a parity with the first preferred shares of every other series, and shall be entitled to preference over the common shares and any other shares ranking junior to the first preferred shares with respect to the payment of dividends, the repayment of capital and the distribution of assets of TCPL in the event of a liquidation, dissolution or winding up of TCPL.

TCPL is entitled to purchase for cancellation, some or all of the Series U Preferred Shares outstanding at the lowest price which such shares are obtainable, in the opinion of the Board, but not exceeding $50.00 per share plus costs of purchase. Furthermore,

TCPL may redeem, on or after October 15, 2013, some or all of the Series U Preferred Shares upon payment for each share at $50.00 per share.

Except as provided by the CBCA or as referred to below, the holders of the first preferred shares will not have any voting rights nor will they be entitled to receive notice of or to attend shareholders meetings unless and until TCPL fails to pay, in the aggregate, six quarterly dividends on the Series U Preferred Shares.

The provisions attaching to the first preferred shares as a class may be modified, amended or varied only with the approval of the holders of the first preferred shares as a class. Any such approval to be given by the holders of the first preferred shares may be given by the affirmative vote of the holders of not less than 66 2⁄3 per cent of the first preferred shares represented and voted at a meeting or adjourned meeting of such holders.

Series Y Preferred Shares

The rights, privileges, restrictions and conditions attaching to the Series Y Preferred Shares are substantially identical to those attaching to the Series U Preferred Shares, except that the Series Y Preferred Shares are redeemable by TCPL after March 5, 2014.

Debt

The following table sets out the issuances by TCPL of senior unsecured notes, medium term unsecured note debentures and junior subordinated notes with terms to maturity in excess of one year, during the 12 months ended December 31, 2010.

Date Issued	Issue Price per $1,000 Principal Amount of Notes	Aggregate Issue Price
May 27, 2010	US$997.43	US$1,000,000,000
September 21, 2010	US$998.81 (1)	US$500,000,000
September 21, 2010	US$996.86 (1)	US$750,000,000

(1) These notes were issued under the same prospectus supplement. Notes maturing in 2015 were issued at 99.881 per cent and notes maturing in 2040 were issued at 99.686 per cent.

There are no provisions associated with this debt that entitle debt holders to voting rights. From time to time, TCPL issues commercial paper for terms not exceeding nine months.

CREDIT RATINGS

The following table sets out the current credit ratings assigned to those outstanding classes of securities of TCPL which have been rated by DBRS Limited (DBRS), Moody s Investors Service, Inc. (Moody s) and Standard and Poor s (S&P):

	DBRS	Moody s	S&P
Senior Unsecured Debt			
Debentures	A	A3	A-
Medium-Term Notes	A	A3	A-
Junior Subordinated Notes	BBB (high)	Baa1	BBB
Preferred Shares	Pfd-2 (low)	Baa2	P-2
Commercial Paper	R-1 (low)	-	-
Trend/Rating Outlook	Stable	Stable	Stable

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. The following information concerning the Company s credit ratings relates to the Company s financing costs, liquidity and operations. The availability of TCPL s funding options may be affected by certain factors, including the global capital market environment and outlook as well as the Company s financial performance. TCPL s access to capital markets at competitive rates is dependent on its credit rating and rating outlook, as determined by credit rating agencies such as DBRS, Moody s and S&P, and if TCPL s ratings were downgraded the Company s financing costs and future debt issuances could be unfavorably impacted. A description of the rating agencies credit ratings listed in the table above is set out below.

DBRS Limited (DBRS)

DBRS has different rating scales for short- and long-term debt and preferred shares. High or low grades are used to indicate the relative standing within all rating categories other than AAA and D. The absence of either a high or low designation indicates the rating is in the middle of the category. The R-1 (low) rating assigned to TCPL s short-term debt is in the third highest of ten rating categories and indicates good credit quality. The overall strength is not as favourable as higher rating categories, but any qualifying negative factors that exist are considered manageable. The A rating assigned to TCPL s senior unsecured debt is in the third highest of ten categories for long-term debt. Long-term debt rated A is good credit quality. The capacity for the payment of interest and principal is substantial, but the degree of strength is less than that of AA rated securities. The BBB (high) rating assigned to junior subordinated notes is in the fourth highest of the ten categories for long-term debt. Long-term debt rated BBB is of adequate credit quality. The capacity for the payment of interest and principal is considered acceptable, but it may be vulnerable to future events. The Pfd-2 (low) rating assigned to TCPL s and TransCanada s preferred shares is in the second highest of six rating categories for preferred shares. Preferred shares rated Pfd-2 are of satisfactory credit quality. Protection of dividends and principal is still substantial; however, earnings, the balance sheet and coverage ratios are not as strong as Pfd-1 rated companies. In general, Pfd-2 ratings correspond with long-term debt rated in the A category.

Moody s Investors Service, Inc. (Moody s)

Moody s has different rating scales for short- and long-term obligations. Numerical modifiers 1, 2 and 3 are applied to each rating classification from Aa through Caa, with 1 being the highest and 3 being the lowest. The A3 rating assigned to TCPL s senior unsecured debt is in the third highest of nine rating categories for long-term obligations. Obligations rated A are considered upper medium grade and are subject to low credit risk. The Baa 1 and Baa2 ratings assigned to TCPL s junior subordinated debt and preferred shares, respectively, are in the fourth highest of nine rating categories for long-term obligations, with the junior subordinated debt ranking slightly higher within the Baa rating category with a modifier of 1 as opposed to the modifier of 2 on the preferred shares. Obligations rated Baa are subject to moderate credit risk, are considered medium-grade, and as such, may possess certain speculative characteristics.

Standard & Poor s (S&P)

S&P has different rating scales for short- and long-term obligations. Ratings from AA through CCC may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within a particular rating category. The A- rating assigned to TCPL s senior unsecured debt is in the third highest of ten rating categories for long-term obligations. An A rating indicates the obligor s capacity to meet its financial commitment is strong; however, the obligation is slightly more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. The BBB and P-2 ratings assigned to TCPL s junior subordinated notes and TCPL s and TransCanada s preferred shares exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

MARKET FOR SECURITIES

TransCanada holds all of the common shares of TCPL and these are not listed on a public market. During 2010, 26,121,204 common shares of TCPL were issued to TransCanada as set out in the following table:

Date	Number of TCPL Common Shares	Price per TCPL Common Share	Aggregate Issuance Price
April 7, 2010	10,674,455	$37.66	$402,000,000
August 4, 2010	4,642,271	$36.62	$170,000,000
October 14, 2010	10,804,478	$38.41	$415,000,000

TransCanada s common shares are listed on the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE) under the symbol TRP . TransCanada s cumulative redeemable first preferred, series 1 (the Series 1 Preferred Shares), cumulative redeemable first preferred, series 3 (the Series 3 Preferred Shares), and cumulative redeemable first preferred, series 5 (the Series 5 Preferred Shares) have been listed for trading on the TSX since September 30, 2009, March 12, 2010 and June 29, 2010, respectively, under the symbols TRP.PR.A , TRP.PR.B , and TRP.PR.C , respectively. The following tables set forth the reported monthly high, low, and month-end closing trading prices and monthly trading volumes of the common shares of TransCanada on the TSX and the NYSE, and the respective Series 1 Preferred Shares, Series 3 Preferred Shares and Series 5 Preferred Shares on the TSX, for the period indicated:

Common Shares

	TSX (TRP)				NYSE (TRP)			
Month	High ($)	Low ($)	Close ($)	Volume Traded	High (US$)	Low (US$)	Close (US$)	Volume Traded
December 2010	38.71	36.53	37.99	36,564,145	38.44	35.86	38.04	8,743,709
November 2010	38.04	35.49	36.20	47,122,180	37.72	34.77	35.33	8,000,248
October 2010	39.28	37.06	37.67	24,452,953	38.59	36.33	36.95	6,887,287
September 2010	38.88	37.25	38.17	35,287,579	37.75	36.00	37.12	5,548,775
August 2010	38.45	35.75	38.00	23,551,406	36.53	34.23	35.64	6,079,595
July 2010	37.25	35.50	36.33	30,315,925	35.85	32.86	35.35	8,077,360
June 2010	37.31	34.57	35.61	30,159,655	36.69	33.02	33.43	8,154,916
May 2010	36.92	30.01	35.50	32,936,332	36.47	25.80	33.17	9,235,485
April 2010	38.16	35.18	35.84	30,450,870	38.01	34.92	35.20	6,424,836
March 2010	37.87	34.75	37.22	42,951,844	37.11	33.20	36.76	5,806,751
February 2010	35.30	33.96	34.78	25,627,521	33.68	31.58	33.00	5,669,857
January 2010	36.44	34.00	34.17	23,180,090	35.07	31.85	31.91	6,314,623

Series 1 Preferred Shares

	TSX (TRP.PR.A)
Month	

	High ($)	Low ($)	Close ($)	Volume Traded
December 2010	26.00	25.50	26.00	559,051
November 2010	26.79	25.95	25.97	583,072
October 2010	26.45	26.13	26.29	528,964
September 2010	27.89	25.90	26.24	613,195
August 2010	26.11	25.80	26.00	623,916
July 2010	25.95	25.35	25.95	454,853
June 2010	25.90	25.15	25.45	552,510
May 2010	25.45	25.00	25.11	1,147,115
April 2010	25.85	25.06	25.25	619,658
March 2010	26.59	25.08	25.69	1,289,162
February 2010	26.29	25.80	25.95	727,716
January 2010	27.15	25.80	26.15	1,561,414

Series 3 Preferred Shares

	TSX (TRP.PR.B)			
Month	**High ($)**	**Low ($)**	**Close ($)**	**Volume Traded**
December 2010	25.59	24.65	25.57	219,795
November 2010	25.98	24.85	24.98	342,225
October 2010	25.48	24.85	25.10	522,319
September 2010	25.66	24.95	25.36	431,061
August 2010	25.20	24.85	24.98	533,912
July 2010	25.00	24.60	24.94	291,835
June 2010	24.75	24.16	24.65	425,787
May 2010	24.84	23.99	24.20	458,273
April 2010	25.07	23.90	23.90	497,079
March 2010	25.08	24.83	25.02	1,817,221

Series 5 Preferred Shares

	TSX (TRP.PR.C)			
Month	**High ($)**	**Low ($)**	**Close ($)**	**Volume Traded**
December 2010	26.26	25.00	25.81	351,359
November 2010	26.45	25.50	25.65	397,725
October 2010	26.17	25.36	25.56	499,857
September 2010	26.50	25.28	25.69	597,352
August 2010	25.82	25.20	25.70	613,671

	For the Fiscal Years Ended January 31,		
	2015	**2014**	**2013**
Loss per share:			
Basic loss per share	$ (0.84)	$ (0.09)	$ (0.59)
Diluted loss per share	$ (0.84)	$ (0.09)	$ (0.59)
Loss per share from continuing operations:			
Basic loss per share	$ (0.84)	$ (0.07)	$ (0.09)
Diluted loss per share	$ (0.84)	$ (0.07)	$ (0.09)
Income (loss) per share from discontinued operations:			
Basic loss per share	$ 0.00	$ (0.02)	$ (0.50)
Diluted loss per share	$ 0.00	$ (0.02)	$ (0.50)
Weighted average common shares outstanding:			
Basic	32,772	32,718	32,494
Diluted	32,772	32,718	32,494

