

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 31, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 0-21393

SEACHANGE INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

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

124 Acton Street, Maynard, MA 01754
(Address of principal executive offices, including zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

YES NO

The number of shares outstanding of the registrant's Common Stock on September 11, 2000 was 21,818,810.

SEACHANGE INTERNATIONAL, INC.

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Item 1. Financial Statements

SeaChange International, Inc.
Consolidated Balance Sheet
(in thousands, except share-related data)

<TABLE>
<CAPTION>

	July 31, 2000 ----- <C>	December 31, 1999 ----- <C>	January 31, 2000 ----- <C>	April 30, 2000 ----- <C>
<S>				
Assets				
Current assets				
Cash and cash equivalents	\$11,899	\$11,318	\$ 2,721	\$ 1,042
Accounts receivable, net of allowance for doubtful accounts of \$641 at July 31, 2000, \$908 at December 31, 1999 and January 31, 2000 and \$821 at April 30, 2000	20,623	17,840	16,756	16,442
Inventories	22,893	17,128	20,089	22,770
Prepaid expenses and other current assets	3,508	1,568	1,635	2,093
Deferred income taxes	3,399	2,243	3,399	3,400
	-----	-----	-----	-----
Total current assets	62,322	50,097	44,600	45,747
Property and equipment, net	12,817	10,538	10,492	11,517
Other assets	891	884	869	863
Goodwill and intangibles, net	545	785	751	648
	-----	-----	-----	-----
	\$76,575	\$62,304	\$56,712	\$58,775
	=====	=====	=====	=====
Liabilities and Stockholders' Equity				
Current liabilities				
Current portion of equipment line of credit and obligations under capital lease	\$ 2,078	\$ 1,048	\$ 1,045	\$ 1,716
Accounts payable	13,766	15,038	10,451	10,588
Accrued expenses	1,939	3,499	2,776	1,900
Customer deposits	4,820	2,092	2,428	2,287
Deferred revenue	6,574	4,380	6,292	6,339
Income taxes payable	671	675	625	457
	-----	-----	-----	-----
Total current liabilities	29,848	26,732	23,617	23,287
	-----	-----	-----	-----
Long-term equipment line of credit and obligations under capital lease	2,600	1,231	1,144	2,160
	-----	-----	-----	-----
Commitments and Contingencies (Note 8)				
Stockholders' Equity				
Common stock, \$.01 par value; 100,000,000 shares authorized; 21,812,317, 21,285,855, 21,300,185 and 21,465,343 shares issued at July 31, 2000, December 31, 1999, January 31, 2000 and April 30, 2000, respectively	218	213	213	214
Additional paid-in capital	47,085	35,634	35,696	36,768
Accumulated deficit	(3,037)	(1,440)	(3,898)	(3,549)
Treasury stock, 60,750 shares	(1)	(1)	(1)	(1)
Accumulated other comprehensive loss	(138)	(65)	(59)	(104)
	-----	-----	-----	-----
Total stockholders' equity	44,127	34,341	31,951	33,328
	-----	-----	-----	-----
	\$76,575	\$62,304	\$56,712	\$58,775
	=====	=====	=====	=====

</TABLE>

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

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SeaChange International, Inc.
Consolidated Statement of Operations
(in thousands, except per share data)

<TABLE>
<CAPTION>

	Three months ended		Six months ended		One month ended	
	July 31,	June 30,	July 31,	June 30,	January 31,	April 30,
	2000	1999	2000	1999	2000	2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues						
Systems	\$20,059	\$17,443	\$36,927	\$34,367	\$ 226	\$ 422
Services	5,508	4,231	10,976	8,118	1,484	1,654
	-----	-----	-----	-----	-----	-----
	25,567	21,674	47,903	42,485	1,710	2,076
	-----	-----	-----	-----	-----	-----
Costs of revenues						
Systems	10,928	10,080	20,200	19,953	633	709
Services	4,457	3,633	8,689	7,077	1,445	1,516
	-----	-----	-----	-----	-----	-----
	15,385	13,713	28,889	27,030	2,078	2,225
	-----	-----	-----	-----	-----	-----
Gross profit (loss)	10,182	7,961	19,014	15,455	(368)	(149)
	-----	-----	-----	-----	-----	-----
Operating expenses						
Research and development	5,002	4,274	9,355	8,394	1,764	1,632
Selling and marketing	2,625	2,031	5,115	4,027	1,034	1,302
General and administrative	1,799	1,360	3,302	2,748	457	536
	-----	-----	-----	-----	-----	-----
	9,426	7,665	17,772	15,169	3,255	3,470
	-----	-----	-----	-----	-----	-----
Income (loss) from operations	756	296	1,242	286	(3,623)	(3,619)
Interest income (expense), net	(1)	8	24	19	9	7
	-----	-----	-----	-----	-----	-----
Income (loss) before income taxes	755	304	1,266	305	(3,614)	(3,612)
Provision (benefit) for income taxes	243	(96)	405	(63)	(1,156)	(1,157)
	-----	-----	-----	-----	-----	-----
Net income (loss)	\$ 512	\$ 400	\$ 861	\$ 368	\$ (2,458)	\$ (2,455)
	=====	=====	=====	=====	=====	=====
Basic and diluted earnings (loss) per share	\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.02	\$ (0.12)	\$ (0.11)
	=====	=====	=====	=====	=====	=====
Shares used in calculating:						
Basic earnings per share	21,759	20,806	21,570	20,739	21,269	21,434
	=====	=====	=====	=====	=====	=====
Diluted earnings per share	23,306	21,494	23,138	21,293	21,269	21,434
	=====	=====	=====	=====	=====	=====

</TABLE>

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

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SeaChange International, Inc.
Consolidated Statement of Cash Flows
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (IN THOUSANDS)

<TABLE>
<CAPTION>

month ended	For the six months ended		For the one
	July 31,	June 30,	January 31,
-----	-----	-----	-----
April 30,	-----	-----	-----
-----	-----	-----	-----

<S>	<C>	<C>	<C>
<C>	2000	1999	2000
2000			
-----	-----	-----	-----
Cash flows from operating activities			
Net income (loss)	\$ 861	\$ 368	\$ (2,458)
\$(2,455)			
Adjustments to reconcile net income (loss)			
to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,267	2,045	355
391			
Inventory valuation allowance	92	288	--
--			
Deferred income taxes	--	--	(1,156)
(1,157)			
Changes in operating assets and liabilities:			
Accounts receivable	(3,867)	696	1,084
4,429			
Inventories	(2,446)	1,076	(2,961)
(2,360)			
Prepaid expenses and other assets	(1,974)	(298)	(46)
123			
Accounts payable	3,314	420	(4,587)
(3,972)			
Accrued expenses	(836)	(275)	(723)
(329)			
Customer deposits	2,392	1,108	336
14			
Deferred revenue	282	1,696	1,912
(703)			
Income taxes payable	141	(117)	(50)
(50)			
-----	-----	-----	-----
Net cash provided by (used in) operating activities	226	7,007	(8,294)
(6,069)			
-----	-----	-----	-----
Cash flows from investing activities			
Purchases of property and equipment	(4,836)	(775)	(275)
(535)			
-----	-----	-----	-----
Net cash used in investing activities	(4,836)	(775)	(275)
(535)			
-----	-----	-----	-----
Cash flows from financing activities			
Proceeds from borrowings under equipment line of credit	3,240	1,106	--
--			
Repayments under line of credit and equipment line of credit	(625)	(2,245)	(72)
(127)			
Repayments of obligation under capital lease	(126)	(31)	(18)
(15)			
Proceeds from issuance of common stock	11,299	810	62
386			
-----	-----	-----	-----
Net cash provided by (used in) financing activities	13,788	(360)	(28)
244			
-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	9,178	5,872	(8,597)
(6,360)			
Cash and cash equivalents, beginning of period	2,721	5,442	11,318
7,402			
-----	-----	-----	-----
Cash and cash equivalents, end of period	\$11,899	\$11,314	\$ 2,721
\$ 1,042	=====	=====	=====
-----	-----	-----	-----
Supplemental disclosure of cash flow information:			
Income taxes paid	\$ 314	\$ 28	\$ --
\$ --			

Interest paid	\$ 147	\$ 64	\$ 19
\$ 18			
Supplemental disclosure of noncash activity:			
Transfer of items originally classified as inventories to fixed assets	\$ --	\$ 2,154	\$ --
\$ --			
Transfer of items originally classified as fixed assets to inventories	\$ 450	\$ 109	\$ --
\$ 77			
Equipment acquired under capital leases	\$ --	\$ 336	\$ --
\$ --			

</TABLE>

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

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SEACHANGE INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED; IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of SeaChange International, Inc. and its subsidiaries. The Company believes that the unaudited consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments), necessary for a fair statement of the Company's financial position, results of operations and cash flows at the dates and for the periods indicated. The results of operations for the three and six month periods ended July 31, 2000 are not necessarily indicative of results expected for the full fiscal year or any other future periods. The unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 1999, included in the Company's Annual Report on Form 10-K for such fiscal year.

2. REVENUE RECOGNITION

Revenues from sales of systems are recognized upon shipment provided title and risk of loss has passed to the customer, there is evidence of an arrangement, fees are fixed or determinable and collection of the related receivable is probable. Installation and training revenue is deferred and recognized as these services are performed. Revenue from technical support and maintenance contracts is deferred and recognized ratably over the period of the related agreements, generally twelve months. Customers are billed for installation, training and maintenance at the time of the product sale. Revenue from content fees, primarily movies, is recognized in the period earned based on noncancelable agreements.

3. EARNINGS PER SHARE

For the one month ended January 31, 2000 and April 30, 2000, common shares of 1,674,000 and 1,578,000, respectively, issuable upon the exercise of stock options, are antidilutive because the Company recorded a net loss for the period, and therefore, have been excluded from the diluted earnings per share computation.

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

ENDED	THREE MONTHS ENDED		SIX MONTHS ENDED		ONE MONTH
	JULY 31,	JUNE 30,	JULY 31,	JUNE 30,	JANUARY 31,
APRIL 30,					
-----	-----	-----	-----	-----	-----
2000	2000	1999	2000	1999	2000
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
<C>					
Weighted average shares used in calculating earnings per share- Basic.....	21,759,000	20,806,000	21,570,000	20,739,000	21,269,000
21,434,000					
Dilutive stock options.....	1,547,000	688,000	1,568,000	554,000	--

Weighted average shares used in calculating earnings per share- Diluted.....	23,306,000	21,494,000	23,138,000	21,293,000	21,269,000
21,434,000					

</TABLE>

SEACHANGE INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited; in thousands, except share and per share data)

4. INVENTORIES

<TABLE>

<CAPTION>

	JULY 31, 2000	DECEMBER 31, 1999	JANUARY 31, 2000	APRIL 30, 2000
Components and assemblies	\$18,787	\$14,739	\$17,602	\$19,679
Finished products	4,106	2,389	2,487	3,091
	\$22,893	\$17,128	\$20,089	\$22,770

</TABLE>

5. COMPREHENSIVE INCOME (LOSS)

For the three months and six months ended July 31, 2000 and June 30, 1999 and the months ended January 31, 2000 and April 30, 2000, the Company's comprehensive income (loss) was as follows:

<TABLE>

<CAPTION>

	THREE MONTHS ENDED		SIX MONTHS ENDED		ONE MONTH ENDED	
	JULY 31,	JUNE 30,	JULY 31,	JUNE 30,	JANUARY 31,	APRIL 30,
	2000	1999	2000	1999	2000	2000
Net income (loss)	\$ 512	\$ 400	\$ 861	\$ 368	\$ (2,458)	
Other comprehensive income (expense), net of tax:						
Foreign currency translation adjustment, net of tax of (\$11), (\$5), (\$25), \$2, \$--, and \$--, respectively	(23)	(7)	(54)	3	6	
Other comprehensive income (expense)	(23)	(7)	(54)	3	6	
Comprehensive income (loss)	\$ 489	\$ 393	\$ 807	\$ 371	\$ (2,452)	

</TABLE>

6. NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, collectively referred to as derivatives, and for hedging activities. The Company will adopt SFAS 133 as required by SFAS 137, "Deferral of the Effective Date of FASB Statement No. 133," in fiscal year 2002. To date the Company has not utilized derivative instruments or hedging activities and, therefore, the

adoption of SFAS 133 is not expected to have a material impact on the Company's financial position or results of operations.

SEACHANGE INTERNATIONAL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited; in thousands, except share and per share data)

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes the SEC's view in applying generally accepted accounting principles to selected revenue recognition issues. The application of the guidance in SAB 101 will be required in the Company's fourth quarter of its current fiscal year. The effects of applying this guidance, if any, will be reported as a cumulative effect adjustment resulting in a change in accounting principle. The Company's evaluation of SAB 101 is not yet complete.

7. SEGMENT INFORMATION

The Company has three reportable segments: broadband systems, broadcast systems and services. The broadband systems segment provides products to digitally manage, store and distribute digital video for television operators and telecommunications companies. The broadcast systems segment provides products for the storage, archival, on-air playback of advertising and other video programming for the broadcast television industry. The service segment provides installation, training, product maintenance and technical support for all of the above systems and content which is distributed by the broadband product segment. The Company does not measure the assets allocated to the segments. The Company measures results of the segments based on the respective gross profits. There were no inter-segment sales or transfers. Long-lived assets are principally located in the United States. The Company has changed its reportable segments from the prior quarter and prior year-end and has reclassified prior period amounts to conform to these current segments. The following summarizes the revenues and cost of revenues by reportable segment:

<TABLE>
 <CAPTION>

	THREE MONTHS ENDED		SIX MONTHS ENDED		ONE MONTH ENDED	
	JULY 31, 2000	JUNE 30, 1999	JULY 31, 2000	JUNE 30, 1999	JANUARY 31, 2000	APRIL 2000
Revenues						
414 Broadband	\$14,072	\$13,248	\$27,663	\$27,041	\$ 190	\$
8 Broadcast	5,987	4,195	9,264	7,326	36	
1,654 Services	5,508	4,231	10,976	8,118	1,484	
Total	\$25,567	\$21,674	\$47,903	\$42,485	\$1,710	
Costs of revenues						
709 Broadband	\$ 7,698	\$ 7,942	\$15,132	\$15,980	\$ 503	\$
Broadcast	3,230	2,138	5,068	3,973	130	
1,516 Services	4,457	3,633	8,689	7,077	1,445	
Total	\$15,385	\$13,713	\$28,889	\$27,030	\$2,078	

The following summarizes revenues by geographic locations:

Revenues					
United States	\$21,710	\$15,777	\$41,227	\$33,275	\$ 1,398

\$1,851						
Canada and South America	414	1,493	1,793	2,349	44	
75						
Europe	990	3,367	2,259	4,990	234	
108						
Asian Pacific and rest						
of world	2,453	1,037	2,624	1,871	34	
42						
	-----	-----	-----	-----	-----	---

	\$25,567	\$21,674	\$47,903	\$42,485	\$ 1,710	
\$2,076	-----	-----	-----	-----	-----	---

</TABLE>

For the three and six months ended July 31, 2000 and June 30, 1999 certain customers accounted for more than 10% of the company's revenue. Individual customers accounted for 17% and 10% of revenues in the three months ended July 31, 2000; 27% and

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SEACHANGE INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited; in thousands, except share and per share data)

10% of revenues in the three months ended June 30, 1999; 13%, 12%, 12% and 11% in the six months ended July 31, 2000; and 22% and 13% in the six months ended June 30, 1999.

8. LEGAL PROCEEDINGS

One of the Company's customers is subject to a lawsuit in Civil Action No. 00-CV-195, pending in the federal courts in the Eastern District of Virginia, whereby a third party has made a claim of patent infringement against the Company's customer, which claim is believed to relate at least in part to such customer's use of the Company's products. There are no direct allegations pending against the Company in connection with this matter. On Friday, May 19, 2000 the Company filed a motion seeking to intervene in the action between its customer and the third party, and to transfer the case to the District Court of Massachusetts. On June 23, 2000, the Court granted the Company's intervention motion and deferred ruling on the issue of transfer until at least the end of September 2000. Also on June 23, 2000, the Company filed its Intervenor Complaint in the action seeking, among other things, a declaratory judgment of non-infringement, invalidity and unenforceability regarding U.S. Patents Nos. 4,814,883 and 5,200,825. In addition, the Company has agreed to indemnify its customer for claims brought against the customer that are related to the customer's use of the Company's products.

On June 13, 2000, the Company filed a lawsuit against one of its competitors, nCube Corp., for patent infringement. The lawsuit alleges that nCube, with the advent of its MediaCube-4 video server, infringes the Company's patented and highly strategic MediaCluster technology. The lawsuit is scheduled to go to trial in late September 2000.

On June 14, 1999, the Company filed a complaint against an investment banker, an investment bank and a competitor that alleges that the competitor conspired with the investment bankers to injure the business and reputation of the Company in the marketplace and to drive down the price of the Company's stock to benefit them. In addition, the complaint alleges that the competitor, through its employees, provided the investment bankers with inside information to further these efforts. On June 14, 2000, one of the defendants in this suit filed a counterclaim under seal against the Company seeking unspecified damages.

The Company cannot be certain of the outcome of the foregoing litigation, but does plan to oppose the allegations against it and assert its claims against other parties vigorously.

9. FISCAL YEAR CHANGE

In April 2000, the Company's Board of Directors voted to change the Company's fiscal accounting year from December 31 to January 31, such that the Company's current fiscal year began on February 1, 2000 and will end on January 31, 2001. The following unaudited condensed consolidated financial data summarizes the operating results and selected balance sheet information of the Company for the comparable three and six month periods ended July 31, 1999 and the one month transition periods ended January 31, 1999 and April 30, 1999 (in thousands, except per share data):

SEACHANGE INTERNATIONAL, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (unaudited; in thousands, except share and per share data)

<TABLE>
 <CAPTION>

MONTH ENDED	THREE MONTHS	SIX MONTHS	MONTH	
	ENDED JULY 31, 1999	ENDED JULY 31, 1999	ENDED JANUARY 31, 1999	APRIL
30, 1999				
<S>	<C>	<C>	<C>	<C>
Revenues	\$22,628	\$43,917	\$ 1,908	
\$ 2,387				
Gross profit	8,134	15,927	189	
488				
Operating expenses	7,419	15,183	2,293	
2,552				
Income (loss) from operations	715	744	(2,104)	
(2,064)				
Income (loss) before taxes	717	751	(2,095)	
(2,061)				
Net income (loss)	813	814	(1,404)	
(1,402)				
Basic earnings (loss) per common share	\$ 0.04	\$0.04	\$ (0.07)	
\$(0.07)				
Diluted earnings (loss) per common	\$ 0.04	\$0.04	\$ (0.07)	
\$(0.07)				
share				
Weighted average common shares	20,933	20,793	20,901	
21,001				
outstanding- basic				
Weighted average common shares	22,014	21,736	20,901	
21,001				
outstanding- diluted				
Working capital	\$21,912	\$21,912	\$20,816	
\$20,913				
Total assets	52,579	52,579	48,237	
50,082				
Deferred revenue	5,194	5,194	4,976	
4,888				
Long-term liabilities	1,664	1,664	981	
841				
Total liabilities	21,692	21,692	18,937	
20,603				
Total stockholders' equity	30,887	30,887	29,300	
29,479				

</TABLE>

10. MICROSOFT INVESTMENT

On May 23, 2000, the Company and Microsoft Corporation entered into an agreement to collaborate on extending Microsoft Windows Media Technologies from Broadband Internet delivery to cable and broadcast television systems. As part of the agreement, Microsoft purchased 277,162 shares of the Company's common stock for \$10 million. In addition, Microsoft has agreed to purchase additional shares of the Company's common stock based upon the achievement of mutually agreed upon development milestones.

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

FACTORS THAT MAY AFFECT FUTURE RESULTS

Any statements contained in this Form 10-Q that do not describe historical facts, including without limitation statements concerning expected revenues, earnings, product introductions and general market conditions, may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any such forward-looking statements contained herein are based on current expectations, but are subject to a number of risks and uncertainties that may cause actual results to differ materially from expectations. The factors that could cause actual future results to differ materially from current expectations include the following: the Company's ability to integrate the operations of acquired subsidiaries; fluctuations in demand for the Company's products and services; the Company's ability to manage its growth; the Company's ability to develop, market and introduce new and

enhanced products and services on a timely basis; the rapid technological change which characterizes the Company's markets; the Company's significant concentration of customers; the Company's dependence on certain sole source suppliers and third-party manufacturers; the risks associated with international sales as the Company expands its markets; and the ability of the Company to compete successfully in the future. Further information on factors that could cause actual results to differ from those anticipated is detailed in various filings made by the Company from time to time with the Securities and Exchange Commission, including but not limited to, those appearing under the caption "Certain Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 1999. Any forward-looking statements should be considered in light of those factors.

OVERVIEW

The Company develops, markets, licenses and sells broadband and broadcast systems and related services and movie content to television operators, telecommunications companies and broadcast television companies. Revenues from systems sales are recognized upon shipment provided title and risk of loss has passed to the customer, there is evidence of an arrangement, fees are fixed or determinable and collection of the related receivables is probable. Installation and training revenue is deferred and recognized as these services are performed. Revenue from technical support and maintenance contracts is deferred and recognized ratably over the period of the related agreements, generally twelve months. Customers are billed for installation, training and maintenance at the time of the product sale. Revenue from content fees, primarily movies, is recognized in the period earned based on noncancelable agreements.

The Company has experienced fluctuations in the number of orders being placed from quarter to quarter. The Company believes this is principally attributable to the buying patterns and budgeting cycles of television operators and broadcast companies, the primary buyers of digital advertising insertion systems and broadcast systems, respectively. The Company expects that there will continue to be fluctuations in the number and value of orders received and that at least in the near future, the Company's revenue and results of operations will reflect these fluctuations.

The Company's results are significantly influenced by a number of factors, including the Company's pricing, the costs of materials used in the Company's products and the expansion of the Company's operations. The Company prices its products and services based upon its costs as well as in consideration of the prices of competitive products and services in the marketplace. The costs of the Company's products primarily consist of the costs of components and subassemblies that have generally declined over time. As a result of the growth of the Company's business, operating expenses of the Company have increased in the areas of research and development, selling and marketing, customer service and support and administration.

In April 2000, the Company's Board of Directors voted to change the Company's fiscal accounting year from December 31 to January 31, such that the Company's current fiscal year began on February 1, 2000 and will end on January 31, 2001. The Company has not recast the comparable prior year periods as there are no seasonal or other factors that affect the comparability of the periods presented.

Revenues, including both systems and services revenues, for the one month period ended January 31, 2000 were \$1.7 million compared to \$1.9 million for the one month period will end January 31, 1999. In the one month period ended January 31, 2000, the Company's gross margin was a negative \$368,000 compared to a gross margin of \$189,000 in the one month period ended January 31, 1999. The net loss for the one month period ended January 31, 2000 and 1999 were \$2.5 million and \$1.4 million, respectively. For the month ended January 31, 2000, the Company's cash and cash equivalents decreased \$8.6 million primarily due to a net loss for the month of \$2.5 million, an increase in inventory of \$3.0 million as a result of future shipment requirements, a decrease of \$4.6 million in accounts payable due to the timing of vendor payments. These items that used cash from operations were offset in part by a decrease in accounts receivable of \$1.1 million and an increase in deferred revenue of \$1.9 million.

Revenues, including both systems and service revenues, for the one month period ended April 30, 2000 were \$2.1 million compared to \$2.4 million for the one month period ended April 30, 1999. In the one month period ended April 30, 2000, the Company's gross margin was a negative \$149,000 compared to a gross margin of \$488,000 in the one month ended April 30, 1999. The net loss for the one month period ended April 30, 2000 and 1999 were \$2.5 million and \$1.4 million, respectively. For the month ended April 30, 2000, the Company's cash and cash equivalents decreased \$6.1 million primarily due to a net loss for the month of \$2.5 million, an increase in inventory of \$2.4 million as a result of future shipment requirements, a decrease of \$4.0 million in accounts payable due to timing of vendor payments. These items that used cash from operations were offset in part by a decrease in accounts receivable of \$2.4 million.

Revenues

Systems. The Company's systems revenues consist of sales of its digital advertising and interactive television systems (collectively "broadband systems") and broadcast systems. Systems revenues increased 15% from \$17.4 million in the three months ended June 30, 1999 to \$20.1 million in the three months ended July 31, 2000. This increase in systems revenues resulted from an increase of \$800,000 and \$1.8 million in broadband and broadcast systems revenues, respectively.

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For the three-month periods ended July 31, 2000 and June 30, 1999, certain customers accounted for more than 10% of the Company's total revenues. Single customers accounted for 17% and 10% of total revenues in three months ended July 31, 2000 and 27% and 10% of total revenues in the three months ended June 30, 1999. The Company believes that revenues from current and future large customers will continue to represent a significant proportion of total revenues.

International sales accounted for approximately 15% and 27% of total revenues in the three-month periods ended July 31, 2000 and June 30, 1999, respectively. The Company expects that international sales will continue to fluctuate quarter to quarter and will remain a significant portion of the Company's business in the future. As of July 31, 2000, substantially all sales of the Company's products were made in United States dollars. The Company does not expect to change this practice in the foreseeable future. Therefore, the Company has not experienced, nor does it expect to experience in the near term, any material impact from fluctuations in foreign currency exchange rates on its results of operations or liquidity. If this practice changes in the future, the Company will reevaluate its foreign currency exchange rate risk.

Services. The Company's services revenues consist of fees for installation, training, product maintenance, technical support services and movie content. The Company's services revenues increased over 30% to \$5.5 million in three months ended July 31, 2000 from \$4.2 million in the three months ended June 30, 1999. This increase in services revenues primarily resulted from the renewals of maintenance and support contracts, price increases on certain annual maintenance contracts, the impact of a growing installed base of systems and a higher level of technical support contracts.