(1) Tax amounts for all periods were not significant

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

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SEACHANGE INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	For the Fiscal Years Ended January 31,		
	2015	**2014**	**2013**
Cash flows from operating activities:			
Net loss	$ (27,484)	$ (3,030)	$ (19,165)
Net (income) loss from discontinued operations	(5)	803	16,366
Adjustments to reconcile net loss to net cash (used in) provided by continuing operating activities:			
Depreciation and amortization of property and equipment	3,683	4,389	4,671
Amortization of intangible assets	5,154	4,630	6,395
Stock-based compensation expense	3,220	2,959	5,929
Deferred income taxes	(372)	(684)	(132)
Other	512	798	2,596
Changes in operating assets and liabilities:			
Accounts receivable	3,567	5,420	1,676
Unbilled receivables	(1,993)	(5,251)	4,637
Inventories	3,183	(234)	2,563
Prepaid expenses and other assets	1,570	6,724	(5,045)
Accounts payable	(1,619)	(873)	(236)
Accrued expenses	1,650	(3,146)	1,430
Deferred revenues	(5,699)	(4,877)	(6,283)
Other	1,289	539	568
Net cash (used in) provided by operating activities from continuing operations	(13,344)	8,167	15,970
Net cash provided by (used in) operating activities from discontinued operations	5	(803)	1,387
Total cash (used in) provided by operating activities	(13,339)	7,364	17,357
Cash flows from investing activities:			
Purchases of property and equipment	(1,873)	(2,315)	(3,972)
Purchases of marketable securities	(9,193)	(11,479)	(15,642)
Proceeds from sale and maturity of marketable securities	7,181	12,237	14,214
Investment in affiliate	(2,000)		
Proceeds from sale of equity investment	229	1,128	885
Acquisition of businesses and payment of contingent consideration, net of cash acquired		(4,009)	(8,175)
Advance for Timeline Labs acquisition	(2,500)		
Other		958	452

Net cash used in investing activities from continuing operations	(8,156)	(3,480)	(12,238)
Net cash provided by investing activities from discontinued operations		4,000	25,232
Total cash (used in) provided by investing activities	(8,156)	520	12,994

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	For the Fiscal Years Ended January 31,		
	2015	2014	2013
Cash flows from financing activities:			
Repurchases of our common stock	(5,504)		(6,200)
Proceeds from issuance of common stock relating to stock option exercises		1,058	2,191
Total cash provided by (used in) financing activities	(5,504)	1,058	(4,009)
Effect of exchange rate changes on cash	1,284	71	(206)
Net (decrease) increase in cash and cash equivalents	(25,715)	9,013	26,136
Cash and cash equivalents, beginning of period	115,734	106,721	80,585
Cash and cash equivalents, end of period	$ 90,019	$ 115,734	$ 106,721
Supplemental disclosure of cash flow information:			
Income taxes paid	$ 671	$ 2,606	$ 1,312
Interest paid	$ 6	$ 4	$ 89
Supplemental disclosure of non-cash activities:			
Transfer of items originally classified as inventories to equipment	$ 474	$ 1,110	$ 897
Issuance of common stock for settlement of contingent consideration related to acquisitions	$	$ 1,560	$
Asset held for sale reclassified to asset held for use and reclassified from current assets to property and equipment	$	$ 465	$

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

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SEACHANGE INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Amounts in thousands, except share amounts)

	Common Stock				Accumulated Other Comprehensive Income (Loss)		Treasury Stock		
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Cumulative Translation Adjustment	Unrealized Gain/Loss on Investments	Number of Shares	Amount	Total Stockholders Equity
Balance at January 31, 2012	32,534,444	326	213,880	6,507	(9,810)	36	(39,784)	(1)	210,938
Issuance of common stock pursuant to exercise of stock options	304,550	2	2,189						2,191
Issuance of common stock pursuant to vesting of restricted stock units	359,676	4	(4)						
Issuance of common stock pursuant to deferred consideration	75,680	1	585						586
Purchase of treasury shares			(6,194)				(764,024)		(6,194)
Retirement of shares	(764,024)	(6)					764,024		(6)
Stock-based compensation expense			5,903						5,903
Change in fair value on marketable securities						(6)			(6)
Translation adjustment					7,954				7,954
Net loss				(19,165)					(19,165)

Balance at January 31, 2013	32,510,326	327	216,359	(12,658)	(1,856)	30	(39,784)	(1)	202,201
Issuance of common stock pursuant to exercise of stock options	118,529	1	1,057						1,058
Issuance of common stock pursuant to vesting of restricted stock units	205,928	1	(1)						
Issuance of common stock pursuant to deferred consideration	202,888	1	1,558						1,559
Stock-based compensation expense			2,959						2,959
Change in fair value on marketable securities						(12)			(12)
Translation adjustment					(294)				(294)
Net loss				(3,030)					(3,030)
Balance at January 31, 2014	33,037,671	$ 330	$ 221,932	$ (15,688)	$ (2,150)	$ 18	(39,784)	$ (1)	$ 204,441
Issuance of common stock pursuant to vesting of restricted stock units	287,485	3	(3)						
Purchase of treasury shares			(5,498)				(591,520)		(5,498)
Retirement of shares	(591,520)	(6)					591,520		(6)
Stock-based compensation expense			3,220						3,220
Change in fair value on marketable securities						25			25

Translation adjustment					(3,647)				(3,647)
Net loss				(27,484)					(27,484)
Balance at January 31, 2015	32,733,636	$ 327	$ 219,651	$ (43,172)	$ (5,797)	$ 43	(39,784)	$ (1)	$ 171,051

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

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SEACHANGE INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

We are an industry leader in the delivery of multiscreen video. Our products and services facilitate the aggregation, licensing, management and distribution of video (primarily movies and television programming) and television advertising content to cable system operators, telecommunications companies and mobile communications providers.

2. Summary of Significant Accounting Policies

Significant accounting policies followed in the preparation of the accompanying consolidated financial statements are as follows:

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP. We consolidate the financial statements of our wholly-owned subsidiaries and all intercompany transactions and account balances have been eliminated in consolidation. We have reclassified certain prior fiscal year data to conform to our current fiscal year presentation.

We also hold minority investments in the capital stock of certain private companies having product offerings or customer relationships that have strategic importance. We evaluate our equity and debt investments and other contractual relationships with affiliate companies in order to determine whether the guidelines regarding the consolidation of VIE s should be applied in the financial statements. Consolidation guidelines address consolidation by business enterprises of VIE s that possess certain characteristics. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. We use qualitative analysis to determine whether or not we are the primary beneficiary of a VIE. We consider the rights and obligations conveyed by the implicit and explicit variable interest in each VIE and the relationship of these with the variable interests held by other parties to determine whether its variable interests will absorb a majority of a VIE s expected losses, receive a majority of its expected residual returns, or both. If we determine that our variable interests will absorb a majority of the VIE s expected losses, receive a majority of their expected residual returns, or both, we consolidate the VIE as the primary beneficiary, and if not, it is not consolidated. We have concluded that we are not the primary beneficiary for any variable interest entities during fiscal 2015.

Use of Estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management 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 the timing and amounts of revenue recognition, valuation of inventory, collectability of accounts receivable, valuation of investments and income taxes, assumptions used to determine stock-based compensation, valuation of goodwill and intangible assets and related amortization. Management bases these estimates on historical and anticipated results and trends and on various other assumptions that management 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.

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Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and on deposit and highly liquid, temporary cash investments with an original maturity of three months or less. All cash equivalents are carried at cost, which approximates fair value.

Marketable Securities

We account for investments in accordance with authoritative guidance that defines investment classifications. We determine the appropriate classification of debt securities at the time of purchase and reevaluate such designation as of each balance sheet date. Our investment portfolio consists primarily of money market funds, U.S. treasury notes or bonds and U.S. government agency bonds at January 31, 2015 and 2014, but can consist of corporate debt investments, asset-backed securities and government-sponsored enterprises. Our marketable securities are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of tax, reported in stockholders equity as a component of accumulated other comprehensive loss. The amortization of premiums and accretion of discounts to maturity are computed under the effective interest method and are included in other expenses, net in our consolidated statements of operations and comprehensive loss. Interest on securities is recorded as earned and is also included in other expenses, net. Any realized gains or losses would be shown in the accompanying consolidated statements of operations and comprehensive loss in other expenses, net.

We evaluate our investments on a regular basis to determine whether an other-than-temporary decline in fair value has occurred. This evaluation consists of a review of several factors, including, but not limited to: the length of time and extent that an investment has been in an unrealized loss position; the existence of an event that would impair the issuer s future earnings potential; and our intent and ability to hold an investment for a period of time sufficient to allow for any anticipated recovery in fair value. Declines in value below cost for investments where it is considered probable that all contractual terms of the investment will be satisfied, are due primarily to changes in interest rates, and where the company has the intent and ability to hold the investment for a period of time sufficient to allow a market recovery, are not assumed to be other-than-temporary. Any other-than-temporary declines in fair value are recorded in earnings and a new cost basis for the investment is established.

Fair Value Measurements

Definition and Hierarchy

The applicable accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance establishes a framework for measuring fair value and expands required disclosure about the fair value measurements of assets and liabilities. This guidance requires us to classify and disclose assets and liabilities measured at fair value on a recurring basis, as well as fair value measurements of assets and liabilities measured on a non-recurring basis in periods subsequent to initial measurement, in a fair value hierarchy.

The fair value hierarchy is broken down into three levels based on the reliability of inputs and requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required, as well as the assets and liabilities that we value using those levels of inputs:

Level 1 Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not very active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The fair value measurements of the contingent consideration obligations related to our business acquisitions are valued using Level 3 inputs.

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Valuation Techniques

Inputs to valuation techniques are observable and unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. When developing fair value estimates for certain financial assets and liabilities, we maximize the use of observable inputs and minimize the use of unobservable inputs. When available, we use quoted market prices, market comparables and discounted cash flow projections. Financial instruments include money market funds, U.S. treasury notes or bonds and U.S. government agency bonds.

In general, and where applicable, we use quoted prices in active markets for identical assets or liabilities to determine fair value. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then we use quoted prices for similar assets and liabilities or inputs that are observable either directly or indirectly. In periods of market inactivity, the observability of prices and inputs may be reduced for certain instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3.

Concentration of Credit Risk

Financial instruments which potentially expose us to concentrations of credit risk include cash equivalents, investments in treasury bills, certificates of deposits and commercial paper, trade accounts receivable, accounts payable and accrued liabilities. We have cash investment policies which, among other things, limit investments to investment-grade securities. We restrict our cash equivalents and investments in marketable securities to repurchase agreements with major banks and U.S. government and corporate securities which are subject to minimal credit and market risk. We perform ongoing credit evaluations of our customers. As of January 31, 2015, two customers represented more than 10% of consolidated accounts receivable compared to one customer as of January 31, 2014. For fiscal 2015, 2014 and 2013, two, three and two customers each accounted for more than 10% of our total revenue.

Accounts Receivable and Allowances for Doubtful Accounts

For trade accounts receivable, we evaluate customers financial condition, require advance payments from certain of our customers and maintain reserves for potential credit losses. We perform ongoing credit evaluations of customers financial condition but generally do not require collateral. For some international customers, we require an irrevocable letter of credit to be issued by the customer before the purchase order is accepted. We monitor payments from customers and assess any collection issues. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of the Company s customers to make required payments and record these allowances as a charge to general and administrative expenses in our consolidated statements of operations and comprehensive loss. We base our allowances for doubtful accounts on historical collections and write-off experience, current trends, credit assessments, and other analysis of specific customer situations. At January 31, 2015 and 2014, we had an allowance for doubtful accounts of $0.4 million and $0.3 million, respectively, to provide for potential credit losses. We charge off trade accounts receivables against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Recoveries of trade receivables previously charged off are recorded when received.

Inventory Valuation

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Inventories consist primarily of components and subassemblies and finished products held for sale. The values of inventories are reviewed quarterly to determine that the carrying value is stated at the lower of cost or net realizable value. We record charges to reduce inventory to its net realizable value when impairment is identified

through a quarterly review process. The obsolescence evaluation is based upon assumptions and

estimates about future demand, or possible alternative uses and involves significant judgments. For the years ended January 31, 2015, 2014 and 2013, we recorded a provision for obsolescence of $0.1 million, $0.1 million and $0.3 million, respectively.

Property and Equipment

Property and equipment consists of land and buildings, office and computer equipment, leasehold improvements, demonstration equipment, deployed assets and spare components and assemblies used to service our installed base. Property and equipment are recorded at cost and depreciated over their estimated useful lives. Determining the useful lives of property and equipment requires us to make significant judgments that can materially impact our operating results. If our estimates require adjustment, it could have a material impact on our reported results.

Demonstration equipment consists of systems manufactured by us for use in marketing and selling activities. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the respective leases using the straight-line method. Deployed assets consist of movie systems owned and manufactured by us that are installed in a hotel environment. Deployed assets are depreciated over the life of the related service agreements. Capitalized service and spare components are depreciated over the estimated useful lives using the straight-line method. Maintenance and repair costs are expensed as incurred.