GROSS PROFIT

Systems. Costs of systems revenues consist primarily of the cost of purchased components and subassemblies, labor and overhead relating to the final assembly and testing of complete systems and related expenses. Costs of systems revenues increased 8% from \$10.1 million in the three months ended June 30, 1999 to \$10.9 million in the three months ended July 31, 2000. In the three months ended July 31, 2000, the increase in costs of systems revenues reflects higher systems revenue.

Systems gross profit as a percentage of systems revenues was 46% and 42% in the three months ended July 31, 2000 and June 30, 1999, respectively. The increase in systems gross profit in the three month ended July 31, 2000 was primarily due to lower material and other manufacturing costs as a percentage of systems revenue. The gross profits in the three months ended July 31, 2000 were impacted by an increase of approximately \$92,000 in the Company's inventory valuation allowance. The Company evaluates inventory levels and expected usage on a periodic basis and provides a valuation allowance for estimated inactive, obsolete and surplus inventory.

Services. Costs of services revenues consist primarily of labor, materials and overhead relating to the installation, training, product maintenance and technical support services provided by the Company and costs associated with providing movie content. Costs of services revenues increased 23% from \$3.6 million in the three months ended June 30, 1999 to \$4.5 million in the three months ended July 31, 2000, primarily as a result of increased revenues and the costs associated with the Company hiring and training additional service personnel to provide worldwide support for the growing installed base of broadband and broadcast systems and costs associated with providing movie content. Services gross profit as a percentage of services revenue was 19% in the three months ended July 31, 2000 and 14% in the three months ended June 30, 1999. Improvements in the services gross profit in the three months ended July 31, 2000 reflect the increase in the installed base of systems under service contracts, higher volume of technical support contracts and price increases on certain annual maintenance contracts. The Company expects that it will continue to experience fluctuations in gross profit as a percentage of services revenue as a result of the timing of revenues from product and maintenance support and other services to support the growing installed base of systems and the timing of costs associated with the Company's ongoing investment required to build a service organization to support the installed base of systems and new products.

RESEARCH AND DEVELOPMENT. Research and development expenses consist primarily

of compensation of development personnel, depreciation of equipment and an allocation of related facilities expenses. Research and development expenses increased 17% from \$4.3 million in the three months ended June 30, 1999 to \$5.0 million in the three months ended July 31, 2000. The increase in the dollar amount in the three months ended July 31, 2000 was primarily attributable to the hiring and contracting of additional development personnel which reflects the Company's continuing investment in the development of new technology. All internal software development costs to date have been expensed by the Company. The Company expects that research and development expenses will continue to increase in dollar amount as the Company continues to focus on the development of new technology and support of new and existing products.

SELLING AND MARKETING. Selling and marketing expenses consist primarily of compensation expenses, including sales commissions, travel expenses and certain promotional expenses. Selling and marketing expenses increased 29% to \$2.6 million

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in the three months ended July 31, 2000 from \$2.0 million in the three months ended June 30, 1999. The increase was primarily due to the hiring of additional sales personnel for the Company's product segments and higher marketing costs.

GENERAL AND ADMINISTRATIVE. General and administrative expenses consist primarily of compensation of executive, finance, human resource and administrative personnel, legal and accounting services and an allocation of related facilities expenses. General and administrative expenses increased 32% from \$1.4 million in the three-month period ended June 30, 1999 to \$1.8 million in the three-month period ended July 31, 2000. This increase is primarily due to increased legal expenses associated with various litigation matters.

INTEREST INCOME, NET. Interest income/(expense), net was approximately (\$1,000) and \$8,000 in the three months ended July 31, 2000 and June 30, 1999, respectively. The decrease in interest income, net in the three months ended July 31, 2000 primarily resulted from interest expense on borrowings.

PROVISION FOR INCOME TAXES. The Company's effective tax provision rate was 32% in the three months ended July 31, 2000. The Company's effective tax benefit rate was 31.5% in the three months ended June 30, 1999 due to the utilization of operating tax loss carryforwards associated with the acquisition of Digital Video Arts, Ltd. in 1999 which was accounted for as a pooling of interests.

The Company had net deferred tax assets of \$2,243,000 at July 31, 2000 and December 31, 1999. The Company has made the determination it is more likely than not that it will realize the benefits of the net deferred tax assets.

SIX MONTHS ENDED JULY 31, 2000 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 1999

REVENUES

Systems. Systems revenues increased 7% from \$34.4 million in the six months ended June 30, 1999 to \$36.9 million in the six months ended July 31, 2000. This increased systems revenues resulted primarily from increased broadcast and broadband revenue of \$1.9 million and \$0.6 million, respectively.

For the six months ended July 31, 2000 and June 30, 1999, certain customers accounted for more than 10% of the Company's total revenues. Individual customers accounted for 13%, 12%, 12% and 11% of revenues for the six months ended July 31, 2000 and 22% and 13% of revenues in the six months ended June 30, 1999. The Company believes that revenues from current and future large customers will continue to represent a significant portion of total revenues.

International sales accounted for approximately 14% and 22% of total revenues for the six months ended July 31, 2000 and June 30, 1999, respectively. The Company expects that international sales will continue to fluctuate quarter to quarter and will remain a significant portion of revenues of the Company in the future. As of July 31, 2000, substantially all sales of the Company's products were made in United States dollars. The Company does not expect any material change to this practice in the foreseeable future. Therefore, the Company has not experienced, nor does it expect to experience in the near term, any material impact from fluctuations in foreign currency exchange rates on its results of operations or liquidity. If this practice changes in the future, the Company will reevaluate its foreign currency exchange rate risk.

Services. The Company's services revenues increased over 35% from approximately \$8.1 million in the six months ended June 30, 1999 to \$11.0 million in the six months ended July 31, 2000. These increases in services revenues resulted primarily from increased systems revenues, renewals of maintenance and support contracts, the impact of a growing installed base

of systems and a higher level of technical support contracts.

GROSS PROFIT

Systems. Costs of systems revenues increased 1% from \$20.0 million in the six months ended June 30, 1999 to \$20.2 million in the six months ended July 31, 2000. For the six months ended July 31, 2000, the increase in cost of systems revenues primarily reflects increased material and manufacturing labor and overhead costs incurred to support increases in systems revenue and changes in the product mix, including the introduction of the broadcast products.

Systems gross profit as a percentage of systems revenues was 45% and 42% in the six months ended July 31, 2000 and June 30, 1999, respectively. The increase in systems gross profit in 2000 was primarily due to higher systems revenue and lower material and manufacturing costs as a percentage of systems revenues. The gross profits in the six months ended July 31, 2000 and June 30, 1999 were impacted by increases of approximately \$92,000 and \$288,000, respectively, in the Company's inventory valuation allowance. The Company evaluates inventory levels and expected usage on a periodic basis and provides a valuation allowance for estimated inactive, obsolete and surplus inventory.

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Services. Costs of services revenues increased nearly 23% from approximately \$7.1 million in the six months ended June 30, 1999 to \$8.7 million in the six months ended July 31, 2000, primarily as a result of the costs associated with the Company hiring and training additional service personnel to provide worldwide support for the growing installed base of broadband and broadcast systems and costs associated with providing movie content. Services gross profit as a percentage of services revenue increased to 21% in the six months ended July 31, 2000 compared to a gross profit margin of 13% in the six months ended June 30, 1999. The Company expects that it will continue to experience fluctuations in gross profit as a percentage of services revenue as a result of the timing of revenues from product and maintenance support and other services to support the growing installed base of systems and the timing of costs associated with the Company's ongoing investment required to build a service organization to support the installed base of systems and new products.

RESEARCH AND DEVELOPMENT. Research and development expenses increased 11% from approximately \$8.4 million, or 20% of total revenues in the six months ended June 30, 1999 to \$9.4 million, or 20% of total revenues in the six months ended July 31, 2000. The increase in the dollar amount was primarily attributable to the hiring and contracting of additional development personnel which reflects the Company's continuing investment in the development of new technology. The Company expects that research and development expenses will continue to increase in dollar amount as the Company continues to focus on the development of new technology and support of new and existing products.

SELLING AND MARKETING. Selling and marketing expenses increased 27% from \$4.0 million, or 9% of total revenues, in the six months ended June 30, 1999, to \$5.1 million or 11% of total revenues in the six months ended July 31, 2000, respectively. This increase is primarily due to the hiring of additional sales personnel for the Company's broadcast and interactive television products and higher marketing expenses.

GENERAL AND ADMINISTRATIVE. General and administrative expenses increased 20% from \$2.7 million, or 6% of total revenues in the six months ended June 30, 1999 to \$3.3 million, or 7% of total revenues in the six months ended July 31, 2000. This increase is primarily due to increased legal expenses associated with various litigation matters.

INTEREST INCOME, NET. Interest income, net, was approximately \$24,000 and \$19,000 in the six months ended July 31, 2000 and June 30, 1999, respectively. The increase in 2000 in interest income, net, primarily resulted from interest earned on invested balances.

PROVISION (BENEFIT) FOR INCOME TAXES. The Company's effective tax provision rate was 32% in the six months ended July 31, 2000. The Company's effective tax benefit rate was 20.6% in the six months ended June 30, 1999 due to the utilization of operating tax loss carryforwards associated with the acquisition of Digital Video Arts, Ltd. in 1999 which was accounted for as a pooling of interests.

The Company had net deferred tax assets of \$2,243,000 at July 31, 2000 and December 31, 1999. The Company has made the determination it is more likely than not that it will realize the benefits of the net deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations and capital expenditures primarily

with the proceeds of the Company's common stock, borrowings and cash flows generated from operations. Cash, cash equivalents and marketable securities increased \$9.2 million from \$2.7 million at January 31, 2000 to \$11.9 million at July 31, 2000. Working capital increased from approximately \$19.8 million at January 31, 2000 to approximately \$31.3 million at July 31, 2000.

Net cash provided by operating activities was approximately \$226,000 and \$7.0 million for the six months ended July 31, 2000 and June 30, 1999, respectively. The net cash provided by operating activities in the six months ended July 31, 2000 was the result of the net income adjusted for non-cash expenses including depreciation and amortization of \$2.3 million and the changes in certain assets and liabilities. The significant net changes in assets and liabilities that provided cash in operations included an increase in accounts payable of \$3.3 million as a result of timing of vendor payments and an increase in customer deposits of \$2.4 million. These items that provided cash from operations were offset by an increase in accounts receivable of \$3.9 million as a result of higher revenues, an increase in inventories of \$2.5 million due to expected future shipments and an increase in prepaid expenses and other assets of \$2.0 million.

Net cash used in investing activities was approximately \$4.8 million and \$800,000 for the six months ended July 31, 2000 and June 30, 1999, respectively. Investment activity consisted primarily of capital expenditures related to construction to expand the current manufacturing facility and the acquisition of computer equipment, office furniture, and other capital equipment required to support the expansion and growth of the business.

Net cash provided by financing activities was approximately \$13.8 million for the six months ended July 31, 2000. Net cash used in financing activities was approximately \$360,000 for the six months ended June 30, 1999. In the six

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months ended July 31, 2000, the cash provided by financing included \$11.3 million received in connection with the issuance of common stock (\$10 million of which was issued to Microsoft Corporation) and \$3.2 million in borrowings under the equipment line of credit. During the same period, cash used in financing activities included approximately \$750,000 in principal payments under the Company's equipment line of credit and capital lease obligations.

In July 2000, the Company renewed its revolving line of credit and equipment line of credit with a bank. The revolving line of credit which expired in March 2000 was extended until March 2001 and borrowings under the facility increased to \$7.5 million. The equipment line of credit which also expired in March 2000 was extended to provide the Company additional equipment financing of \$4.0 million through March 2001. In addition, the Company entered into a \$3 million line of credit facility with the Export-Import Bank of the United States which allows the Company to borrow money based upon eligible foreign customer account balances. This facility also expires in March 2001. Borrowings under all the lines of credit are secured by substantially all of the Company's assets. Loans made under the revolving line of credit would generally bear interest at a rate per annum equal to the LIBOR rate plus 2% (9.05% at July 31, 2000). Loans under the EXIM line of credit bear interest as a rate per annum equal to the Prime rate (9.5% at July 31, 2000). Loans made under the equipment line of credit bear interest at a rate per annum equal to the bank's base rate plus 1.0% (10.5% at July 31, 2000). The loan agreement relating to the lines of credit requires that the Company provide the bank with certain periodic financial reports and comply with certain financial ratios including the maintenance of total liabilities, excluding deferred revenue, to net worth of at least .80 to 1.0. At July 31, 2000 the Company was in compliance with all covenants. As of July 31, 2000, there were no borrowings against either line of credit and borrowings outstanding under the equipment line of credit were \$4.7 million.

The Company believes that existing funds together with available borrowings under the lines of credit and equipment line facility are adequate to satisfy its working capital and capital expenditure requirements for the foreseeable future.

The Company had no material capital expenditure commitments as of July 31, 2000.

Effects of Inflation

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

Recent Accounting Pronouncements.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, collectively referred to as derivatives, and for hedging activities. The Company will

adopt SFAS 133 as required by SFAS 137, "Deferral of the Effective Date of FASB Statement No. 133," in fiscal year 2002. To date the Company has not utilized derivative instruments or hedging activities and, therefore, the adoption of SFAS 133 is not expected to have a material impact on the Company's financial position or results of operations.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes the SEC's view in applying generally accepted accounting principles to selected revenue recognition issues. The application of the guidance in SAB 101 will be required in the Company's fourth quarter of its current fiscal year. The effects of applying this guidance, if any, will be reported as a cumulative effect adjustment resulting in a change in accounting principle. The Company's evaluation of SAB 101 is not yet complete.

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ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The Company faces exposure to financial market risks, including adverse movements in foreign currency exchange rates and changes in interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on the Company's financial results. The Company's primary exposure has been related to local currency revenue and operating expenses in Europe and Asia. Historically, the Company has not hedged specific currency exposures as gains and losses on foreign currency transactions have not been material to date. At July 31, 2000, the Company had \$4,206,000 outstanding related to variable rate U.S. dollar denominated debt. The carrying value of these short-term borrowings approximates fair value due to the short maturities of these instruments. Assuming a hypothetical 10% adverse change in the interest rate, interest expense on these short-term borrowings would increase by \$44,000.

The carrying amounts reflected in the consolidated balance sheet of cash and cash equivalents, trade receivables, and trade payables approximates fair value at July 31, 2000 due to the short maturities of these instruments.

The Company maintains investment portfolio holdings of various issuers, types, and maturities. The Company's cash and marketable securities include cash equivalents, which the Company considers investments to be purchased with original maturities of three months or less given the short maturities and investment grade quality of the portfolio holdings at July 31, 2000, a sharp rise in interest rates should not have a material adverse impact on the fair value of the Company's investment portfolio. As a result, the Company does not currently hedge these interest rate exposures.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

One of the Company's customers is subject to a lawsuit in Civil Action No. 00-CV-195, pending in the federal courts in the Eastern District of Virginia, whereby a third party has made a claim of patent infringement against the Company's customer, which claim is believed to relate at least in part to such customer's use of the Company's products. There are no direct allegations pending against the Company in connection with this matter. On Friday, May 19, 2000 the Company filed a motion seeking to intervene in the action between its customer and the third party, and to transfer the case to the District Court of Massachusetts. On June 23, 2000, the Court granted the Company's intervention motion and deferred ruling on the issue of transfer until at least the end of September 2000. Also on June 23, 2000, the Company filed its Intervenor Complaint in the action seeking, among other things, a declaratory judgment of non-infringement, invalidity and unenforceability regarding U.S. Patents Nos. 4,814,883 and 5,200,825. In addition, the Company has agreed to indemnify its customer for claims brought against the customer that are related to the customer's use of the Company's products.

On June 13, 2000, the Company filed a lawsuit against one of its competitors, nCube Corp., for patent infringement. The lawsuit alleges that nCube, with the advent of its MediaCube-4 video server, infringes the Company's patented and highly strategic MediaCluster technology. The lawsuit is scheduled to go to trial in late September 2000.

On June 14, 1999, the Company filed a complaint against an investment banker, an investment bank and a competitor that alleges that the competitor conspired with the investment bankers to injure the business and reputation of the Company in the marketplace and to drive down the price of the Company's stock to benefit them. In addition, the complaint alleges that the competitor, through its employees, provided the investment bankers with inside information to further these efforts. On June 14, 2000, one of the defendants in this suit filed a counterclaim under seal against the Company seeking unspecified damages.

The Company cannot be certain of the outcome of the foregoing litigation, but does plan to oppose the allegations against it and assert its claims against other parties vigorously.

Item 2. Changes in Securities and Use of Proceeds

On May 23, 2000, the Company sold two hundred seventy-seven thousand one hundred sixty-two (277,162) shares of its Common Stock to Microsoft Corporation in exchange for an aggregate purchase price of \$10,000,004.96. This sale was exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Rule 506 of Regulation D of the rules promulgated by the Securities and Exchange Commission pursuant to the Securities Act as the Company did not make any general solicitation relating to the sale of these shares and Microsoft Corporation represented to the Company that it was an accredited investor, as such term is defined pursuant to Rule 501 of Regulation D of the rules promulgated by the Securities and Exchange Commission pursuant to the Securities Act. The Company intends to use the proceeds from this sale for general working capital purposes.

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

The annual meeting of the security holders of the Company was held on May 24, 2000. Matters considered and acted upon at the meeting included: (i) the election of one (1) member to the Company's Board of Directors, to serve for a three-year term as a Class I Director; (ii) the ratification and approval of the Company's Amended and Restated 1995 Stock Option Plan, including an increase in the number of shares of Common Stock available for issuance thereunder from 2,925,000 to 4,800,000 shares; and (iii) the approval of an amendment of the Company's Amended and Restated Certificate of Incorporation increasing from 50,000,000 to 100,000,000 the number of authorized shares of Common Stock of the Company.

William C. Styslinger, III was elected as the Class I Director of the Company with 18,560,286 shares of Common Stock voted for and 444,823 shares of Common Stock withheld from the election of Mr. Styslinger. In addition, after the annual meeting, the following persons continued to serve as directors of the Company: Martin R. Hoffmann, Paul H. Saunders and Carmine Vona.

With respect to the ratification and approval of the Company's Amended and Restated 1995 Stock Option Plan, including an increase in the number of shares of Common Stock available for issuance thereunder from 2,925,000 to 4,800,000 shares, 9,429,538 shares of Common Stock voted for, 3,604,800 shares of Common Stock voted against, and 5,035 shares of Common Stock abstained from such vote.

With respect to the approval of an amendment of the Company's Amended and Restated Certificate of Incorporation increasing from 50,000,000 to 100,000,000 the number of authorized shares of Common Stock of the Company, 18,140,225 shares of Common Stock voted for, 861,849 shares of Common Stock voted against, and 3,035 shares of Common Stock abstained from such vote.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 10.1 Second Loan Modification Agreement, dated as of July 25, 2000, by and among SeaChange International, Inc., Silicon Valley Bank and Silicon Valley Bank, doing business as Silicon Valley East

Exhibit 10.2 Export-Import Bank Loan and Security Agreement, dated as of July 25, 2000, by and among SeaChange International, Inc., Silicon Valley Bank and Silicon Valley Bank, doing business as Silicon Valley East

Exhibit 10.3 Common Stock Purchase Agreement, dated as of May 23, 2000, by and between SeaChange International, Inc. and Microsoft Corporation

Exhibit 10.4 Registration Rights Agreement, dated as of May 23, 2000, by and between SeaChange International, Inc. and Microsoft Corporation

Exhibit 27: Financial Data Schedule (For SEC Edgar Filing Only; Intentionally Omitted)

(b) Reports on Form 8-K

On April 25, 2000, the Company filed a Form 8-K with the Securities and Exchange Commission with disclosure therein under Item 8 of Form 8-K relating to the change in the Company's fiscal year-end from December 31 to January 31, such that the Company's current fiscal year began on February 1, 2000 and will end on January 31, 2001.

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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.

Dated: September 14, 2000

SEACHANGE INTERNATIONAL, INC.

by: /s/ William L. Fiedler

William L. Fiedler
Vice President, Finance and Administration,
Chief Financial Officer, Secretary and
Treasurer (Principal Financial and
Accounting Officer; Authorized Officer)

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SEACHANGE INTERNATIONAL, INC.
EXHIBIT INDEX

Exhibit Number -----	Description -----	Page ----
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10.4	Registration Rights Agreement, dated as of May 23, 2000, by and between SeaChange International, Inc. and Microsoft Corporation	
27.1	Financial Data Schedule (For SEC Edgar Filing Only; Intentionally Omitted)	
27.2	Financial Data Schedule (For SEC Edgar Filing Only; Intentionally Omitted)	

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SECOND LOAN MODIFICATION AGREEMENT

This Second Loan Modification Agreement is entered into as of July 25, 2000, by and between SEACHANGE INTERNATIONAL, INC., a Delaware corporation with its principal place of business at 124 Acton Street, Maynard, Massachusetts ("Borrower"), and SILICON VALLEY BANK, a California-chartered bank ("Lender"), with its principal place of business at 3003 Tasman Drive, Santa Clara, CA 95054 and with a loan production office located at Wellesley Office Park, 40 William Street, Suite 350, Wellesley, MA 02481, doing business under the name "Silicon Valley East".

1. DESCRIPTION OF EXISTING INDEBTEDNESS. Among other indebtedness which may be

owing by Borrower to Lender, Borrower is indebted to Lender pursuant to, among other documents, a Loan and Security Agreement dated November 10, 1998, as amended by First Loan Modification Agreement dated as of March 27, 2000 (as may be amended, the "Loan Agreement"). Capitalized terms used but not otherwise defined herein shall have the same meaning as in the Loan Agreement.

Hereinafter, all indebtedness owing by Borrower to Lender shall be referred to as the "Indebtedness".

2. DESCRIPTION OF COLLATERAL AND GUARANTIES. Repayment of the Indebtedness is

secured as described in the Loan Agreement (together with any other collateral security granted to Lender, the "Security Documents").

Hereinafter, the Security Documents, together with all other documents evidencing or securing the Indebtedness shall be referred to as the "Existing Loan Documents".

3. DESCRIPTION OF CHANGE IN TERM.

A. Modifications to Loan Agreement.

1. The Loan Agreement shall be amended by deleting the following definitions:

"Approved Foreign Accounts" means Accounts with respect to which the account debtor does not have its principal place of business in the United States, which the Bank approves on a case by case basis.

"Eligible Foreign Accounts" means Accounts with respect to which the account debtor does not have its principal place of business in the United States or Canada and that are: (1) covered by credit insurance in form and amount, and by an insurer satisfactory to Bank less the amount of any deductible(s) which may be or become owing thereon; or (2) supported by one or more letters of credit in an amount and of a tenor, and issued by a financial institution, acceptable to Bank.

2. The Loan Agreement shall be amended by deleting the following definition in Section 1.1:

"Code" means the California Uniform Commercial Code."

and substituting therefor the following:

"Code" means the Uniform Commercial Code, as adopted in Massachusetts, as may be amended from time to time."

3. The Loan Agreement shall be amended by deleting the following definition in Section 1.1:

"Eligible Accounts" means those Accounts that arise in the ordinary course of Borrower's business that comply with all of Borrower's representations and warranties to Bank set forth in Section 5.4. Unless otherwise agreed to by Bank in writing, Eligible Accounts shall not include the following:

(a) Accounts that the account debtor has failed to pay within ninety (90) days of invoice date;

(b) Accounts with respect to an account debtor, fifty percent (50%) of whose Accounts the account debtor has failed to pay within ninety (90) days of invoice date;

(c) Accounts with respect to an account debtor, including Affiliates, whose total obligations to Borrower exceed twenty-five

percent (25%) of all Accounts, to the extent such obligations exceed the aforementioned percentage, except as approved in writing by Bank;

(d) Accounts with respect to which the account debtor does not have its principal place of business in the United States, except for account debtors having their principal place of business in Canada;

(e) Accounts with respect to which the account debtor is a federal, state, or local governmental entity or any department, agency or instrumentality thereof, except for those Accounts of the United States or any department, agency or instrumentality thereof as to which the payee has assigned its rights to payment thereof to Bank and the assignment has been acknowledged, pursuant to the Assignment of Claims Act of 1940, as amended (31 U.S.C. 3727);

(f) Accounts with respect to which Borrower is liable to the account debtor, but only to the extent of any amounts owing to the account debtor (sometimes referred to as "contra" accounts, e.g. accounts payable, customer deposits, credit accounts etc.);

(g) Accounts generated by demonstration or promotional equipment, or with respect to which goods are placed on consignment, guaranteed sale, sale or return, sale on approval, bill and hold, or other terms by reason of which the payment by the account debtor may be conditional;

(h) Accounts with respect to which the account debtor is an Affiliate, officer, employee, or agent of Borrower;

(i) Accounts with respect to which the account debtor disputes liability or makes any claim with respect thereto as to which Bank has reasonably determined, in accordance with its standard commercial practices, that there may be a basis for dispute (but only to the extent of the amount subject to such dispute or claim), or is subject to any Insolvency Proceeding, or becomes insolvent, or goes out of business; and

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(j) Accounts the collection of which Bank reasonably determines in accordance with its standard commercial practices to be doubtful.

and by substituting therefor the following:

"Eligible Accounts" means those Accounts that arise in the ordinary course of Borrower's business that comply with all of Borrower's representations and warranties to Bank set forth in Section 5.4. Unless otherwise agreed to by Bank in writing, Eligible Accounts shall not include the following:

(a) Accounts that the account debtor has failed to pay within ninety (90) days of invoice date;

(b) Accounts with respect to an account debtor, fifty percent (50%) of whose Accounts the account debtor has failed to pay within ninety (90) days of invoice date;

(c) Accounts with respect to an account debtor, including Affiliates, whose total obligations to Borrower exceed thirty-five percent (35%) of all Accounts (forty percent (40.0%) for Time Warner Accounts), which shall be limited to fifteen percent (15.0%) per site (twenty percent (20.0%) for Time Warner Accounts), to the extent such obligations exceed the aforementioned percentage, except as approved in writing by Bank;

(d) Accounts with respect to which the account debtor does not have its principal place of business in the United States;

(e) Accounts with respect to which the account debtor is a federal, state, or local governmental entity or any department, agency, or instrumentality thereof, except for those Accounts of the United States or any department, agency or instrumentality thereof as to which the payee has assigned its rights to payment thereof to Bank and the assignment has been acknowledged, pursuant to the Assignment of Claims Act of 1940, as amended (31 U.S.C. 3727);

(f) Accounts with respect to which Borrower is liable to the account debtor, but only to the extent of any amounts owing to the account debtor (sometimes referred to as "contra" accounts, e.g. accounts payable, customer deposits, credit accounts etc.);

(g) Accounts generated by demonstration or promotional equipment, or with respect to which goods are placed on consignment, guaranteed sale, sale or return, sale on approval, bill and hold, or other terms by reason of which the payment by the account debtor may

be conditional;

(h) Accounts with respect to which the account debtor is an Affiliate, officer, employee, or agent of Borrower;

(i) Accounts with respect to which the account debtor disputes liability or makes any claim with respect thereto as to which Bank believes, in its sole discretion, that there may be a basis for dispute (but only to the extent of the amount subject to such dispute or claim), or is subject to any Insolvency Proceeding, or becomes insolvent, or goes out of business; and

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(j) Accounts the collection of which Bank reasonably determines in accordance with its standard commercial practices to be doubtful.