Generally, property and equipment include assets in service. Fully depreciated assets remaining in service along with related accumulated depreciation are not removed from the balance sheet until the corresponding asset is removed from service either through a retirement or sale. Upon retirement or sale of an asset or asset group, the cost of the assets disposed of, and the related accumulated depreciation, are removed from the accounts, and any resulting gain or loss is included in the determination of net income or loss.

Investments in Affiliates

Our investments in affiliates include investments accounted for under the cost method and the equity method of accounting. The investments that represent less than a 20% ownership interest of the common shares of the affiliate are carried at cost. Under the equity method of accounting, which generally applies to investments that represent 20% to 50% ownership of the common shares of the affiliate, our proportionate ownership share of the earnings or losses of the affiliate are included in equity income in earnings of affiliates in our consolidated statements of operations and comprehensive loss.

We periodically review indicators of the fair value of our investments in affiliates in order to assess whether available facts or circumstances, both internally and externally, may suggest an other than temporary decline in the value of the investment. If we determine that an other-than-temporary impairment has occurred, we will write-down the investment to its fair value. The carrying value of an investment in an affiliate may be affected by the affiliate s ability to obtain adequate funding and execute its business plans, general market conditions, the company s current cash position, earnings and cash flow forecasts, recent operational performance, and any other readily available data. The inability of an affiliate to obtain future funding or successfully execute its business plan could adversely affect our equity earnings of the affiliate in the periods affected by those events. Future adverse changes in market conditions or poor operating results of the affiliates could result in equity losses or an inability to recover the carrying value of the investments in affiliates that may not be reflected in an investment s current carrying value, thereby possibly requiring an impairment charge in the future.

Intangible Assets and Goodwill

Intangible assets consist of customer contracts, completed technology, non-compete agreements, trademarks and patents. The intangible assets are amortized to cost of sales and operating expenses, as appropriate, on a straight-line or accelerated basis, using the economic consumption life basis, in order to reflect the period that the assets will be consumed, which are:

Intangible assets with finite useful lives:	
Customer contracts	1 - 8 years
Non compete agreements	2 - 3 years
Completed technology	4 - 6 years
Trademarks, patents and other	5 years

Goodwill is recorded when the consideration for an acquisition exceeds the fair value of net tangible and identifiable intangible assets acquired.

Impairment of Assets

Indefinite-lived intangible assets, such as goodwill are not amortized, but are evaluated for impairment, at the reporting unit level, annually in our third quarter beginning August 1st. Indefinite-lived intangible assets may be tested for impairment on an interim basis in addition to the annual evaluation if an event occurs or circumstances change such as declines in sales, earnings or cash flows, decline in the Company s stock price, or material adverse changes in the business climate, which would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The process of evaluating indefinite-lived intangible assets for impairment requires several judgments and assumptions to be made to determine the fair value of the Company, including the method used to determine fair value, discount rates, expected levels of cash flows, revenues and earnings, and the selection of comparable companies used to develop market-based assumptions. We may employ one or more of three generally accepted approaches for valuing businesses: the market approach, the income approach and the asset-based (cost) approach to arrive at the fair value. We chose to use the market approach and the income approach to determine the value of the Company for our testing in fiscal 2015. In calculating the fair value, we derived the standalone projected five year cash flows for the Company. This process started with the projected cash flows which were discounted. The choice of which approach and methods to use in a particular situation depends on the facts and circumstances.

We also evaluate property and equipment, intangible assets with finite useful lives and other long-lived assets on a regular basis for the existence of facts or circumstances, both internal and external that may suggest an asset is not recoverable. If such circumstances exist, we evaluate the carrying value of long-lived assets to determine if impairment exists based upon estimated undiscounted future cash flows over the remaining useful life of the assets and compares that value to the carrying value of the assets. Our cash flow estimates contain management s best estimates, using appropriate and customary assumptions and projections at the time.

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Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of operations and comprehensive loss except to the extent that it relates to items recognized directly within equity or in other comprehensive loss. Income taxes payable, which is included in other accrued expenses in our consolidated balance sheets, is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially-enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized, using the balance sheet method, for the expected tax consequences of temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially-enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the countries where the deferred tax assets originated and during the periods when the deferred tax assets become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

We operate in multiple jurisdictions with complex tax policy and regulatory environments. In certain of these jurisdictions, we may take tax positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority. These interpretational differences with the respective governmental taxing authorities can be impacted by the local economic and fiscal environment. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. We review these tax uncertainties in light of changing facts and circumstances, such as the progress of tax audits, and adjust them accordingly. We have a number of audits in process in various jurisdictions. Although the resolution of these tax positions is uncertain, based on currently available information, we believe that the ultimate outcomes will not have a material adverse effect on our financial position, results of operations or cash flows.

Because there are a number of estimates and assumptions inherent in calculating the various components of our tax provision, certain changes or future events such as changes in tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans could have an impact on those estimates and our effective tax rate.

Restructuring

Restructuring charges that we record consist of employee-related severance charges, contract termination costs and the disposal of related fixed assets. Restructuring charges represent our best estimate of the associated liability at the date the charges are recognized. Adjustments for changes in assumptions are recorded as a component of operating expenses in the period they become known. Differences between actual and expected charges and changes in assumptions could have a material effect on our restructuring accrual as well as our consolidated results of operations. See Note 7, *Severance and Other Restructuring Costs,* for more information on the current restructuring plan.

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Foreign Currency Translation

For subsidiaries where the U.S. dollar is designated as the functional currency of the entity, we translate that entity s monetary assets and liabilities denominated in local currencies into U.S. dollars (the functional and reporting currency) at current exchange rates, as of each balance sheet date. Non-monetary assets (e.g., inventories, property, plant, and equipment and intangible assets) and related income statement accounts (e.g., cost of sales, depreciation, amortization of intangible assets) are translated at historical exchange rates between the functional currency (the U.S. dollar) and the local currency. Revenue and other expense items are translated using average exchange rates during the fiscal period. Translation adjustments resulting from translation of the subsidiaries accounts are included in accumulated other comprehensive loss, a separate component of stockholders equity. Gains and losses on foreign currency transactions, and any unrealized gains and losses on short-term inter-company transactions are included in other expense, net.

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

The aggregate foreign exchange transaction losses included in other expenses, net, on the consolidated statements of operations and comprehensive loss, were $2.3 million, $0.4 million and approximately $23,000 for fiscal 2015, 2014 and 2013, respectively.

Comprehensive Loss

We present accumulated other comprehensive loss in our consolidated balance sheets and comprehensive loss in the consolidated statement of operations and comprehensive loss. At the end of fiscal 2015, 2014 and 2013, our comprehensive loss of $31.1 million, $3.3 million and $11.2 million consists primarily of net loss, cumulative translation adjustments and unrealized gains and losses on marketable securities.

Revenue Recognition

Our transactions frequently involve the sales of hardware, software, systems and services in multiple-element arrangements. Revenues from sales of hardware, software and systems that do not require significant modification or customization of the underlying software are recognized when:

- persuasive evidence of an arrangement exists;
- delivery has occurred, and title and risk of loss have passed to the customer;
- fees are fixed or determinable; and

collection of the related receivable is considered probable.

Customers are billed for installation, training, project management and at least one year of product maintenance and technical support at the time of the product sale. Revenue from these activities is deferred at the time of the product sale and recognized ratably over the period these services are performed. Revenue from ongoing product maintenance and technical support agreements is recognized ratably over the period of the related agreements. Revenue from software development contracts that include significant modification or customization, including software product enhancements, is recognized based on the percentage of completion contract accounting method using labor efforts expended in relation to estimates of total labor efforts to complete the contract. Accounting for contract amendments and customer change orders are included in contract accounting when executed. Revenue from shipping and handling costs and other out-of-pocket expenses reimbursed by customers are included in revenues and cost of revenues. Our share of intercompany profits associated with sales and services provided to affiliated companies are eliminated in consolidation in proportion to our equity ownership.

Revenue from the sale of software-only products remains within the scope of the software revenue recognition rules. Maintenance and support, training, consulting, and installation services no longer fall within the scope of the software revenue recognition rules, except when they are sold with and relate to a software-only product. Revenue recognition for products that no longer fall under the scope of the software revenue recognition rules is similar to that for other tangible products and ASU 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements,* amended ASC 605 and is applicable for multiple-deliverable revenue arrangements. ASU 2009-13 allows companies to allocate revenue in a multiple-deliverable arrangement in a manner that better reflects the transaction s economics.

Under the software revenue recognition rules, the fee is allocated to the various elements based on vendor-specific objective evidence (VSOE) of fair value. Under this method, the total arrangement value is allocated first to undelivered elements based on their fair values, with the remainder being allocated to the delivered elements. Where fair value of undelivered service elements has not been established, the total arrangement value is recognized over the period during which the services are performed. The amounts allocated to undelivered elements, which may include project management, training, installation, maintenance and technical support and certain hardware and software components, are based upon the price charged when these elements are sold separately and unaccompanied by the other elements. The amount allocated to installation, training and project management revenue is based upon standard hourly billing rates and the estimated time necessary to complete the service. These services are not essential to the functionality of systems as these services do not alter the equipment s capabilities, are available from other vendors and the systems are standard products. For multiple-element arrangements that include software development with significant modification or customization and systems sales where VSOE of the fair value does not exist for the undelivered elements of the arrangement (other than maintenance and technical support), percentage of completion accounting is applied for revenue recognition purposes to the entire arrangement with the exception of maintenance and technical support.

Under the revenue recognition rules for tangible products as amended by ASU 2009-13, the fee from a multiple-deliverable arrangement is allocated to each of the deliverables based upon their relative selling prices as determined by a selling-price hierarchy. A deliverable in an arrangement qualifies as a separate unit of accounting if the delivered item has value to the customer on a stand-alone basis. A delivered item that does not qualify as a separate unit of accounting is combined with the other undelivered items in the arrangement and revenue is recognized for those combined deliverables as a single unit of accounting. The selling price used for each deliverable is based upon VSOE if available, third-party evidence (TPE) if VSOE is not available, and best estimate of selling price (BESP) if neither VSOE nor TPE are available. TPE is the price of the Company s, or any competitor s, largely interchangeable products or services in stand-alone sales to similarly situated customers. BESP is the price at which we would sell the deliverable if it were sold regularly on a stand-alone basis, considering market conditions and entity-specific factors.

The selling prices used in the relative selling price allocation method for certain of our services are based upon VSOE. The selling prices used in the relative selling price allocation method for third-party products from other vendors are based upon TPE. The selling prices used in the relative selling price allocation method for our hardware products, software, subscriptions, and customized services for which VSOE does not exist are based upon BESP. We do not believe TPE exists for these products and services because they are differentiated from competing products and services in terms of functionality and performance and there are no competing products or services that are largely interchangeable. Management establishes BESP with consideration for market conditions, such as the impact of competition and geographic considerations, and entity-specific factors, such as the cost of the product, discounts provided and profit objectives. Management believes that BESP is reflective of reasonable pricing of that deliverable as if priced on a stand-alone basis.

For our cloud and managed service revenues, we generate revenue from two sources: (1) subscription and support services; and (2) professional services and other. Subscription and support revenue includes subscription fees from customers accessing our cloud-based software platform and support fees. Our arrangements with customers do not provide the customer with the right to take possession of the software supporting the cloud-

based software platform at any time. Professional services and other revenue include fees from implementation and customization to support customer requirements. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met. For the most part, subscription and support agreements are entered into for 12 to 36 months. Generally, a majority of the professional services component of the arrangements with customers is performed within a year of entering into a contract with the customer.

In most instances, revenue from a new customer acquisition is generated under sales agreements with multiple elements, comprised of subscription and support and other professional services. We evaluate each element in a multiple-element arrangement to determine whether it represents a separate unit of accounting. An element constitutes a separate unit of accounting when the delivered item has standalone value and delivery of the undelivered element is probable and within our control.