4. The Loan Agreement shall be amended by deleting the following definition for Maturity Date:

"Maturity Date" means, as applicable, (i) the Revolving Maturity Date with respect to Advances, and (ii) the Equipment Maturity Date No. 1 and the Equipment Maturity Date No. 2, as applicable, with respect to Equipment Advances."

and substituting therefor the following:

"Maturity Date" means, as applicable, (i) the Revolving Maturity Date with respect to Advances, and (ii) the Equipment Maturity Date No. 1, Equipment Maturity Date No. 2, Equipment Maturity Date No. 3, Equipment Maturity Date No. 4, and Equipment Maturity Date No. 5, as applicable, with respect to Equipment Advances."

5. The Loan Agreement shall be amended by deleting the following definition for Committed Equipment Line:

"Committed Equipment Line" means a credit extension of up to Three Million Dollars (\$3,000,000.00) for Equipment Line No. 1, and Equipment Line No. 2, plus Two Million Dollars (\$2,000,000.00) for Equipment Line No. 3."

and substituting therefor the following"

"Committed Equipment Line" means a credit extension of up to Three Million Dollars (\$3,000,000.00) for Equipment Line No. 1, and Equipment Line No. 2, plus Two Million Dollars (\$2,000,000.00) for Equipment Line No. 3, plus Four Million Dollars (\$4,000,000.00) for Equipment Line No. 4."

6. The Loan Agreement shall be amended by deleting the following definition for Committed Revolving Line:

"Committed Revolving Line" means a credit extension of up to Six Million Dollars (\$6,000,000.00)."

and substituting therefor the following:

"Committed Revolving Line" means a credit extension of up to Seven Million Five Hundred Thousand Dollars (\$7,500,000.00)."

7. The Loan Agreement shall be amended by deleting the following definition for Revolving Maturity Date:

"Revolving Maturity Date" means March 31, 2000."

and substituting therefor the following:

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"Revolving Maturity Date" means March 31, 2001"

8. The Loan Agreement shall be amended by deleting the following Section 2.3 (a):

"(a) Interest Rate. Except as set forth in Section 2.3(b), any

Advances under the Committed Revolving Line shall bear interest, on the average daily balance thereof, at a per annum rate equal to: (i) One Half of One percent (0.5%) above the Prime Rate prior to the Debt Service Coverage Event, and (ii) the Prime Rate beginning on the date which is the Debt Service Coverage Event."

and by substituting therefor the following:

"(a) Interest Rate. Except as set forth in Section 2.3(b), any

Advances under the Committed Revolving Line shall bear interest
in accordance with the LIBOR Supplement to Agreement attached
hereto as Appendix 1."

9. The Loan Agreement shall be amended by inserting into Section 1.1, the following definitions:

"Equipment Line No. 4" has the meaning set forth in Section 2.1.2.

"Equipment Availability End Date No. 4" has the meaning set forth in Section 2.12.

"Equipment Availability End Date No. 5" has the meaning set forth in Section 2.1.2.

"Equipment Maturity Date No. 4" means September 1, 2003.

"Equipment Maturity Date No. 5" means March 1, 2004.

"EXIM Loan" means a certain Export-Import Bank Loan and Security Agreement between the Borrower and Bank dated as of _____, 2000, and all documents executed in connection therewith and related thereto.

10. The Loan Agreement shall be amended by deleting the following Section 2.1.2:

"2.1.2 Equipment Advances.

- (a) Subject to and upon the terms and conditions of this Agreement, Bank agrees to make advances (each an "Equipment Advance" and collectively, the "Equipment Advances") to Borrower: (i) in one advance to take

place at any time after the Closing Date through thirty (30) days after the Closing Date (the "Equipment Availability End Date No. 1") in the aggregate outstanding amount not to exceed Two Million Dollars (\$2,000,000.00) (the "Equipment Line No. 1"), and (ii) at any time and from time to time from the Equipment Availability End Date No. 1 through June 30, 1999 (the "Equipment Availability End Date No. 2") in the aggregate outstanding amount not to exceed Three Million Dollars (\$3,000,000.00) less the

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cumulative Equipment Advances made under Equipment Line No. 1 (the "Equipment Line No. 2"), and (iii) at any time and from time to time from March 13, 2000 through March 31, 2000 (the "Equipment Availability End Date No. 3") in the aggregate outstanding amount not to exceed Two Million Dollars (\$2,000,000.00) (the "Equipment Line No. 3"). To evidence the Equipment Advances, Borrower shall deliver to Bank, at the time of each Equipment Advance request, an invoice for the equipment to be purchased or refinanced. Equipment Advance requests under Equipment Line No. 1 shall only be permitted for Equipment purchased between July 2, 1997 and June 30, 1998. Equipment Advance requests under Equipment Line No. 2 shall only be permitted for Equipment purchased between July 1, 1998 and June 30, 1999. Equipment Advance requests under Equipment Line No. 3 shall be used only for Equipment purchased through March 31, 2000. The Equipment Advances shall be used only to purchase or refinance Equipment and shall not exceed: (i) eighty percent (80.0%) of the invoice amount on such equipment, including software, approved from time to time by Bank under Equipment Line No. 1, and (ii) one hundred percent (100%) of the invoice amount on such equipment, including software, approved from time to time by Bank in accordance with its standard commercial practices under Equipment Line No. 2, and Equipment Line No. 3, each of (i) and (ii) excluding taxes, shipping, warranty charges, freight discounts, and installation expense.

- (b) Interest shall accrue from the date of each Equipment Advance at the per annum rate of: (i) for Equipment Line No. 1, and Equipment Line No. 2, one percent

(1.0%) above the Prime Rate, and (ii) for Equipment Line No. 3, at one half of one percent (.50%) above the Prime Rate. Interest shall be payable monthly on the Payment Date of each month. Any Equipment Advances made pursuant to the Equipment Line No. 1 that are outstanding on the Equipment Availability End Date No. 1 will be payable in Thirty (30) equal monthly installments of principal, plus all accrued interest, beginning on the Payment Date of the month following Equipment Availability End Date No. 1 and ending on the Equipment Maturity Date No. 1. Any Equipment Advances made pursuant to the Equipment Line No. 2 that are outstanding on the Equipment Availability End Date No. 2 will be payable in Thirty-Six (36) equal monthly installments of principal, plus all accrued interest, beginning on the Payment Date of the month following Equipment Availability End Date No. 2 and ending on the Equipment Maturity Date No. 2. Any Equipment Advances made pursuant to the Equipment Line No. 3 that are outstanding on the Equipment Availability End Date No. 3 will be payable in Thirty-Six (36) equal monthly installments of principal, plus all accrued interest, beginning on the Payment Date of the month following Equipment Availability End Date No. 3 and ending on the Equipment Maturity Date No. 3. Equipment Advances, once repaid, may not be reborrowed.

- (c) When Borrower desires to obtain an Equipment Advance, Borrower shall notify Bank (which notice shall be irrevocable) by facsimile transmission to be received no later than 3:00 p.m. Eastern time one (1) Business Day before the day on which the Equipment Advance is to be made. Such notice

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shall be substantially in the form of Exhibit B. The notice shall be signed by a Responsible Officer or its designee and include a copy of the invoice for the Equipment to be financed."

and substituting therefor the following:

"2.1.2 Equipment Advances.

- (a) Subject to and upon the terms and conditions of this Agreement, Bank agrees to make advances (each an "Equipment Advance" and collectively, the "Equipment Advances") to Borrower: (i) in one advance to take place at any time after

the Closing Date through thirty (30) days after the Closing Date (the "Equipment Availability End Date No. 1") in the aggregate outstanding amount not to exceed Two Million Dollars (\$2,000,000.00) (the "Equipment Line No. 1"), and (ii) at any time and from time to time from the Equipment Availability End Date No. 1 through June 30, 1999 (the "Equipment Availability End Date No. 2") in the aggregate outstanding amount not to exceed Three Million Dollars (\$3,000,000.00) less the cumulative Equipment Advances made

under Equipment Line No. 1 (the "Equipment Line No. 2"), and (iii) at any time and from time to time from March 13, 2000 through March 31, 2000 (the "Equipment Availability End Date No. 3") in the aggregate outstanding amount not to exceed Two Million Dollars (\$2,000,000.00) (the "Equipment Line No. 3"), and (iv) at any time and from time to time from _____, 2000 through September 30, 2000 (the "Equipment Availability End Date No. 4") in the aggregate outstanding amount not to exceed Four Million Dollars (\$4,000,000.00) (the "Equipment Line No. 4"), and (v) at any time and from time to time from the Equipment Availability End Date No. 4 through March 31, 2001 (the "Equipment Availability End Date No. 5") in the aggregate outstanding amount not to exceed Four Million Dollars (\$4,000,000.00) less the

cumulative Equipment Advances made under Equipment Line No. 4. To evidence the Equipment Advances, Borrower shall deliver to Bank, at the time of each Equipment Advance request, an invoice for the equipment to be purchased or refinanced. Equipment Advance requests under Equipment Line No. 1 shall only be permitted for Equipment purchased between July 2, 1997 and June 30, 1998. Equipment Advance requests under Equipment Line No. 2 shall only be permitted for Equipment purchased between July 1, 1998 and June 30,

1999. Equipment Advance requests under Equipment Line No. 3 shall be used only for Equipment purchased through March 31, 2000. Equipment Advance requests under Equipment Line No. 4 shall be used only for Equipment purchased on or after April 1, 2000. Equipment Advance Requests under Equipment Line No. 5 shall be used only for Equipment purchased on or after October 1, 2000, for invoices dated no more than sixty (60) days prior to the requested Equipment Advance. The Equipment Advances shall be used only to purchase or refinance Equipment and shall not exceed: (i) eighty percent (80.0%) of the invoice amount on such equipment, including software, approved from time to time by Bank under Equipment Line No. 1, and (ii) one hundred percent (100%) of the invoice amount on such equipment, including software, approved from time to time by Bank in accordance with its standard commercial practices under

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Equipment Line No. 2, Equipment Line No. 3, Equipment Line No. 4, and Equipment Line No. 5 each of (i) and (ii) excluding taxes, shipping, warranty charges, freight discounts, and installation expense. No more than twenty five percent (25.0%) of aggregate Equipment Advances shall constitute software.

- (b) Interest shall accrue from the date of each Equipment Advance at the per annum rate of: (i) for Equipment Line No. 1, and Equipment Line No. 2, one percent (1.0%) above the Prime Rate, and (ii) for Equipment Line Nos. 3, 4 and 5, at one half of one percent (.50%) above the Prime Rate. Interest shall be payable monthly on the Payment Date of each month. Any Equipment Advances made pursuant to the Equipment Line No. 1 that are outstanding on the Equipment Availability End Date No. 1 will be payable in Thirty (30) equal monthly installments of principal, plus all accrued interest, beginning on the Payment Date of the month following Equipment Availability End Date No. 1 and ending on the Equipment Maturity Date No. 1. Any Equipment Advances made pursuant to the Equipment Line No. 2 that are outstanding on the Equipment Availability End Date No. 2 will be payable in Thirty-Six (36) equal monthly installments of principal, plus all accrued interest, beginning on the Payment Date of the month following Equipment Availability End Date No. 2 and ending on the Equipment Maturity Date No. 2. Any Equipment Advances made pursuant to the Equipment Line No. 3 that are outstanding on the Equipment Availability End Date No. 3 will be payable in Thirty-Six (36) equal monthly installments of principal, plus all accrued interest, beginning on the Payment Date of the month following Equipment Availability End Date No. 3 and ending on the Equipment Maturity Date No. 3. Any Equipment Advances made pursuant to the Equipment Line No. 4 that are outstanding on the Equipment Availability End Date No. 4 will be payable in Thirty-Six (36) equal monthly installments of principal, plus all accrued interest beginning on the Payment Date of the month following Equipment Availability End Date No. 4 and ending on the Equipment Maturity Date No. 4. Any Equipment Advances made pursuant to the Equipment Line No. 5 that are outstanding on the Equipment Availability End Date No. 5 will be payable in Thirty-Six (36) equal monthly installments of principal, plus all accrued interest, beginning on the Payment Date of the month following Equipment Availability End Date No. 5 and ending on the Equipment Maturity Date No. 5. Equipment Advances, once repaid, may not be reborrowed.
- (c) When Borrower desires to obtain an Equipment Advance, Borrower shall notify Bank (which notice shall be irrevocable) by facsimile transmission to be received no later than 3:00 p.m. Eastern time one (1) Business Day before the day on which the Equipment Advance is to be made. Such notice shall be substantially in the form of Exhibit B. The notice shall be signed by a Responsible Officer or its designee and include a copy of the invoice for the Equipment to be financed."