In determining when to recognize revenue from a customer arrangement, we are often required to exercise judgment regarding the application of our accounting policies to a particular arrangement. The primary judgments used in evaluating revenue recognized in each period involve: determining whether collection is probable, assessing whether the fee is fixed or determinable, and determining the fair value of the maintenance and service elements included in multiple-element software arrangements. Such judgments can materially impact the amount of revenue that we record in a given period. While we follow specific and detailed rules and guidelines related to revenue recognition, we make and use significant management judgments and estimates in connection with the revenue recognized in any reporting period, particularly in the areas described above. If management made different estimates or judgments, material differences in the timing of the recognition of revenue could occur.

Stock-based Compensation

We account for all employee and non-employee director stock-based compensation awards using the authoritative guidance regarding stock-based payments. We have continued to use the Black-Scholes pricing model as the most appropriate method for determining the estimated fair value of all applicable awards. We also use the Monte Carlo pricing model for our market-based option awards. Determining the appropriate fair value model and calculating the fair value of stock-based payment awards requires the input of highly subjective assumptions, including the expected life of the stock-based payment awards and stock price volatility. Management estimates the volatility based on the historical volatility of our stock. The assumptions used in calculating the fair value of stock-based payment awards represent management s best estimates, but these estimates involve inherent uncertainties and the application of management s judgment. As a result, if circumstances change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what it has recorded in the current period. The estimated fair value of our stock-based options and performance-based restricted stock units (RSUs), less expected forfeitures, is amortized over the awards vesting period on a graded vesting basis, whereas the RSUs and employee stock purchase plan stock units are amortized on a straight-line basis.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs were $0.1 million, $0.1 million and $0.2 million for fiscal 2015, 2014 and 2013, respectively.

Earnings Per Share

Earnings per share are presented in accordance with authoritative guidance which requires the presentation of basic earnings per share and diluted earnings per share. Basic earnings per share is computed by dividing

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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 potential shares of common stock, such as stock options and restricted stock, calculated using the treasury stock method. For the purpose of calculating diluted loss per share, we do not include these shares in the denominator because these shares would have an anti-dilutive effect on periods in which we incur a net loss. Certain shares of our common stock have exercise prices in excess of the average market price. These shares are anti-dilutive and are omitted from the calculation of earnings per share. For more information on this see Note 14., *Net Loss Per Share,* below.

Recent Accounting Pronouncements

We consider the applicability and impact of all Accounting Standards Updates. Updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial position or results of operations.

Recent Accounting Guidance Not Yet Effective

Amendments to the Consolidation Analysis

In February 2015, the FASB issued ASU 2015-02, *Amendments to the Consolidation Analysis.* ASU 2015-02 is intended to improve guidance for limited partnerships, limited liability corporations and securitization structures. The guidance places more emphasis on risk of loss when determining a controlling financial interest, reduces the frequency of the application of related-party guidance when determining a controlling financial interest in a VIE and changes consolidation conclusions for public and private companies that typically make use of limited partnerships or VIEs. This guidance is effective for us beginning in fiscal 2017. Early adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2015-02 on our consolidated financial statements.

Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Item

In January 2015, the FASB issued ASU 2015-01, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Item.* ASU 2015-01 is meant to reduce complexity in accounting standards by eliminating the concept of extraordinary items from U.S. GAAP. In the event of a transaction that meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax after income from continuing operations. This new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. Besides presentation on the consolidated statements of operations and comprehensive (loss) income when an item that meets the extraordinary criteria exists, we do not feel that adoption of ASU 2015-01 will have a material impact on our consolidated financial statements.

Accounting For Share-Based Payments Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB issued ASU 2014-12, *Compensation Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.* ASU 2014-12 requires that a performance target which affects vesting and that could be achieved after the requisite service period be treated as a performance condition by applying existing guidance in

Topic 718 as it relates to awards with performance conditions. The amendment also specifies the period over which compensation costs should be recognized. The amendment is effective for annual

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reporting periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2014-12 on our consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and the International Financial Reporting Standards. This guidance supersedes previously issued guidance on revenue recognition and gives a five step process an entity should follow so that the entity recognizes revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new guidance will be effective for our fiscal 2018 reporting period and must be applied either retrospectively during each prior reporting period presented or retrospectively with the cumulative effect of initially applying this guidance recognized at the date of the initial application. Early adoption is not permitted. We are currently evaluating the impact of the adoption of this ASU on our consolidated financial statements.

Reporting Discontinued Operations and Disposals of Components of an Entity

In April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* which changes the criteria for reporting discontinued operations while enhancing disclosures in this area. The amended guidance requires that a disposal representing a strategic shift that has (or will have) a major effect on an entity s financial results or a business activity classified as held for sale should be reported as discontinued operations. This guidance also expands the disclosures required when an entity reports a discontinued operation or when it disposes of or classifies as held for sale an individually significant component that does not meet the definition of a discontinued operation. This new guidance will be effective prospectively on disposals (or classifications of held for sale) of components of an entity that occur within our fiscal year beginning on February 1, 2015. Early adoption is permitted but only for disposals (or classification as held for sale) that have not been reported in financial statements previously issued or available for issuance. We do not anticipate material impacts on our financial statements upon initial adoption. This guidance could have a material impact on our disclosure requirements if we dispose of, or classify as held for sale, an individually significant component of our business that does not meet the definition of a discontinued operation.

3. Discontinued Operations

On May 4, 2012, we completed the sale of our broadcast servers and storage business and received a cash payment, net of certain adjustments, of $4.9 million and recorded a total gain in this transaction, net of tax in the amount of $1.5 million. The financial results from this divested business are included in discontinued operations in our consolidated statements of operations and comprehensive loss.

On May 21, 2012, we completed the sale of our media services business, ODG, to Avail Media, Inc. (Avail) for a purchase price of approximately $27 million plus certain working capital adjustments. We recorded a $15.5 million loss in our consolidated statements of operations and comprehensive loss from the sale of ODG, primarily arising from a related $17.0 million goodwill impairment charge that we recorded in the first quarter of fiscal 2013. The financial results from our former media services segment are included as discontinued operations in our consolidated statements of operations and comprehensive loss.

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The following table details selected financial information for our former broadcast servers and storage and media services business units for the periods presented (amounts in thousands):

	For the Fiscal Year Ended January 31, 2014			For the Fiscal Year Ended January 31, 2013		
	Servers and Storage	Media Services	Total Discontinued Operations	Servers and Storage	Media Services	Total Discontinued Operations
Revenues:						
Products	$ 46	$	$ 46	$ 1,031	$	$ 1,031
Services				835	9,315	10,150
Total revenues	$ 46	$	$ 46	$ 1,866	$ 9,315	$ 11,181
Income (loss) from discontinued operations:						
Loss from discontinued operations, before tax	$ (803)	$	$ (803)	$ (1,854)	$ (194)	$ (2,048)
Income tax provision (benefit)				84	(13)	71
Income in investment in affiliates					(174)	(174)
Loss from discontinued operations, after tax	$ (803)	$	$ (803)	$ (1,938)	$ (355)	$ (2,293)

4. Fair Value Measurements

Fair Value Measurements of Assets and Liabilities

The following tables set forth our financial assets and liabilities that were accounted for at fair value on a recurring basis as of January 31, 2015 and January 31, 2014:

		Fair Value at January 31, 2015 Using		
	January 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(Amounts in thousands)		
Financial assets:				
Money market accounts (a)	$ 1,575	$ 1,575	$	$
Available for sale marketable securities:				

Current marketable securities:					
U.S. treasury notes and bonds conventional	1,501	1,501			
U.S. government agency issues	6,015			6,015	
Non-current marketable securities:					
U.S. treasury notes and bonds conventional	4,286	4,286			
U.S. government agency issues	2,507			2,507	
Total	$ 15,884	$ 7,362	$	8,522	$

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	January 31, 2014	Fair Value at January 31, 2014 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(Amounts in thousands)			
Financial assets:				
Money market accounts (a)	$ 3,463	$ 3,463	$	$
Available for sale marketable securities:				
Current marketable securities:				
U.S. treasury notes and bonds conventional	3,545	3,545		
U.S. government agency issues	2,010		2,010	
Non-current marketable securities:				
U.S. government agency issues	6,814		6,814	
Total	$ 15,832	$ 7,008	$ 8,824	$

a) Money market funds and U.S. treasury bills are included in cash and cash equivalents on the accompanying consolidated balance sheet and are valued at quoted market prices for identical instruments in active markets.

Available-for-Sale Securities

We determine the appropriate classification of debt securities at the time of purchase and reevaluate such designation as of each balance sheet date. Our investment portfolio consists of money market funds, U.S. treasury notes and bonds, and U.S. government agency notes and bonds as of January 31, 2015 and 2014. All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. All cash equivalents are carried at cost, which approximates fair value. Our marketable securities are classified as available-for-sale and are reported at fair value with unrealized gains and losses, net of tax, reported in stockholders equity as a component of accumulated other comprehensive loss. The amortization of premiums and accretion of discounts to maturity are computed under the effective interest method and is included in other expenses, net. Interest on securities is recorded as earned and is also included in other expenses, net. Any realized gains or losses would be shown in the accompanying consolidated statements of operations and comprehensive loss in other expenses, net.

The following is a summary of cash, cash equivalents and available-for-sale securities, including the cost basis, aggregate fair value and unrealized gains and losses, for short-and long-term marketable securities portfolio as of January 31, 2015 and 2014:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Amounts in thousands)			

January 31, 2015:				
Cash	$ 88,444	$	$	$ 88,444
Cash equivalents	1,575			1,575
Cash and cash equivalents	90,019			90,019
U.S. treasury notes and bonds short-term	1,500	1		1,501
U.S. treasury notes and bonds long-term	4,268	18		4,286
U.S, government agency issues short-term	6,008	7		6,015
U.S, government agency issues long-term	2,490	17		2,507
Total cash, cash equivalents and marketable securities	$ 104,285	$ 43	$	$ 104,328

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	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Amounts in thousands)			
January 31, 2014:				
Cash	$ 112,271	$	$	$ 112,271
Cash equivalents	3,463			3,463
Cash and cash equivalents	115,734			115,734
U.S. treasury notes and bonds short-term	3,540	5		3,545
U.S. government agency issues short-term	2,005	5		2,010
U.S. government agency issues long-term	6,806	8		6,814
Total cash, cash equivalents and marketable securities	$ 128,085	$ 18	$	$ 128,103

The gross realized gains and losses on sale of available-for-sale securities for fiscal years 2015, 2014 and 2013 were immaterial. For purposes of determining gross realized gains and losses, the cost of securities sold is based on specific identification.

Contractual maturities of available-for-sale debt securities at January 31, 2015 are as follows (amounts in thousands):

	Estimated Fair Value
Maturity of one year or less	$ 7,516
Maturity between one and five years	6,793
Total	$ 14,309

We concluded that there were no other than temporary declines in investments recorded as of January 31, 2015, 2014 and 2013. The unrealized holding gains (losses), net of tax, on available-for-sale securities, which are not material for the periods presented, have been included in stockholders equity as a component of accumulated other comprehensive loss.

Cash, Cash Equivalents and Marketable Securities

Cash and cash equivalents consist primarily of highly liquid investments in money market mutual funds, government sponsored enterprise obligations, treasury bills, commercial paper and other money market securities with remaining maturities at date of purchase of 90 days or less.

Restricted Cash

In December 2014, in conjunction with our acquisition of TLL, LLC (Timeline Labs), we entered into an agreement to fund a $2.5 million escrow from which Timeline Labs could make withdrawals for working capital purposes. The withdrawn portion of the escrow is accounted for as an advance against the purchase price and is recorded in other

assets on our consolidated balance sheets. The unused portion, being $1.1 million remaining in escrow after signing the related merger agreement but prior to the consummation of the acquisition on February 2, 2015, is classified as restricted cash on our consolidated balance sheets. See Note 16., *Subsequent Events,* for additional information.

The fair value of cash, cash equivalents, restricted cash and marketable securities at January 31, 2015 and 2014 was $105.4 million and $128.1 million, respectively.