11. The Loan Agreement shall be amended by deleting the following in Section 6.3:

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"6.3 Financial Statements, Reports, Certificates. Borrower shall

deliver to Bank: (a) as soon as available, but in any event within

forty-five (45) days after the end of each quarter, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations during such period, in a form and certified by an officer of Borrower reasonably acceptable to Bank; (b) as soon as available, but in any event within thirty (30) days after the end of each month, a company prepared consolidated revenue and expense statement covering Borrower's consolidated operations during such period, in form reasonably acceptable to Bank; (c) as soon as available, but in any event within ninety (90) days after the end of Borrower's fiscal year, audited consolidated financial statements of Borrower prepared in accordance with GAAP, consistently applied, together with an unqualified opinion on such financial statements of an independent certified public accounting firm reasonably acceptable to Bank; (d) promptly upon receipt of notice (thereof, a report of any legal actions pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of Two Hundred Fifty Thousand Dollars (\$250,000) or more; (e) prompt notice of any material change in the composition of the Intellectual Property Collateral, including, but not limited to, any subsequent ownership right of the Borrower in or to any Copyright, Patent or Trademark not specified in any intellectual property security agreement between Borrower and Bank or knowledge of an event other than information that is publicly available and applicable generally to Borrower's business practices and industry that materially adversely effects the value of the Intellectual Property Collateral; and (f) such budgets, sales projections, operating plans or other financial information as Bank may reasonably request from time to time.

Within twenty (20) days after the last day of each month, Borrower shall deliver to Bank a Borrowing Base Certificate signed by a Responsible Officer in substantially the form of Exhibit C hereto,

together with aged listings of accounts receivable.

Within forty-five (45) days after the fast day of each quarter, Borrower shall deliver to Bank with the quarterly financial statements a Compliance Certificate signed by a Responsible Officer in substantially the form of Exhibit D hereto.

Bank shall have a right from time to time hereafter to audit Borrower's Accounts at Borrower's expense, provided that such audits will be conducted no more often than every six (6) months unless an Event of Default has occurred and is continuing."

and inserting in lieu thereof the following:

"6.3 Financial Statements, Reports, Certificates. Borrower shall

deliver to Bank: (a) as soon as available, but in any event within forty-five (45) days after the end of each quarter, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations during such period, in a form and certified by an officer of Borrower reasonably acceptable to Bank; (b) as soon as available, but in any event within thirty (30) days after the end of each month, a company prepared consolidated revenue end expense statement covering Borrower's consolidated operations during such period. in form reasonably acceptable to Bank; (c) as soon as available, but in any event within one hundred twenty (120) days after the end of Borrower's fiscal year, audited consolidated financial statements of Borrower prepared in accordance with GAAP, consistently

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applied, together with an unqualified opinion on such financial statements of an independent certified public accounting firm reasonably acceptable to Bank; (d) promptly upon receipt of notice thereof, a report of any legal actions pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of Two Hundred Fifty Thousand Dollars (\$250,000) or more; (e) prompt notice of any material change in the composition of the Intellectual Property Collateral, including, but not limited to, any subsequent ownership right of the Borrower in or to any Copyright, Patent or Trademark not specified in any intellectual property security agreement between Borrower and Bank or knowledge of an event other than information that is publicly available and applicable generally to Borrower's business practices and industry that materially adversely effects the value of the Intellectual Property Collateral; and (f) such budgets, sales projections, operating plans or other financial information as Bank may reasonably request from time to time.

Within twenty (20) days after the last day of each month in which any Credit Extensions are outstanding or requested, Borrower shall deliver to Bank a Borrowing Base Certificate signed by a Responsible Officer in substantially the form of Exhibit C hereto, together with aged

listings of accounts receivable.

Within forty-five (45) days after the last day of each quarter, Borrower shall deliver to Bank with the quarterly financial statements a Compliance Certificate signed by a Responsible Officer in substantially the form of Exhibit D hereto.

Bank shall have a right from time to time hereafter to audit Borrower's Accounts at Borrower's expense, provided that such audits will be conducted no more often than every twelve (12) months unless an Event of Default has occurred and is continuing."

12. The Loan Agreement shall be amended by deleting the following financial covenant appearing as Section 6.12:

"6.12 Profitability. Borrower shall maintain, measured as of the last

day of each quarter: (i) a profit of One Hundred Thousand Dollars (\$100,000.00) as of the last day of the first quarter of fiscal year 2000; (ii) a profit of Two Hundred Thousand Dollars (\$200,000.00) as of the last day of the second and third quarters of fiscal year 2000; and (iii) a profit of Three Hundred Thousand Dollars (\$300,000.00) as of the last day of the fourth quarter of fiscal year 2000, with an allowance for one quarterly loss during such fiscal year of no greater than One Hundred Thousand Dollars (\$100,000.00). Notwithstanding the foregoing, the Borrower shall maintain a profit for fiscal year 2000 of Eight Hundred Thousand Dollars (\$800,000.000)."

and substituting the following:

"6.12 Profitability. Borrower shall maintain, measured as of the last

day of each quarter: (i) a profit of One Hundred Thousand Dollars (\$100,000.00) as of the last day of the first quarter of fiscal year 2001; (ii) a profit of Two Hundred Thousand Dollars (\$200,000.00) as of the last day of the second and third quarters of fiscal year 2001; and (iii) a profit of Three Hundred Thousand Dollars (\$300,000.00) as of the last day of the fourth quarter of fiscal year 2001, with an allowance for one quarterly loss during such fiscal year of no greater than One Hundred Thousand Dollars (\$100,000.00). Notwithstanding the foregoing, the Borrower shall maintain a profit for fiscal year 2001 of Eight Hundred Thousand Dollars (\$800,000.000).

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Borrower shall maintain, measured as of the last day of each quarter: (i) a profit of One Dollar (\$1.00) as of the last day of each quarter of fiscal years 2002, and 2003"

13. The Loan Agreement shall be amended by deleting the following Section 2.1.1 (a):

"2.1.1(a) Subject to and upon the terms and conditions of this Agreement, Bank agrees to make Advances to Borrower in an aggregate outstanding amount not to exceed the Committed Revolving Line of the Borrowing Base, whichever is less. Subject to the terms and conditions of this Agreement, amounts borrowed pursuant to this Section 2.1 may be repaid and reborrowed at any time during the term of this Agreement."

and substituting therefor the following:

"2.1.1(a) Subject to and upon the terms and conditions of this Agreement, Bank agrees to make Advances to Borrower in an aggregate outstanding amount not to exceed (a) the lesser of the Committed Revolving Line of the Borrowing Base, minus (b) all Obligations under the Committed Equipment Line, minus (c) the amount of all other extensions of credit by the Bank (other than the EXIM Loan). Subject to the terms and conditions of this Agreement, amounts borrowed pursuant to this Section 2.1 may be repaid and reborrowed at any time during the term of this Agreement. Notwithstanding the foregoing, the Obligations (as defined hereunder) and obligations under the EXIM Loan, in the aggregate, shall not exceed the amount of Twelve Million Five Hundred Thousand Dollars (\$12,500,000.00)."

14. The Loan Agreement shall be amended by deleting the following Section 2.2:

"2.2 Overadvances. If, at any time or for any reason, the amount of

Obligations owed by Borrower to Bank pursuant to Section 2.1.1 plus,
prior to the Debt Service Coverage Event, Section 2.1.2, is greater
than the Borrowing Base, Borrower shall immediately pay to Bank, in
cash, the amount of such excess (the "Overadvance")."

and substituting therefor the following:

"2.2 Overadvances. If, at any time or for any reason, the amount of

(a) Obligations (as defined hereunder) owed by Borrower to Bank (not
including the EXIM Loan), is greater than (b) the lesser of the
Committed Revolving Line or the Borrowing Base, Borrower shall
immediately pay to Bank, in cash, the amount of such excess. In
addition, if, at any time or for any reason, the Obligations (as
defined hereunder) and the obligations under the EXIM Loan, in the
aggregate, exceed the amount of Twelve Million Five Hundred Thousand
Dollars (\$12,500,000.00). Borrower shall immediately pay to Bank, in
cash, the amount of such excess. Any excess calculated pursuant to
this Section shall be referred to as the "Overadvance"

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Borrower shall immediately pay to Bank, in cash, the amount
of such excess. Any excess calculated pursuant to this
Section shall be referred to as the "Overadvance"

4. EXIM LOAN. The occurrence of an Event of Default under the EXIM Loan shall

constitute an Event of Default under the Loan Agreement. The occurrence of an
Event of Default under the Loan Agreement shall constitute an Event of Default
under the EXIM Loan.

5. LOAN FEES. The Borrower shall pay to the Bank the following:

- (a) Committed Revolving Line Facility Fee. A Committed Revolving

Line Facility Fee equal to Eighteen Thousand Seven Hundred
Fifty Dollars (\$18,750.00), which fee shall be due on the
date hereof and shall be fully earned and nonrefundable.
- (b) Committed Equipment Line Facility Fee. A Committed Equipment

Line Facility Fee equal to: (i) Ten Thousand Dollars
(\$10,000.00), which fee shall be due on the date hereof, and
shall be fully earned and non-refundable.

6. CONSISTENT CHANGES. The Existing Loan Documents are hereby amended wherever

necessary to reflect the changes described above.

7. RATIFICATION OF LOAN DOCUMENTS. Borrower hereby ratifies, confirms, and

reaffirms all terms and conditions of all security or other collateral granted
to the Lender, and confirms that the indebtedness secured thereby includes,
without limitation, the Indebtedness.

8. NO DEFENSES OF BORROWER. Borrower agrees that, as of this date, it has no

defenses against the obligations to pay any amounts under the Indebtedness.

9. CONTINUING VALIDITY. Borrower understands and agrees that in modifying the

existing Indebtedness, Lender is relying upon Borrower's representations,
warranties, and agreements, as set forth in the Existing Loan Documents;
provided however that the Schedule to the Loan Agreement shall be amended and
restated as set forth on Exhibit C attached hereto. Except as expressly modified
pursuant to this Loan Modification Agreement, the terms of the Existing Loan
Documents remain unchanged and in full force and effect. Lender's agreement to
modifications to the existing Indebtedness pursuant to this Loan Modification
Agreement in no way shall obligate Lender to make any future modifications to
the Indebtedness. Nothing in this Loan Modification Agreement shall constitute a
satisfaction of the Indebtedness. It is the intention of Lender and Borrower to
retain as liable parties all makers and endorsers of Existing Loan Documents,
unless the party is expressly released by Lender in writing. No maker, endorser,
or guarantor will be released by virtue of this Loan Modification Agreement. The
terms of this Paragraph apply not only to this Loan Modification Agreement, but
also to all subsequent loan modification agreements.

10. JURISDICTION/VENUE. Borrower accepts for itself and in connection with its

properties, unconditionally, the non-exclusive jurisdiction of any state or

federal court of competent jurisdiction in the Commonwealth of Massachusetts in any action, suit, or proceeding of any kind against it which arises out of or by reason of this Loan Modification Agreement; provided, however, that if for any reason Lender cannot avail itself of the courts of the Commonwealth of Massachusetts, then venue shall lie in Santa Clara County, California.

11. COUNTERSIGNATURE. This Loan Modification Agreement shall become effective

only when it shall have been executed by Borrower and Lender (provided, however, in no event shall this Loan Modification Agreement become effective until signed by an officer of Lender in California).

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This Loan Modification Agreement is executed as of the date first written above.

BORROWER: LENDER:
SEACHANGE INTERNATIONAL, INC. SILICON VALLEY BANK, doing business as
SILICON VALLEY EAST

By: W L FIEDLER By: _____
- -----

Name: W L FIEDLER Name: _____
- -----

Title: Vice President Title: _____
- -----

SILICON VALLEY BANK
By: _____

Name: _____

Title: _____

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APPENDIX 1

LIBOR SUPPLEMENT TO AGREEMENT

This LIBOR Supplement to Agreement (the "Supplement") is a supplement to the Loan and Security Agreement (the "Loan Agreement") dated as of November 10, 1998, between Silicon Valley Bank ("Bank") and Seachange International, Inc. ("Borrower"), and forms a part of and is incorporated into the Loan Agreement.