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5. Consolidated Balance Sheet Detail

Inventories consist primarily of hardware and related component parts and are stated at the lower of cost (on a first-in, first-out basis) or market. Inventories consist of the following:

	January 31, 2015	January 31, 2014
	(Amounts in thousands)	
Components and assemblies	$ 1,487	$ 2,201
Finished products	1,377	4,431
Total inventories	$ 2,864	$ 6,632

Property and equipment, net consists of the following:

	Estimated Useful Life (Years)	January 31, 2015	January 31, 2014
		(Amounts in thousands)	
Land		$ 2,880	$ 2,880
Buildings	20	12,146	12,081
Office furniture and equipment	5	1,023	998
Computer equipment, software and demonstration equipment	3	17,584	17,466
Service and spare components	5	1,158	1,158
Leasehold improvements	1-7	1,089	1,145
		35,880	35,728
Less Accumulated depreciation and amortization		(20,011)	(17,198)
Total property and equipment, net		$ 15,869	$ 18,530

Depreciation and amortization expense of fixed assets was $3.7 million, $4.4 million and $4.7 million for the years ended January 31, 2015, 2014 and 2013, respectively.

Other accrued expenses consist of the following:

	January 31, 2015	January 31, 2014
	(Amounts in thousands)	
Accrued compensation and commissions	$ 1,518	$ 2,290

Accrued bonuses	2,186	2,095
Accrued severance	2,021	229
Employee benefits	1,959	2,113
Accrued other	4,823	5,605
Total other accrued expenses	$ 12,507	$ 12,332

6. Goodwill and Intangible Assets

At January 31, 2015 and 2014, we had goodwill of $41.0 million and $45.2 million, respectively. The change in the carrying amount of goodwill for the years ended January 31, 2015 and 2014 are as follows (amounts in thousands):

	Goodwill
Balance at January 31, 2013	$ 45,103
Cumulative translation adjustment	47
Balance at January 31, 2014	45,150
Cumulative translation adjustment	(4,142)
Balance at January 31, 2015	$ 41,008

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We are required to perform impairment tests related to our goodwill annually, which we perform during the third quarter of each fiscal year, or when an indicator of impairment occurs. There was no impairment of goodwill determined as a result of the annual impairment test completed during the third quarter of fiscal 2015. While no impairment charges resulted from our annual test, impairment charges may occur in the future as a result of changes in projected growth and other factors.

Intangible assets, net, consisted of the following at January 31, 2015 and 2014:

		January 31, 2015			January 31, 2014		
	Weighted average remaining life (Years)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
		(Amounts in thousands)					
Finite-lived intangible assets:							
Customer contracts	6.0	$ 30,397	$ (24,160)	$ 6,237	$ 32,593	$ (22,344)	$ 10,249
Non-compete agreements		2,433	(2,433)		2,772	(2,632)	140
Completed technology	5.2	10,307	(9,230)	1,077	11,461	(9,195)	2,266
Trademarks, patents and other		7,082	(7,082)		7,151	(7,151)	
Total finite-lived intangible assets		$ 50,219	$ (42,905)	$ 7,314	$ 53,977	$ (41,322)	$ 12,655
Indefinite-lived intangible assets:							
Trade names					200		200
Total intangible assets		$ 50,219	$ (42,905)	$ 7,314	$ 54,177	$ (41,322)	$ 12,855

Amortization expense for intangible assets was $5.2 million, $4.6 million and $6.4 million for fiscal 2015, 2014 and 2013, respectively.

The total amortization expense for each of the next five fiscal years is as follows (amounts in thousands):

For the Fiscal Years Ended January 31,	Estimated Amortization Expense
2016	$ 3,076
2017	2,195
2018	1,272
2019	649
2020	121
Fiscal 2021 and thereafter	1

Total Future Amortization	$	7,314

Actual amortization may differ from estimated amounts in the table above due to fluctuations in foreign currency exchange rates, additional intangible asset acquisitions, potential impairment, accelerated amortization, or other events. During fiscal 2015, we fully amortized our trade name intangible assets as they are no longer in use.

7. Severance and Other Restructuring Costs

During fiscal 2015, we incurred restructuring charges totaling $3.6 million. These charges included $3.4 million of severance costs for terminated employees. In addition, we incurred $0.2 million of other restructuring charges primarily due to the write off of leasehold improvements.

As announced in February 2015, we initiated a global restructuring plan to streamline our operations. The reduction in our domestic work force was implemented in January 2015 and estimated charges were recorded. We will implement an international reduction in workforce in fiscal 2016 and expect to incur future restructuring charges.

The following table shows the change in balances of our accrued severance reported as a component of other accrued expenses on the consolidated balance sheets (amounts in thousands):

Accrual balance as of January 31, 2014	$ 229
Restructuring charges incurred	3,623
Severance costs paid	(1,605)
Other charges	(226)
Accrual balance as of January 31, 2015	$ 2,021

8. Commitments and Contingencies

Indemnification and Warranties

We provide indemnification, to the extent permitted by law, to our officers, directors, employees and agents for liabilities arising from certain events or occurrences while the officer, director, employee or agent is, or was, serving at our request in such capacity. With respect to acquisitions, we provide indemnification to, or assume indemnification obligations for, the current and former directors, officers and employees of the acquired companies in accordance with the acquired companies bylaws and charters. As a matter of practice, we have maintained directors and officers liability insurance including coverage for directors and officers of acquired companies.

We enter into agreements in the ordinary course of business with customers, resellers, distributors, integrators and suppliers. Most of these agreements require us to defend and/or indemnify the other party against intellectual property infringement claims brought by a third party with respect to our products. From time to time, we also indemnify customers and business partners for damages, losses and liabilities they may suffer or incur relating to personal injury, personal property damage, product liability, and environmental claims relating to the use of our products and services or resulting from the acts or omissions of us, our employees, authorized agents or subcontractors. From time to time, we have received requests from customers for indemnification of patent litigation claims. Management cannot reasonably estimate any potential losses, but these claims could result in material liability for us. We are not party to current pending legal proceedings that, in the opinion of management, would have a material adverse effect on our financial position, results from operations and cash flows. There is no assurance that future legal proceedings arising from ordinary course of business or otherwise, will not have a material adverse effect on our financial position, results from operations or cash flows.

We warrant that our products, including software products, will substantially perform in accordance with our standard published specifications in effect at the time of delivery. In addition, we provide maintenance support to our customers and therefore allocate a portion of the product purchase price to the initial warranty period and recognize revenue on a straight line basis over that warranty period related to both the warranty obligation and the maintenance support agreement. When we receive revenue for extended warranties beyond the standard duration, it is deferred and recognized on a straight line basis over the contract period. Related costs are expensed as incurred.

Revolving Line of Credit/Demand Note Payable

We renewed our letter agreement for a demand discretionary line of credit and a Demand Promissory Note in the aggregate amount of $20.0 million, effective November 26, 2014. Borrowings under the line of credit will be used to finance working capital needs and for general corporate purposes. We currently do not have any borrowings nor do we

have any financial covenants under this line.

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Operating Leases

We lease certain of our operating facilities, automobiles and office equipment under non-cancelable operating leases, which expire at various dates through 2019. Leases for our facilities typically contain standard commercial lease provisions, including renewal options and rent escalation clauses. Rental expense under operating leases was $2.9 million, $2.4 million and $2.7 million for fiscal 2015, 2014 and 2013, respectively. Future commitments under minimum lease payments as of January 31, 2015 are as follows (amounts in thousands):

For the Fiscal Years Ended January 31,	Operating Leases
2016	$ 2,261
2017	1,680
2018	477
2019	30
2020	
2021 and thereafter	
Minimum operating lease payments	$ 4,448

9. Stockholders Equity

Stock Authorization

The Board of Directors is authorized to issue from time to time up to an aggregate of 5,000,000 shares of preferred stock, in one or more series. Each such series of preferred stock shall have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges to be determined by the Board of Directors, including dividend rights, voting rights, redemption rights and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights. No preferred stock has been issued as of January 31, 2015.

Stock Repurchase Program

On September 4, 2013, our Board of Directors authorized the repurchase of up to $25.0 million of our common stock through a share repurchase program which would have terminated on January 31, 2015. On May 31, 2014, this program was amended to increase the authorized repurchase amount to $40.0 million and extend the termination date to April 30, 2015. Under the program, we are authorized to repurchase shares through Rule 10b5-1 plans, open market purchases, privately negotiated transactions, block purchases or otherwise in accordance with applicable federal securities laws, including Rule 10b-18 of the Securities Exchange Act of 1934. This share repurchase program does not obligate us to acquire any specific number of shares and may be suspended or discontinued at any time. All repurchases are expected to be funded from our current cash and investment balances. The timing and amount of shares to be repurchased will be based on market conditions and other factors, including price, corporate and regulatory requirements, and alternative investment opportunities. Any shares repurchased by us under the share repurchase program will reduce the number of shares outstanding. Pursuant to the share repurchase program, we executed a Rule 10b5-1 plan in June 2014 to repurchase shares. During fiscal 2015, we used $5.5 million of cash in connection with the repurchase of 591,520 shares of our common stock (an average price of $9.31 per share). As of January 31, 2015, $34.5 million remained available to repurchase under the existing share repurchase authorization.

Stock Option Plans

2011 Compensation and Incentive Plan.

In July 2011, our stockholders approved the adoption of our 2011 Compensation and Incentive Plan (the 2011 Plan). Under the 2011 Plan, as amended in July 2013, the number of authorized shares of common stock is

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equal to 5,300,000 shares plus the number of shares that would have become available for issuance under our prior Amended and Restated 2005 Equity Compensation and Incentive Plan following the adoption of the 2011 Plan due to the expiration, termination, surrender or forfeiture of an award under the prior plan. The 2011 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock, RSUs, deferred stock units (DSUs) and other equity based non-stock option awards as determined by the plan administrator, to officers, employees, consultants, and directors of the Company.

Effective February 1, 2014, SeaChange gave its non-employee members of the Board of Directors the option to receive DSUs in lieu of RSUs beginning with the annual grant for fiscal 2015. These DSUs shall fully vest one year from the grant date. The number of units subject to the DSUs is determined as of the first day of the applicable fiscal year and the shares underlying the DSUs are not vested and issued until the earlier of the director ceasing to be a member of the Board of Directors (provided such time is subsequent to the first day of the succeeding fiscal year) or immediately prior to a change in control.

We may satisfy awards upon the exercise of stock options or vesting of RSUs with newly issued shares or treasury shares. The Board of Directors is responsible for the administration of the 2011 Plan and determining the terms of each award, award exercise price, the number of shares for which each award is granted and the rate at which each award vests. In certain instances the Board of Directors may elect to modify the terms of an award. As of January 31, 2015, there were 2,484,004 shares available for future grant under the 2011 Plan.

Option awards may be granted to employees at an exercise price per share of not less than 100% of the fair market value per common share on the date of the grant. RSUs, DSUs and other equity-based non-stock option awards may be granted to any officer, employee, director, or consultant at a purchase price per share as determined by the Board of Directors. Option awards granted under the 2011 Plan generally vest over a period of three years and expire ten years from the date of the grant.

Stock-based Compensation

We use the provisions of the authoritative guidance which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options, RSUs and DSUs based on estimated fair values. The fair value of our stock-based options and performance-based RSUs, less expected forfeitures, is amortized over the awards vesting period on a graded vesting basis, whereas the RSUs are amortized on a straight-line basis. We have applied the provisions of authoritative guidance allowing the use of a simplified method, in developing an estimate of the expected term of plain vanilla share options.

Stock-based compensation includes expense charges for all stock-based awards to employees and directors. Such awards include option grants, RSU and DSU awards. The estimated fair value of our stock-based options and performance-based RSUs, less expected forfeitures, is amortized over the awards vesting period on a graded vesting basis, whereas the RSUs and DSUs are amortized on a straight-line basis.

The effect of recording stock-based compensation was as follows:

	For the Fiscal Years Ended January 31,		
	2015	**2014**	**2013**
	(Amounts in thousands)		

Stock-based compensation expense by type of award:			
Stock options	$ 1,036	$ 453	$ 3,586
Restricted stock units	1,607	1,907	2,218
Deferred stock units	500		
Performance-based restricted stock units	77	599	125
Total stock-based compensation	$ 3,220	$ 2,959	$ 5,929

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Since additional option grants and RSU awards are expected to be made each year and options and awards vest over several years, the effects of applying authoritative guidance for recording stock-based compensation for the year ended January 31, 2015 are not indicative of future amounts.