1. Definitions.

"Business Day" means a day of the year (a) that is not a Saturday, Sunday or other day on which banks in the State of California or the City of London are authorized or required to close and (b) on which dealings are carried on in the interbank market in which Bank customarily participates.

"Interest Period" means for each LIBOR Rate Loan, a period of approximately one, two or three months as the Borrower may elect, provided that the last day

of an Interest Period for a LIBOR Rate Loan shall be determined in accordance with the practices of the LIBOR interbank market as from time to time in effect, provided, further, in all cases such period shall expire not later than the

applicable Maturity Date.

"Interest Rate" shall mean as to: (a) Prime Rate Loans, a rate equal to the Prime Rate; and (b) LIBOR Rate Loans, a rate of 2.0% per annum in excess of the LIBOR Rate (based on the LIBOR Rate applicable for the Interest Period selected by the Borrower).

"LIBOR Base Rate" means, for any Interest Period for a LIBOR Rate Loan, the rate of interest per annum determined by Bank to be the per annum rate of interest as which deposits in United States Dollars are offered to Bank in the London interbank market in which Bank customarily participates at 11:00 A.M. (local time in such interbank market) two (2) Business Days before the first day of such Interest Period for a period approximately equal to such Interest Period and in an amount approximately equal to the amount of such Loan.

"LIBOR Rate" shall mean, for any Interest Period for a LIBOR Rate Loan, a rate per annum (rounded upwards, if necessary, to the nearest 1/16 of 1%) equal to (i) the LIBOR Base Rate for such Interest Period divided by (ii) 1 minus the

Reserve Requirement for such Interest Period.

"LIBOR Rate Loans" means any Loans made or a portion thereof on which interest is payable based on the LIBOR Rate in accordance with the terms hereof.

"Prime Rate" means the variable rate of interest per annum, most recently announced by Bank as its "prime rate," whether or not such announced rate is the lowest rate available from Bank. The interest rate applicable to the Prime Rate Loans shall change on each date there is a change in the Prime Rate.

"Prime Rate Loans" means any Loans made or a portion thereof on which interest is payable based on the Prime Rate in accordance with the terms hereof.

"Regulatory Change" means, with respect to Bank, any change on or after the date of this Loan Agreement in United States federal, state or foreign laws or regulations, including Regulation D, or the adoption or making on or after such date of any interpretations, directives or requests applying to a class of lenders including Bank of or under any United States federal or state, or any foreign, laws or

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regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"Reserve Requirement" means, for any Interest Period, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D against "Eurocurrency liabilities" (as such term is used in Regulation D) by member banks of the Federal Reserve System. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by Bank by reason of any Regulatory Change against (i) any Category of liabilities which includes deposits by reference to which the LIBOR Rate is to be determined as provided in the definition of "LIBOR Base Rate" or (ii) any category of extensions of credit or other assets which include Loans.

2. Requests for Loans; Confirmation of Initial Loans. Each LIBOR Rate Loan

shall be made upon the irrevocable written request of Borrower received by Bank not later than 11:00 a.m. (Santa Clara, California time) on the Business Day three (3) Business Days prior to the date such Loan is to be made. Each such notice shall specify the date such Loan is to be made, which day shall be a Business Day; the amount of such Loan, the Interest Period for such Loan, and comply with such other requirements as Bank determines are reasonable or desirable in connection therewith.

Each written request for a LIBOR Rate Loan shall be in the form of a LIBOR Rate Loan Borrowing Certificate as set forth on Exhibit A, which shall be duly

executed by the Borrower.

3. Conversion/Continuation of Loans.

(a) Borrower may from time to time submit in writing a request that Prime Rate Loans be converted to LIBOR Rate Loans or that any existing LIBOR Rate Loans continue for an additional Interest Period. Such request shall specify the amount of the Prime Rate Loans which will constitute LIBOR Rate Loans (subject to the limits set forth below) and the Interest Period to be applicable to such LIBOR Rate Loans. Each written request for a conversion to a LIBOR Rate Loan or a continuation of a LIBOR Rate Loan shall be substantially in the form of a LIBOR Rate Conversion/Continuation Certificate as set forth on Exhibit B, which

shall be duly executed by the Borrower. Subject to the terms and conditions contained herein, three (3) Business Days after Bank's receipt of such a request from Borrower, such Prime Rate Loans shall be converted to LIBOR Rate Loans or such LIBOR Rate Loans shall continue, as the case may be provided that:

(i) no Event of Default or event which with notice or passage of time or both would constitute an Event of Default exists;

(ii) no party hereto shall have sent any notice of termination of this Supplement or of the Loan Agreement;

(iii) Borrower shall have complied with such customary procedures as Bank has established from time to time for Borrower's requests for LIBOR Rate Loans;

(iv) the amount of a LIBOR Rate Loan shall be \$100,000 or such greater amount which is an integral multiple of \$50,000; and

(v) Bank shall have determined that the Interest Period or LIBOR Rate is available to Bank which can be readily determined as of the date of the request for such LIBOR Rate Loan.

Any request by Borrower to convert Prime Rate Loans to LIBOR Rate Loans or continue any existing LIBOR Rate Loans shall be irrevocable. Notwithstanding anything to the contrary contained herein, Bank shall not be required to purchase United States Dollar deposits in the London interbank market or other applicable LIBOR Rate market to fund any LIBOR Rate Loans, but the provisions hereof shall be deemed to apply as if Bank had purchased such deposits to fund the LIBOR Rate Loans.

(b) Any LIBOR Rate Loans shall automatically convert to Prime Rate Loans upon the last day of the applicable Interest Period, unless Bank has received and approved a complete and proper request to continue such LIBOR Rate Loan at least three (3) Business Days prior to such last day in accordance with the terms hereof. Any LIBOR Rate Loans shall, at Bank's option, convert to Prime Rate Loans in the event that (i) an Event of Default, or event which with the notice or passage of time or both would constitute an Event of Default, shall exist, (ii) this Supplement or the Loan Agreement shall terminate, or (iii) the aggregate principal amount of the Prime Rate Loans which have previously been converted to LIBOR Rate Loans, or the aggregate principal amount of existing LIBOR Rate Loans continued, as the case may be, at the beginning of an Interest Period shall at any time during such Interest Period exceeds the Revolving Maturity Date. Borrower agrees to pay to Bank, upon demand by Bank (or Bank may, at its option, charge Borrowers loan account) any amounts required to compensate Bank for any loss (including loss of anticipated profits), cost or expense incurred by such person, as a result of the conversion of LIBOR Rate Loans to Prime Rate Loans pursuant to any of the foregoing.

(c) On all Loans, Interest shall be payable by Borrower to Bank monthly in arrears not later than the first day of each calendar month at the applicable Interest Rate.

4. Additional Requirements/Provisions Regarding LIBOR Rate Loan: Etc.

(a) If for any reason (including voluntary or mandatory prepayment or acceleration), Bank receives all or part of the principal amount of a LIBOR Rate Loan prior to the last day of the Interest Period for such Loan, Borrower shall immediately notify Borrower's account officer at Bank and, on demand by Bank, pay Bank the amount (if any) by which (i) the additional interest which would have been payable on the amount so received had it not been received until the last day of such Interest Period exceeds (ii) the interest which would have been recoverable by Bank by placing the amount so received on deposit in the certificate of deposit markets or the offshore currency interbank markets or United States Treasury investment products, as the case may be, for a period starting on the date on which it was so received and ending on the last day of such Interest Period at the interest rate determined by Bank in its reasonable discretion. Bank's determination as to such amount shall be conclusive absent manifest error.

(b) Borrower shall pay to Bank, upon demand by Bank, from time to time such amounts as Bank may determine to be necessary to compensate it for any costs incurred by Bank that Bank determines are attributable to its making or maintaining of any amount receivable by Bank hereunder in respect of any Loans relating thereto (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), in each case resulting from any Regulatory Change which:

(i) changes the basis of taxation of any amounts payable to Bank under this Supplement in respect of any Loans (other than changes which affect taxes measured by or imposed on the overall net income of Bank by the jurisdiction in which such Bank has its principal office); or

(ii) imposes or modifies any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of Bank (including any Loans or any deposits referred to in the definition of "LIBOR Base Rate"): or

(iii) imposes any other condition affecting this Supplement (or any of such extensions of credit or liabilities).

Bank will notify Borrower of any event occurring after the date of the Loan Agreement which will entitle Bank to compensation pursuant to this section as promptly as practicable after it obtains knowledge thereof and determines to request such compensation. Bank will furnish Borrower with a statement setting forth the basis and amount of each request by Bank for compensation under this Section 4. Determinations and allocations by Bank for purposes of this Section 4 of the effect of any Regulatory Change on its costs of maintaining its obligations to make Loans or of making or maintaining Loans or on amounts receivable by it in respect of Loans, and of the additional amounts required to compensate Bank in respect of any Additional Costs, shall be conclusive absent manifest error.

(c) Borrower shall pay to Bank, upon the request of Bank, such amount or amounts as shall be sufficient (in the sole good faith opinion of such Bank) to compensate it for any loss, costs or expense incurred by it as a result of any failure by Borrower to borrow a Loan on the date for such borrowing specified in the relevant notice of borrowing hereunder.

(d) If Bank shall determine that the adoption or implementation of any applicable law, rule, regulation or treaty regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the Interpretation or administration thereof, or compliance by Bank (or its applicable lending office) with any respect or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would, have the effect of reducing the rate of return on capital of Bank or any person or entity controlling Bank (a "Parent") as a consequence of its obligations hereunder to a level below that which Bank (or its Parent) could have achieved but for such adoption, change or compliance (taking into consideration its policies with respect to capital adequacy) by an amount deemed by Bank to be material, then from time to time, within 15 days after demand by Bank, Borrower shall pay to Bank such additional amount or amounts as will compensate Bank for such reduction. A statement of Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive absent manifest error.

(e) If at any time Bank, in its sole and absolute discretion, determines that: (i) the amount of the LIBOR Rate Loans for periods equal to the corresponding Interest Periods are not available to Bank in the offshore currency interbank markets, or (ii) the LIBOR Rate does not accurately reflect the cost to Bank of lending the LIBOR Rate Loan, then Bank shall promptly give notice thereof to Borrower, and upon the giving of such notice Bank's obligation to make the LIBOR Rate Loans shall terminate, unless Bank and the Borrower agree in writing to a different interest rate Loans shall terminate, unless Bank and the Borrower agree in writing to a different interest rate applicable to LIBOR Rate Loans. If it shall become unlawful for Bank to continue to fund or maintain any Loans, or to perform its obligations hereunder, upon demand by Bank, Borrower shall prepay the Loans in full with accrued interest thereon and all other amounts payable by Borrower hereunder (including, without limitation, any amount payable In connection with such prepayment pursuant to Section 4(a)).

EXPORT-IMPORT BANK LOAN AND SECURITY AGREEMENT

This EXPORT-IMPORT BANK LOAN AND SECURITY AGREEMENT (the "Exim Agreement") is entered into as of July 25, 2000, by and between SILICON VALLEY BANK, a California-chartered bank ("Bank"), with its principal place of business at 3003 Tasman Drive, Santa Clara, CA 95054 and with a loan production office located at Wellesley Office Park, 40 William Street, Suite 350, Wellesley, MA 02481, doing business under the name "Silicon Valley East" ("Bank") and SEACHANGE INTERNATIONAL, INC., a Delaware corporation with its chief executive office located at 124 Acton Street, Maynard, Massachusetts 01754 (the "Borrower").

RECITALS

A. Borrower and Bank are parties to that certain Loan and Security Agreement dated November 10, 1998 (as amended to date, the "Domestic Agreement"), together with related documents executed in conjunction therewith.

B. Borrower and Bank desire in this Exim Agreement to set forth their agreement with respect to a working capital facility to be guaranteed by the Export-Import Bank of the United States (the "Exim Bank").

AGREEMENT

The Parties agree as follows:

1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions. Except as otherwise defined, terms that are capitalized

in this Exim Agreement shall have the meanings assigned in the Domestic Loan Documents. As used in this Exim Agreement, the following terms shall have the following definitions:

"Accounts" means all presently existing and hereafter arising accounts, contract rights, and all other forms of obligations owing to Borrower arising out of the sale or lease of goods (including, without limitation, the licensing of software and other technology) or the rendering of services by Borrower, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Borrower and Borrower's books relating to any of the foregoing.

"Advances" means any loans or other extensions of credit hereunder.

"Borrower Agreement" means the Export-Import Bank of the United States Working Capital Guarantee Program Borrower Agreement between Borrower and Bank.

"Borrowing Base" means an amount equal to (i) ninety percent (90%) of Exim Eligible Foreign Accounts which Exim Eligible Foreign Accounts are billed and collected by the Borrower in the United States, plus (ii) the lesser of (A) Seven Hundred Fifty Thousand Dollars (\$750,000.00) or (B) fifty (50%) percent of Export-Related Inventory Value of Eligible Export-Related Inventory which is determined acceptable by the Bank.

"Collateral" is the property described on Exhibit 4.

"Domestic Agreement" has the meaning set forth in recital paragraph A.

"Domestic Loan Documents" means the Domestic Agreement and all instruments, documents, and agreements executed in connection with the Domestic Agreement.