Determining Fair Value

Stock Options

We record the fair value of most stock options using the Black-Scholes valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price, the expected option term, the risk-free interest rate over the option s expected term, the expected annual dividend yield and the expected stock price volatility. The expected option term was determined using the simplified method for plain vanilla options. The expected stock price volatility was established using a blended volatility, which is an average of the historical volatility of our common stock over a period of time equal to the expected term of the stock option, and the average volatility of our common stock over the most recent one-year and two-year periods. The risk-free interest rate is based upon the U.S. treasury bond yield at the grant date, using a remaining term equal to the expected life. The expected dividend yield is 0%, as we have not paid cash dividends on our common stock since our inception.

The fair value of stock options granted was estimated at the date of grant using the following assumptions:

	For the Fiscal Years Ended January 31,		
	2015	**2014**	**2013**
Expected term (in years)	6.5	5-7	3-7
Expected volatility (range)	46%	44-46%	49-52%
Weighted average volatility	46%	45%	52%
Risk-free interest rate	1.7%	0.7-0.9%	0.7-1.2%
Weighted average interest rate	1.7%	0.8%	1.2%
Expected dividend yield	0%	0%	0%

Market-Based Options

When market-based vesting is used on stock options (Market Condition Options) we use the Monte Carlo simulation model. The model simulates daily trading prices of the Market Condition Options expected term to determine if vesting conditions would be triggered during that term.

We appointed a new CEO on October 20, 2014, at which time he was granted 500,000 stock options to purchase the Company s common stock. These stock options have an exercise price equal to our closing stock price on October 20, 2014, and will vest in approximately equal increments based upon the closing price of our common stock, but in no case earlier than six months from the date of grant. We recorded the fair value of these stock options using the Monte Carlo simulation model, since the stock option vesting is variable depending on the closing price of our traded common stock. Key input assumptions used to estimate the fair value of the Market Condition Options include exercise price, volatility, risk-free rate, the required rate of return on equity, annual turnover rate and the expected term to exercise. These assumptions are included in the table above for fiscal 2015. No other options were granted during this fiscal year. The model simulated the daily trading price of the Market Condition Options expected term to determine if the vesting conditions would be triggered during the term. As a result, the fair value of these stock options was estimated at $1.7 million. We have incurred stock compensation expense of $0.3 million for the period from the date of grant to and including January 31, 2015.

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The following table summarizes the stock option activity (excluding RSUs and DSUs):

	For the Fiscal Years Ended January 31,					
	2015		2014		2013	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Outstanding at beginning of period	1,502,176	$ 9.77	1,917,448	$ 10.35	2,125,371	$ 11.83
Granted	500,000	$ 7.23	12,500	$ 10.10	892,500	$ 8.21
Exercised		$	(118,528)	$ 9.10	(304,550)	$ 7.19
Forfeited/expired/cancelled	(375,755)	$ 15.06	(309,244)	$ 13.78	(795,873)	$ 13.11
Outstanding at end of period	1,626,421	$ 7.77	1,502,176	$ 9.77	1,917,448	$ 10.35
Options exercisable at end of period	1,108,115	$ 8.02	1,440,521	$ 9.90	937,444	$ 12.78
Weighted average remaining contractual term (in years)		4.72		3.93		1.86

The weighted-average fair valuation at grant date of stock options granted during the years ended January 31, 2015, 2014 and 2013, was $3.39, $1.53, and $3.78, respectively. As of January 31, 2015, the unrecognized stock-based compensation related to the unvested stock options was approximately $1.4 million, net of estimated forfeitures. Total unrecognized compensation cost will be adjusted for any future changes in estimated changes in forfeitures. This cost will be recognized over an estimated weighted average amortization period of 1.6 years.

Intrinsic value is defined as the difference between the market price on the date of exercise and the grant date price. The aggregate intrinsic value for options outstanding was $0.1 million, $4.5 million and $1.4 million as of January 31, 2015, 2014 and 2013, respectively. The aggregate intrinsic value of vested shares and share options expected to vest as of January 31, 2015, 2014 and 2013 was $0.1 million, $4.4 million and $1.3 million, respectively. There were no stock options exercised in fiscal 2015. The total intrinsic value of options exercised during the years ended January 31, 2014 and 2013 was $0.3 million and $0.5 million, respectively.

The cash received from employees as a result of employee stock option exercises during fiscal years 2014 and 2013 was $1.1 million and $2.2 million, respectively.

The following table summarizes information about employee and director stock options outstanding and exercisable as of January 31, 2015:

	Options Outstanding			Options Exercisable	
	Number outstanding	Weighted average remaining contractual terms	Weighted average exercise price	Number exercisable	Weighted average exercise price

		(years)			
Range of exercise prices					
$6.74 to $6.74	224,421	3.96	$ 6.74	207,781	$ 6.74
$7.00 to $7.48	501,000	6.10	$ 7.23	1,000	$ 7.00
$7.49 to $7.49	1,000	0.35	$ 7.49	1,000	$ 7.49
$7.72 to $7.72	4,500	0.44	$ 7.72	4,500	$ 7.72
$8.15 to $8.15	5,000	4.42	$ 8.15	3,334	$ 8.15
$8.22 to $8.22	875,000	4.24	$ 8.22	875,000	$ 8.22
$11.56 to $11.56	2,000	0.19	$ 11.56	2,000	$ 11.56
$12.95 to $12.95	2,000	0.17	$ 12.95	2,000	$ 12.95
$13.66 to $13.66	6,500	0.09	$ 13.66	6,500	$ 13.66
$16.56 to $16.56	5,000	0.01	$ 16.56	5,000	$ 16.56
	1,626,421	4.72	$ 7.77	1,108,115	$ 8.02

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Restricted Stock Units and Deferred Stock Units

Pursuant to the 2011 Plan, we may grant RSUs and DSUs that entitle the recipient to acquire shares of our common stock. Awards of RSUs generally vest in equal increments on each of the first three anniversaries of the grant of the award. DSUs generally vest on the first anniversary of the grant. Stock-based compensation expense associated with the RSUs and DSUs is charged for the market value of our stock on the date of grant, assuming nominal forfeitures, and is amortized over the awards vesting period on a straight-line basis for awards with only a service condition and graded vesting basis for awards that include both a performance and service condition.

The following table summarizes the RSU and DSU activity:

	For the Fiscal Years Ended January 31,					
	2015		2014		2013	
	Shares	Weighted average grant date fair value	Shares	Weighted average grant date fair value	Shares	Weighted average grant date fair value
Nonvested at beginning of period	446,468	$ 9.81	552,980	$ 10.51	721,365	$ 10.46
Awarded	314,057	$ 8.60	146,411	$ 11.15	375,317	$ 8.62
Vested	(287,485)	$ 9.83	(205,928)	$ 12.61	(348,346)	$ 8.73
Forfeited/expired/cancelled	(37,734)	$ 10.01	(46,995)	$ 9.93	(195,356)	$ 9.87
Nonvested at end of period	435,306	$ 8.91	446,468	$ 9.81	552,980	$ 10.51

As of January 31, 2015, the unrecognized stock-based compensation related to the unvested RSUs and DSUs was $2.2 million. This cost will be recognized over an estimated weighted average amortization period of 2.3 years.

10. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consisted of the following:

	Foreign Currency Translation Adjustment	Changes in Fair Value of Available-for-Sale Investments	Accumulated Other Comprehensive Loss
Balance at January 31, 2013	$ (1,856)	$ 30	$ (1,826)
Other comprehensive loss	(294)	(12)	(306)
Balance at January 31, 2014	(2,150)	18	(2,132)
Other comprehensive loss	(3,647)	25	(3,622)

Balance at January 31, 2015	$ (5,797)	$ 43	$ (5,754)

Unrealized holding gains (losses) on securities available for sale are not material for the periods presented.

Comprehensive loss consists of net loss and other comprehensive loss, which includes foreign currency translation adjustments and changes in unrealized gains and losses on marketable securities. For purposes of comprehensive loss disclosures, we do not record tax expense or benefits for the net changes in the foreign currency translation adjustments, as we intend to permanently reinvest all undistributed earnings of our foreign subsidiaries.

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11. Segment Information, Significant Customers and Geographic Information

Segment Information

Our operations are organized into one reportable segment. Operating segments are defined as components of an enterprise evaluated regularly by the Company s senior management in deciding how to allocate resources and assess performance. Our reportable segment was determined based upon the nature of the products offered to customers, the market characteristics of each operating segment and the Company s management structure.

Significant Customers

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

	For Fiscal Years Ended January 31,		
	2015	2014	2013
Customer A	17%	15%	18%
Customer B	15%	24%	21%
Customer C	N/A	10%	N/A

Geographic Information

The following summarizes revenues by customers geographic locations:

	For the Fiscal Years Ended January 31,					
	2015		2014		2013	
	Amount	%	Amount	%	Amount	%
	(Amounts in thousands, except percentages)					
Revenues by customers geographic locations:						
North America(1)	$ 64,755	56%	$ 77,105	53%	$ 94,155	60%
Europe and Middle East	39,387	34%	53,105	36%	49,824	32%
Latin America	6,829	6%	13,156	9%	11,777	7%
Asia Pacific	4,464	4%	2,953	2%	1,432	1%
Total revenues	$ 115,435		$ 146,319		$ 157,188	

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

	For the Fiscal Years Ended January 31,		
	2015	2014	2013
	(Amounts in thousands)		
U.S. Revenue	$ 59,819	$ 66,903	$ 85,256

% of total revenue	51.8%	45.7%	54.2%

The following summarizes long-lived assets by geographic locations:

	January 31,			
	2015		2014	
	Amount	%	Amount	%
	(Amounts in thousands, except percentages)			
Long-lived assets by geographic locations(1):				
North America	$ 21,214	74%	$ 20,714	62%
Europe and Middle East	6,028	22%	11,097	33%
Asia Pacific	1,260	4%	1,461	5%
Total long-lived assets by geographic location	$ 28,502		$ 33,272	

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

12. Income Taxes

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

	For the Fiscal Years Ended January 31,		
	2015	2014	2013
	(Amounts in thousands)		
Domestic	$ (25,920)	$ (15,049)	$ (15,680)
Foreign	(2,694)	12,833	11,133
	$ (28,614)	$ (2,216)	$ (4,547)

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

	For the Fiscal Years Ended January 31,		
	2015	2014	2013
	(Amounts in thousands)		
Current:			
Federal	$	$ 11	$
State	(762)	50	231
Foreign	24	692	(1,305)
Total	(738)	753	(1,074)
Deferred:			
Federal			
State			(348)
Foreign	(368)	(698)	(133)
Total	(368)	(698)	(481)
Income tax (benefit) provision	$ (1,106)	$ 55	$ (1,555)

The income tax (benefit) provision for continuing operations computed using the federal statutory income tax rate differs from our effective tax rate primarily due to the following:

	For the Fiscal Years Ended January 31,		
	2015	2014	2013
	(Amounts in thousands)		
Statutory U.S. federal tax rate	$ (10,014)	$ (774)	$ (952)

State taxes, net of federal tax benefit	(779)	33	81
Income (losses) not benefitted	8,913	92	(1,068)
Non-deductible stock compensation expense		15	142
Other(1)	(74)	694	858
Innovation box	(68)	260	(779)
Foreign tax rate differential	916	(265)	163
	$ (1,106)	$ 55	$ (1,555)

(1) Within the other line item in the table above, other non-deductible expenses were not material in fiscal 2015 and were $0.3 million and $1.1 million for the fiscal years ended January 31, 2014 and 2013, respectively. These expenses have been aggregated with various adjustments related to differences in prior year U.S. and foreign tax provisions and the actual returns filed.

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Our effective tax rate was a (benefit)/provision of (4%) and 3% for the fiscal years ended January 31, 2015 and 2014, respectively, and an effective tax rate benefit of (34%) for the fiscal year ended January 31, 2013.

The components of deferred income taxes are as follows:

	January 31,	
	2015	2014
	(Amounts in thousands)	
Deferred tax assets:		
Accruals and reserves	$ 1,783	$ 2,009
Deferred revenue	761	1,881
Stock-based compensation expense	3,005	2,775
U.S. federal, state and foreign tax credits	7,670	6,616
Loss carryforwards	18,298	9,071
Deferred tax assets	31,517	22,352
Less: Valuation allowance	(30,369)	(20,789)
Net deferred tax assets	1,148	1,563
Deferred tax liabilities:		
Intangible assets	1,267	2,823
Other	74	74
Property and equipment	869	283
Total net deferred tax liabilities	$ (1,062)	$ (1,617)

At January 31, 2015, we had federal, state and foreign net operating loss carry forwards of $37.1 million, $65.8 million and $2.1 million respectively, which can be used to offset future tax liabilities and expire at various dates beginning in fiscal 2016. Utilization of these net operating loss carry forwards may be limited pursuant to provisions of the respective local jurisdiction. At January 31, 2015, we had a federal capital loss carry forward of $10.8 million. This loss can only be utilized to offset capital gains and it expires in fiscal 2018. In addition, at January 31, 2015, we had federal and state research and development credit carry forwards of $3.8 million and $1.8 million respectively, and state investment tax credit carry forwards of $0.3 million. The federal credit carry forwards will expire at various dates beginning in fiscal 2016, if not utilized. Certain state credit carry forwards will expire at various dates, while certain other credit carry forwards may be carried forward indefinitely. Utilization of these credit carry forwards may be limited pursuant to provisions of the respective local jurisdiction. We also have alternative minimum tax credit carry forwards of $0.6 million which are available to reduce future federal regular income taxes over an indefinite period. We have foreign tax credit carry forwards of $2.0 million which are available to reduce future federal regular income taxes.

We review quarterly the adequacy of the valuation allowance for deferred tax assets. We have evaluated the positive and negative evidence bearing upon the realizability of our deferred tax assets and have established a valuation allowance of $30.4 million for such assets, which are comprised principally of net operating loss carry forwards, research and development credits, deferred revenue, inventory and stock-based compensation. If we generate pre-tax income in the future, some portion or all of the valuation allowance could be reversed and a corresponding increase in

net income would be reported in future periods. The valuation allowance increased $9.6 million from $20.8 million at January 31, 2014.

At January 31, 2015, we have indefinitely reinvested $83.7 million of the cumulative undistributed earnings of certain foreign subsidiaries. Approximately $48 million of such earnings would be subject to U.S. taxes if repatriated to the United States. Through January 31, 2015, we have not provided deferred income taxes on the undistributed earnings of our foreign subsidiaries because such earnings are considered to be indefinitely reinvested outside the United States. Non-U.S. current and deferred income taxes have been provided in connection with our foreign subsidiaries continuing operations with the exception of a subsidiary in the British

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Virgin Islands, which operates in a zero rate jurisdiction. Determination of the potential deferred income tax liability on these undistributed earnings is not practicable because such liability, if any, is dependent on circumstances existing if, and when, remittance occurs.

For the fiscal year ended January 31, 2015, we recognized incremental tax benefits of $0.5 million. This incremental tax benefit is primarily due to $0.3 million of tax benefit recorded for the expiration of the statute of limitations and $0.3 million for the effect of foreign translation, offset by $0.1 million in tax expense due to the increase in uncertain tax positions. None of the amounts included in the balance of unrecognized tax benefits at January 31, 2015 of $5.5 million are related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. We recognize accrued interest and penalties related to uncertain tax positions in income tax expense. A reconciliation of the beginning and ending balance of the total amounts of gross unrecognized tax benefits is as follows:

	For the Fiscal Years Ended January 31,	
	2015	2014
	(Amounts in thousands)	
Balance of gross unrecognized tax benefits, beginning of period	$ 6,035	$ 9,364
Gross amounts of increases in unrecognized tax benefits as a result of tax positions taken in the current period	96	445
Decrease due to expiration of statute of limitation	(275)	(439)
Gross decrease in prior period positions		(3,379)
Effect of currency translation	(329)	44
Balance of gross unrecognized tax benefits, end of period	$ 5,527	$ 6,035

We file income tax returns in U.S. federal jurisdiction, various state jurisdictions, and various foreign jurisdictions. We are no longer subject to U.S. federal examinations before fiscal 2010. However, the taxing authorities still have the ability to review the propriety of certain tax attributes created in closed years if such tax attributes are utilized in an open tax year, such as our federal research and development credit carryovers. Presently, we are undergoing an IRS audit for the fiscal years 2010, 2011 and 2012.

13. Employee Benefit Plans

We sponsor a 401(k) retirement savings plan (the Plan) that covers substantially all domestic employees of SeaChange. The Plan allows employees to contribute gross salary through payroll deductions up to the legally mandated limit based on their jurisdiction. Participation in the Plan is available to full-time employees who meet eligibility requirements. We also contribute to various retirement plans for our employees outside the United States of which the amounts will vary, according to the local plans specific to each foreign location. During fiscal 2015, 2014 and 2013, we contributed $1.7 million, $1.7 million and $1.4 million, respectively.

We have a statutory pension benefit obligation covering current employees in the Philippines. We recorded a total of approximately $39,000 and $33,000 in interest costs in fiscal 2015 and fiscal 2014, respectively, and $0.2 million in service costs in both fiscal years relating to this obligation. We also recorded an actuarial loss of $0.4 million to this

obligation in fiscal 2015, while no actuarial gain (loss) was recorded in fiscal 2014. The total unfunded projected benefit obligation was $1.2 million and $0.7 million as of January 31, 2015 and 2014, respectively, and recorded in other liabilities, long-term, in our consolidated balance sheets. We do not anticipate to begin paying this obligation until fiscal 2020 and estimate $0.3 million in benefit payments through fiscal 2025. We used projected discount rates of 4.2% and 5.9% for fiscal 2015 and 2014, respectively, and a

compensation increase rate of 7%, in the calculation of our benefit obligation and periodic benefit costs. During fiscal years 2015, 2014 and 2013, we recorded $0.5 million, $0.2 million and $0.2 million, respectively, in periodic benefit costs for this obligation.

14. Net Loss Per Share

Net loss per share is presented in accordance with authoritative guidance which requires the presentation of basic and diluted earnings per share. Basic net loss per share is 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 net loss 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 dilutive shares of common stock, such as stock options, RSUs and DSUs, calculated using the treasury stock method. Basic and diluted net loss per share was the same for all the periods presented as the impact of potential dilutive shares outstanding was anti-dilutive.

The following table sets forth our computation of basic and diluted net loss per common share (amounts in thousands, except per share data):

	For the Fiscal Years Ended January 31,		
	2015	**2014**	**2013**
Net loss from continuing operations	$ (27,489)	$ (2,227)	$ (2,799)
Net income (loss) from discontinued operations	5	(803)	(16,366)
Net loss	$ (27,484)	$ (3,030)	$ (19,165)
Weighted average shares used in computing net loss per share basic	32,772	32,718	32,494
Effect of dilutive shares:			
Stock options			
Restricted stock units			
Deferred stock units			
Dilutive potential common shares			
Weighted average shares used in computing net loss per share diluted	32,772	32,718	32,494
Net loss per share basic:			
Loss from continuing operations	$ (0.84)	$ (0.07)	$ (0.09)
Loss income from discontinued operations	0.00	(0.02)	(0.50)
Net loss per share basic	$ (0.84)	$ (0.09)	$ (0.59)
Net loss per share diluted:			
Loss from continuing operations	$ (0.84)	$ (0.07)	$ (0.09)

Loss from discontinued operations		0.00		(0.02)		(0.50)
Net loss per share diluted	$	(0.84)	$	(0.09)	$	(0.59)

The number of common shares used in the computation of diluted net loss per share for the periods presented does not include the effect of the following potentially outstanding common shares because the effect would have been anti-dilutive (amounts in thousands):

	For the Fiscal Year Ended January 31,		
	2015	**2014**	**2013**
Stock options	1,586	913	1,707
Restricted stock units	217	473	529
Deferred stock units	11		
Total	1,814	1,386	2,236

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15. Quarterly Results of Operations Unaudited

The following table sets forth certain unaudited quarterly results of operations for fiscal 2015 and fiscal 2014. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the quarterly information when read in conjunction with the audited consolidated financial statements and notes thereto included elsewhere in this Form 10-K. The quarterly operating results are not necessarily indicative of future results of operations.

	Fiscal Year Ended January 31, 2015			
	Q1	Q2	Q3	Q4
	(Amounts in thousands, except per share data)			
Revenue	$ 24,337	$ 29,849	$ 29,970	$ 31,279
Gross profit	10,891	15,387	14,793	16,036
Operating expenses	21,026	20,574	20,660	21,300
Net loss from continuing operations	(9,467)	(5,687)	(6,195)	(6,140)
Net income (loss) from discontinued operations (1)		119	(114)	
Net loss	(9,467)	(5,568)	(6,309)	(6,140)
Net loss per share from continuing operations (2):				
Basic loss per share	$ (0.29)	$ (0.17)	$ (0.19)	$ (0.19)
Diluted loss per share	$ (0.29)	$ (0.17)	$ (0.19)	$ (0.19)
Income (loss) per share from discontinued operations (2):				
Basic income (loss) per share	$	$ 0.00	$ (0.00)	$
Diluted income (loss) per share	$	$ 0.00	$ (0.00)	$
Loss per share (2):				
Basic loss per share	$ (0.29)	$ (0.17)	$ (0.19)	$ (0.19)
Diluted loss per share	$ (0.29)	$ (0.17)	$ (0.19)	$ (0.19)

	Fiscal Year Ended January 31, 2014			
	Q1	Q2	Q3	Q4
	(Amounts in thousands, except per share data)			
Revenue	$ 35,552	$ 37,380	$ 37,771	$ 35,616
Gross profit	19,084	21,362	20,888	17,865
Operating expenses	20,900	20,827	20,359	18,742
Net (loss) income from continuing operations	(2,020)	343	798	(1,348)
Net income (loss) from discontinued operations (1)	35	(558)	(221)	(59)
Net (loss) income	(1,985)	(215)	577	(1,407)
Net (loss) income per share from continuing operations (2):				
Basic (loss) income per share	$ (0.06)	$ 0.01	$ 0.02	$ (0.04)
Diluted (loss) income per share	$ (0.06)	$ 0.01	$ 0.02	$ (0.04)
Income (loss) per share from discontinued operations (2):				
Basic income (loss) per share	$ 0.00	$ (0.02)	$ (0.00)	$ (0.00)
Diluted income (loss) per share	$ 0.00	$ (0.02)	$ (0.00)	$ (0.00)

(Loss) income per share (2):								
Basic (loss) income per share	$	(0.06)	$	(0.01)	$	0.02	$	(0.04)
Diluted (loss) income per share	$	(0.06)	$	(0.01)	$	0.02	$	(0.04)

(1) In May 2012, we completed the sale of our broadcast servers and storage business and our media services business. As a result, both businesses have been reported as discontinued operations in our consolidated financial statements.

(2) The sum of per share data may not agree to annual amounts due to rounding.

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16. Subsequent Events

Acquisition of Timeline Labs

On February 2, 2015, we acquired TLL, LLC (Timeline Labs), pursuant to an Agreement and Plan of Merger (the Merger Agreement) dated December 22, 2014 for:

- $12.6 million in cash paid at closing reduced by any indebtedness and any amounts withdrawn by Timeline Labs from the escrow established for working capital purposes;
- $1.9 million in shares of our common stock paid at closing (344,055 shares);
- $1.4 million in cash and $0.5 million in shares of our common stock deposited in escrow at closing with respect to specified indemnification matters;
- Deferred stock consideration aggregating $5.6 million in shares of our common stock, paid six months from closing and one year from closing with an aggregate $0.6 million in value of such shares deposited in escrow with respect to specified indemnification matters; and
- Earnout payments totaling up to $2.5 million to be settled in shares of our common stock, based on the operations of Timeline Labs, measured by qualifying revenue, on a cumulative and one-year performance target basis for the periods ended January 31, 2016 and 2017.

Timeline Labs is a California-based Software-as-a-service (SaaS) company that enables local broadcasters, national news organizations and other media companies and brands to analyze social media messages in real-time, find and broadcast social trends, and measure viewing audience engagement across television, mobile and personal computers. Results of operations for Timeline Labs will be included in SeaChange s consolidated financial statements from the date of acquisition.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(A) Evaluation of Disclosure Controls and Procedures

We evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this Form 10-K. Jay A. Samit, our Chief Executive Officer, and Anthony C. Dias, our Chief Financial Officer, participated in this evaluation. Based upon that evaluation, Messrs. Samit and Dias concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

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

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

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

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

Our management assessed the effectiveness of our internal control over financial reporting as of January 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 *Internal Control Integrated Framework.* Based on our assessment, management concluded that, as of January 31, 2015, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of January 31, 2015 has been audited by Grant Thornton LLP, our independent registered public accounting firm, as stated in their report which is included immediately below.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of SeaChange International, Inc. (a Delaware corporation) and subsidiaries (the Company) as of January 31, 2015, based on criteria established in the 2013 *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2015, based on criteria established in the 2013 *Internal Control Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended January 31, 2015, and our report dated April 7, 2015 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Boston, Massachusetts

April 7, 2015

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(C) Changes in Internal Control over Financial Reporting

As a result of the evaluation completed by management, and in which Messrs. Samit and Dias participated, we have concluded that there were no changes during the fiscal quarter ended January 31, 2015 in our internal control over financial reporting, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning our directors is hereby incorporated by reference from the information contained under the heading Election of Directors in our definitive proxy statement related to our Annual Meeting of Stockholders to be held on or about July 15, 2015 which will be filed with the Commission within 120 days after the close of the fiscal year (the Definitive Proxy Statement).

Certain information regarding our executive officers is set forth at the end of Part I of this Form 10-K under the heading Executive Officers. The other information required by this item concerning directors and executive officers of SeaChange is hereby incorporated by reference to the information contained under the headings Availability of Corporate Governance Documents , Audit Committee, Information Concerning Executive Officers and Section 16(a) Beneficial Ownership Reporting Compliance in our Definitive Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference to the information contained under the headings Compensation of Directors and Compensation Discussion and Analysis in the Definitive Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference to the information contained under the headings Securities Ownership of Certain Beneficial Owners and Management and Compensation Discussion and Analysis in the Definitive Proxy Statement.

Equity Compensation Plan Information

The following table provides information about the common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of January 31, 2015, including our Amended and Restated 2011 Compensation and Incentive Plan (the 2011 Plan).

Plan Category

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	1,626,421	$ 7.77	2,484,004(2)

(1) Consists of the 2011 Plan and the Amended and Restated 2005 Equity Compensation and Incentive Plan.

(2) As of January 31, 2015, there were 2,484,004 shares remaining available for issuance under the 2011 Plan.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference to the information contained under the heading "Determination of Director Independence" and "Certain Relationships and Related Transactions" in the Definitive Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this item is incorporated by reference to the information contained under the heading "Ratification of Appointment of Independent Registered Public Accounting Firm" in the Definitive Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)(1) Index to the Consolidated Financial Statements

The following Consolidated Financial Statements of the Registrant are included in Part II, Item 8., *Financial Statements and Supplementary Data,* of this Form 10-K:

	Page
Report of Independent Registered Public Accounting Firm	53
Consolidated Balance Sheets as of January 31, 2015 and 2014	54
Consolidated Statements of Operations and Comprehensive Loss for the years ended January 31, 2015, 2014 and 2013	55
Consolidated Statements of Cash Flows for the years ended January 31, 2015, 2014 and 2013	57
Consolidated Statements of Stockholders Equity for the years ended January 31, 2015, 2014 and 2013	59
Notes to Consolidated Financial Statements	60

(a)(2) Index to Financial Statement Schedule

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

	Page
Schedule II Valuation and Qualifying Accounts	96

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

(a)(3) Index to Exhibits

See Item 15 (b) below.

(b) Exhibits

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

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of December 22, 2014, by and among the Company, TLL,LLC and the other parties set forth on the signature pages thereto (filed as Exhibit 2.1 to the Company s Current Report on Form 8-K previously filed December 22, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
3.1	

	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.3 to the Company s Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).
3.2	Certificate of Amendment, filed May 25, 2000 with the Secretary of State in the State of Delaware, to the Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 4.1 to the Company s Quarterly Report on 10-Q previously filed on December 15, 2000 with the Commission (Filed No. 000-21393) and incorporated herein by reference).
3.3	Amended and Restated By-laws of the Company (filed as Exhibit 3.1 to the Company s Current Report on Form 8-K previously filed on July 17, 2013 with the Commission (File No. 000-21393) and incorporated herein by reference).

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Exhibit No.	Description
4.1	Specimen certificate representing the Common Stock (filed as Exhibit 4.1 to the Company s Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).
10.1	Amended and Restated 2011 Compensation and Incentive Plan (filed as Appendix A to the Company s Proxy Statement on Schedule 14A previously filed May 23, 2013 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.2	Form of Restricted Stock Unit Agreement pursuant to the Company s 2011 Compensation and Incentive Plan (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K previously filed July 20, 2011 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.3	Form of Incentive Stock Option Agreement pursuant to the Company s 2011 Compensation and Incentive Plan (filed as Exhibit 10.5 to the Company s Quarterly Report on Form 10-Q previously filed December 5, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.4	Form of Deferred Stock Unit Award Grant Notice pursuant to the Company s 2011 Compensation and Incentive Plan (filed as Exhibit 10.6 to the Company s Quarterly Report on Form 10-Q previously filed December 5, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.5	Form of Non-Qualified Stock Option Agreement for Employees pursuant to the Company s 2011 Compensation and Incentive Plan (filed as Exhibit 10.7 to the Company s Quarterly Report on Form 10-Q previously filed December 5, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.6	Form of Restricted Stock Unit Agreement for Non-Employee Directors pursuant to the Company s 2011 Compensation and Incentive Plan (filed as Exhibit 10.3 to the Company s Annual Report on Form 10-K previously filed on April 4, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.7	Amended and Restated 2005 Equity Compensation and Incentive Plan (filed as Appendix A to the Company s Proxy Statement on Schedule 14A previously filed May 25, 2007 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.8	Form of Restricted Stock Unit Agreement pursuant to the Company s 2005 Equity Compensation and Incentive Plan (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K previously filed December 14, 2005 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.9	Form of Incentive Stock Option Agreement pursuant to the Company s 2005 Equity Compensation and Incentive Plan (filed as Exhibit 10.3 to the Company s Annual Report on Form 10-K previously filed on April 17, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.10	Form of Non-Qualified Stock Option Agreement pursuant to the Company s 2005 Equity Compensation and Incentive Plan (filed as Exhibit 10.4 to the Company s Annual Report on Form 10-K previously filed on April 17, 2006 with the Commission (File No. 000-21393) and incorporated herein by reference).

10.11	Amended and Restated 1995 Stock Option Plan (filed as Annex B to the Company s Proxy Statement on Form 14a previously filed on May 31, 2001 with the Commission (File No. 000-21393) and incorporated herein by reference).

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Exhibit No.	Description
10.12	Form of Incentive Stock Option Agreement pursuant to SeaChange s Amended and Restated 1995 Stock Option Plan (filed as Exhibit 99.1 to the Company s Current Report on Form 8-K filed on October 6, 2004 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.13	Form of Non-Qualified Stock Option Agreement pursuant to SeaChange s Amended and Restated 1995 Stock Option Plan (filed as Exhibit 99.2 to the Company s Current Report on Form 8-K filed on October 6, 2004 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.14	1996 Non-Employee Director Stock Option Plan (filed as Exhibit 10.2 to the Company s Registration Statement on Form S-1 previously filed on November 4, 1996 with the Commission (File No. 333-12233) and incorporated herein by reference).
10.15	Line of Credit Agreement, dated as of November 28, 2012, by and among SeaChange International, Inc. and JP Morgan Chase Bank, N.A. (filed as Exhibit 10.2 to the Company s Quarterly Report on Form 10-Q previously filed on December 7, 2012 (File No. 000-21393) and incorporated herein by reference).
10.16	Change-in-Control Severance Agreement, dated as of April 30, 2012, by and between SeaChange International, Inc. and Raghu Rau (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K filed on May 1, 2012 (File No. 000-21393) and incorporated herein by reference).
10.17	Change-in-Control Severance Agreement, dated as of February 26, 2013, by and between SeaChange International, Inc. and David McEvoy (filed as Exhibit 10.13 to the Company s Annual Report on Form 10-K filed on April 10, 2013 (File No. 000-21393) and incorporated herein by reference).
10.18	Change-in-Control Severance Agreement, dated as of February 26, 2013, by and between SeaChange International, Inc. and Anthony Dias (filed as Exhibit 10.14 to the Company s Annual Report on Form 10-K filed on April 10, 2013 (File No. 000-21393) and incorporated herein by reference).
10.19	Form of Indemnification Agreement (filed as Exhibit 10.15 to the Company s Annual Report on Form 10-K filed on April 10, 2013 (File No. 000-21393) and incorporated herein by reference).
10.20	Separation Agreement and Release of Claims, dated as of October 20, 2014, by and between the Company and Raghu Rau (filed as Exhibit 10.1 to the Company s Current Report on Form 8-K previously filed October 22, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.21	Change-in-Control Severance Agreement, dated as of October 20, 2014, by and between the Company and Jay A. Samit (filed as Exhibit 10.2 to the Company s Current Report on Form 8-K previously filed October 22, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
10.22	Indemnification Agreement, dated as of October 20, 2014, by and between the Company and Jay A. Samit (filed as Exhibit 10.3 to the Company s Current Report on Form 8-K previously filed October 22, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).

10.23	Offer Letter, dated as of October 20, 2014, by and between the Company and Jay A. Samit (filed as Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q previously filed December 5, 2014 with the Commission (File No. 000-21393) and incorporated herein by reference).
21.1*	List of Subsidiaries of the Registrant.

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Exhibit No.	Description
23.1*	Consent of Grant Thornton LLP.
24.1	Power of Attorney (included on signature page).
31.1*	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification Pursuant to Rule 13a-14(a) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Provided herewith.

Exhibits which are incorporated herein by reference can be inspected and copied at the public reference facilities maintained by the SEC, 450 Fifth Street, Room 1024, N.W., Washington, D.C. 20549. Copies of such material can also be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

(c) Financial Statement Schedules

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

SEACHANGE INTERNATIONAL, INC.

Schedule II Valuation and Qualifying Accounts

For the Fiscal Years Ended January 31, 2015, 2014 and 2013

Description	Balance at beginning of period	Additions		Deductions and write-offs	Balance at end of period
		Charged to costs and	Charged to other		

		expenses	accounts		
		(Amounts in thousands)			
Accounts Receivable Allowance:					
Year ended January 31, 2015	$ 327	$ 80	$	$ (7)	$ 400
Year ended January 31, 2014	$ 946	$ 286	$ 31	$ (936)	$ 327
Year ended January 31, 2013	$ 1,127	$	$ 13	$ (194)	$ 946
Deferred Tax Assets Valuation Allowance:					
Year ended January 31, 2015	$ 20,789	$ 9,580	$	$	$ 30,369
Year ended January 31, 2014	$ 19,965	$ 824	$	$	$ 20,789
Year ended January 31, 2013	$ 12,254	$ 7,711	$	$	$ 19,965

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SIGNATURES

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

SEACHANGE INTERNATIONAL, INC.

Dated: April 7, 2015

By: /s/ JAY A. SAMIT
Jay A. Samit
Chief Executive Officer and Director

POWER OF ATTORNEY AND SIGNATURES

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

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

Signature	Title(s)	Date
/s/ JAY A. SAMIT Jay A. Samit	Chief Executive Officer, Director (Principal Executive Officer)	April 7, 2015
/s/ ANTHONY C. DIAS Anthony C. Dias	Chief Financial Officer, Senior Vice President, Finance and Administration and Treasurer (Principal Financial and Accounting Officer)	April 7, 2015
/s/ MARY PALERMO COTTON Mary Palermo Cotton	Director	April 7, 2015
/s/ STEVE CRADDOCK Steve Craddock	Director	April 7, 2015
/s/ THOMAS F. OLSON Thomas F. Olson	Director	April 7, 2015
/s/ EDWARD TERINO	Director	April 7, 2015

Edward Terino

/s/ CARMINE VONA	Director	April 7, 2015
Carmine Vona		
/s/ ED WILSON	Director	April 7, 2015
Ed Wilson		