"Eligible Export-Related Inventory" shall have the meaning set forth for such term in the Borrower Agreement.

"Exim Bank" means Export-Import Bank of the United States.

"Exim Bank Expenses" means all: reasonable costs or expenses (including reasonable attorneys' fees and expenses) incurred in connection with the preparation, negotiation, and administration of the Exim Loan Documents, including any costs incurred in relation to opposing or seeking to obtain relief from any stay or restructuring order prohibiting Bank from exercising its rights as a secured creditor, foreclosing upon or disposing of Collateral, or such related matters; and Bank's reasonable attorneys' fees and expenses incurred in enforcing or defending the Exim Loan Documents, whether or not suit is brought, unless a final court of competent jurisdiction finds the Bank acted with gross

negligence or willful misconduct.

"Exim Committed Line" means Three Million Dollars (\$3,000,000.00).

"Exim Eligible Foreign Accounts" means those Accounts payable in United States Dollars that arise in the ordinary course of Borrower's business and (i) with respect to which the account debtor is not a resident of the United States; (ii) that have been validly assigned or pledged to Bank in a manner satisfactory to the Bank giving the Bank a first priority perfected security interest, or its equivalent, in such Accounts, (iii) comply with all of Borrower's representations and warranties to Bank, and (iv) that either (A) the Bank approves on a case by case basis or (B) are supported by letter(s) of credit acceptable to Bank; standards of eligibility may be fixed revised from time to time by Bank in Bank's reasonable judgment and upon notification thereof to the Borrower in accordance with the provisions hereof. Exim Eligible Foreign Accounts shall not include the following:

(a) Accounts with a term in excess of one hundred twenty (120) days;

(b) Accounts that the account debtor has failed to pay within sixty (60) calendar days of the original due date of the invoice unless such accounts are insured through Exim Bank export credit insurance for comprehensive commercial and political risk, or through Exim Bank approved private insurers for comparable coverage, in which case ninety (90) calendar days shall apply;

(c) Account with respect to an account debtor, twenty five percent (25%) or more of whose Accounts the account debtor has failed to pay within one hundred twenty (120) days of the original date of invoice;

(d) Accounts evidenced by a letter of credit until the date of shipment of the items covered by the subject letter of credit;

(e) Accounts with respect to which an invoice has not been sent;

(f) Accounts with respect to which the account debtor is an Affiliate, officer or director of Borrower;

(g) Accounts with respect to which the account debtor is located in a country in which Exim Bank is legally prohibited from doing business as designated in the Country Limitation Schedule (as such term is defined in the Borrower Agreement);

(h) Accounts with respect to which the account debtor is located in a country in which Exim Bank coverage is not available for commercial reasons;

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(i) Accounts with respect to which Borrower is liable to the account debtor for goods sold or services rendered by the account debtor to Borrower, but only to the extent of Borrower's liability to such account debtor.

(j) Accounts with respect to which the account debtor has disputed liability or makes any claim with respect thereto (but only to the extent of the amount subject to such dispute or claim), or is subject to any Insolvency Proceeding, or becomes insolvent, or goes out of business;

(k) Accounts with respect to an account debtor, including Subsidiaries and Affiliates, whose total obligations to Borrower exceed twenty-five percent (25%) of the aggregate dollar amount of all Accounts, only to the extent such obligations exceed such percentage, except as approved in writing by Bank;

(l) Accounts generated by the sale of products purchased for military purposes or that are due and payable from a military Buyer;

(m) Accounts, if any, generated by sales of Inventory which constitutes defense articles or defense services;

(n) Accounts payable in currency other than Dollars, except as may be approved in writing by the Bank and the Exim Bank;

(o) Accounts which are due and owing and the collection of which must be made outside the United States;

(p) Accounts the collection of which Bank or Exim Bank determines in its reasonable judgment to be doubtful; and

(q) Any account which is not an "Eligible Export-Related Accounts Receivable", as such term is defined in the Borrower Agreement.

"Exim Guarantee" means that certain Master Guarantee Agreement or other agreement, as amended from time to time, the terms of which are incorporated by

reference into this Exim Agreement, pursuant to which Exim Bank guarantees Borrower's obligations under this Exim Agreement.

"Exim Loan Documents" means, collectively, this Exim Agreement, the Domestic Loan Documents, any note or notes executed by Borrower, and any other agreement entered into between Borrower and Bank in connection with this Exim Agreement, all as amended or extended from time to time.

"Exim Maturity Date" means the earliest of (i) the Revolving Maturity Date under the Domestic Loan Documents, or (ii) March 31, 2001.

"Export-Related Inventory Value" shall have the meaning set forth in the Borrower Agreement.

"Inventory" shall mean "Export-Related Inventory" as such term is defined in the Borrower Agreement.

"Note" is defined in Section 2.1.1.

"Obligations" shall mean all debts, principal, interest, Exim Bank Expenses arising under the Exim Loan Documents and other amounts Borrower owes Bank now or later, and including interest

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accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank.

"Payment Date" means the first (1/st/) calendar day of each month commencing with the first such date after the date of this Exim Agreement and ending on the Exim Maturity Date.

"Responsible Officer" means each of the Chief Executive Officer, Chief Financial Officer and Controller of the Borrower.

2. LOAN AND TERMS OF PAYMENT

2.1.1 Revolving Advances. Subject to the terms and conditions of this Exim

Agreement, Bank agrees to make Advances to Borrower in an amount not to exceed (i) the Exim Committed Line or the Borrowing Base, whichever is less, minus (ii) the aggregate outstanding Advances hereunder, as determined by the Borrowing Base Certificate to be delivered to the Bank. Notwithstanding the foregoing, the aggregate of (i) the Obligations hereunder, and (ii) all Obligations under the Domestic Agreement, and all other indebtedness owed by Borrower to Bank, shall not exceed the amount of Twelve Million Five Hundred Thousand Dollars (\$12,500,000.00).

To evidence the Advances, Borrower shall execute and deliver to Bank on the date hereof a promissory note (the "Note") in substantially the form attached hereto as Exhibit B.

Whenever Borrower desires an Advance, Borrower will notify Bank by facsimile transmission or telephone no later than 3:00 pm. Eastern time, on the Business Day that the Advance is to be made. Each such notification shall be promptly confirmed by a Payment/Advance Form in substantially the form of Exhibit C hereto together with any additional documentation required under the

Borrower Agreement, including without limitation, as set forth in Section 2.03 of the Borrower Agreement. In addition to the procedure set forth in the preceding sentence, Bank is authorized to make Advances under this Exim Agreement, based upon instructions received from a Responsible Officer or without instructions if in Bank's discretion such Advances are necessary to meet Obligations which have become due and remain unpaid. Bank shall be entitled to rely on any telephonic notice given by a person who Bank reasonably believes to be a Responsible Officer or a designee (as designated in writing by a Responsible Officer) thereof, and Borrower shall indemnify and hold Bank harmless for any damages or loss suffered by Bank as a result of such reliance. Bank will credit the amount of Advances made under this Section 2.1.1 to Borrower's deposit account. Amounts borrowed pursuant to this Section 2.1.1 may be repaid at any time and re-borrowed at any time during the term of this Exim Agreement so long as no Event of Default has occurred and is continuing.

2.2 Overadvances. If, at any time or for any reason, the following occurs

(an "Overadvance"): (i) the amount of Obligations pursuant to this Exim Agreement owed by Borrower to Bank pursuant to Section 2.1 of this Exim Agreement is greater than: (a) the lesser of the Borrowing Base or the Exim Committed Line, minus (b) all outstanding Advances, or (ii) the Obligations

hereunder, under the Domestic Agreement and any other indebtedness owed to the Bank shall, in the aggregate, exceed the amount of Twelve Million Five Hundred Thousand Dollars (\$12,500,000.00), Borrower shall immediately pay to Bank, in

cash, the amount of such excess. In addition, if at any time or for any reason, the aggregate amount of Advances made as a result of Eligible Export-Related Inventory (as determined by the Borrowing Base Certificate) exceeds the maximum allowable under Section 2.07(c) of the Borrower Agreement, the Borrower shall within five (5) calendar days either (i) furnish additional collateral satisfactory to the Bank which shall not consist of inventory (as such term is defined in the UCC), or (ii) pay to Bank, in cash, the amount of such excess

2.3 Interest Rates, Payments, and Calculations.

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(a) Interest Rate. Except as set forth in Section 2.3(b), or as

specified to the contrary in any Loan Document, any Advances under this Exim Agreement shall bear interest, on the average daily balance, at a rate equal to the Prime Rate per annum.

(b) Default Rate. All Obligations shall bear interest, from and after

the occurrence of an Event of Default, at a rate equal to the lesser of (i) five (5%) percentage points above the rate that applied immediately prior to the occurrence of the Event of Default, and (ii) the maximum interest rate allowed by applicable law.

(c) Payments. Interest hereunder shall be due and payable on each

Payment Date. Bank shall, at its option, charge such interest, all Exim Bank Expenses, and all Periodic Payments against Borrower's deposit account or against the Exim Committed Line, in which case those amounts shall thereafter accrue interest at the rate then applicable hereunder. Unless sooner demanded, all Advances made hereunder shall be due and payable in full on the Exim Maturity Date.

(d) Computation. In the event the Prime Rate is changed from time

to time hereafter, the applicable rate of interest hereunder shall be increased or decreased contemporaneously with such change by an amount equal to such change in the Prime Rate. All interest chargeable under the Exim Loan Documents shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed.

2.4 Crediting Payments. The receipt by Bank of any wire transfer of funds,

check, or other item of payment shall be immediately applied to conditionally reduce Obligations, but shall not be considered a payment on account unless such wire transfer is of immediately available federal funds and is made to the appropriate deposit account of Bank or unless and until such check or other item of payment is honored when presented for payment. Notwithstanding anything to the contrary contained herein, any payment (other than a wire transfer of immediately available funds) received by Bank after 12:00 p.m. (noon) Eastern time shall be deemed to have been received by Bank as of the opening of business on the immediately following Business Day.

2.5 Fees. Borrower shall pay to Bank the following fees:

(a) Financial Examination and Appraisal Fees. Bank's customary fees

and out-of-pocket expenses for Bank's audits of Borrower's Accounts and for each appraisal of the Collateral and financial analysis and examination of Borrower performed from time to time by Bank or its agents;

(b) Exim Fee. A facility fee equal to Thirty Thousand Dollars

(\$30,000.00), which fee shall be due and fully earned upon the Closing Date; and

(c) Exim Bank Expenses. On the Closing Date, Exim Bank Expenses

incurred through the Closing Date and, after the Closing Date, all Exim Bank Expenses as they become due, if any.

2.6 Additional Costs. In case any law, regulation, treaty or official

directive or the interpretation or application thereof by any court or any governmental authority charged with the administration thereof or the compliance with any guideline or request of any central bank or other governmental authority (whether or not having the force of law):

(a) subjects Bank to any tax with respect to payments of principal or interest or any other amounts payable hereunder by Borrower or otherwise with respect to the transactions contemplated hereby (except for taxes on the overall net income of Bank imposed by the United States of America or

any political subdivision thereof):

(b) imposes, modifies or deems applicable any deposit insurance, reserve, special deposit or similar requirement against assets held by, or deposits in or for the account of, or loans by, Bank; or

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(c) imposes upon Bank any other condition with respect to its performance under this Agreement,

and the result of any of the foregoing is to increase the cost to Bank, reduce the income receivable by Bank or impose any expense upon Bank with respect to any loans, Bank shall promptly notify Borrower thereof. Borrower agrees to pay to Bank the amount of such increase in cost, reduction in income or additional expense as and when such cost, reduction or expense is incurred or determined, upon presentation by Bank of a statement of the amount and setting forth Bank's calculation thereof, all in reasonable detail which statement shall be deemed true and correct absent manifest error.

2.7 Term. This Exim Agreement shall become effective once duly executed

and authorized by Borrower and Bank and shall continue in full force and effect for a term ending on the Exim Maturity Date, on which date all Obligations shall become immediately due and payable. Notwithstanding the foregoing, Bank shall have the right to terminate this Exim Agreement immediately and without notice upon the occurrence of an Event of Default. Notwithstanding any termination of this Exim Agreement, all of Bank's security interest in all of the Collateral and all of the terms and provisions of this Exim Agreement shall continue in full force and effect until all Obligations have been paid and performed in full, and no termination shall impair any right or remedy of Bank, nor shall any such termination relieve Borrower of any Obligation to Bank until all of the Obligations have been paid and performed in full.

2.8 Use of Proceeds. Borrower will use the proceeds of Advances only for

the purposes specified in the Borrower Agreement. Borrower shall not use the proceeds of the Advances for any purpose prohibited by the Borrower Agreement.

3. CONDITIONS OF LOANS

3.1 Conditions Precedent to all Advances. The obligation of Bank to make

each Advance, including the initial Advance, is subject to the following conditions:

(a) timely receipt by Bank of the Payment/Advance Form as provided in Section 2.1;

(b) timely receipt by Bank of a Borrowing Base Certificate as defined in the Borrower Agreement;

(c) the Exim Guarantee shall be in full force and effect;

(d) receipt by the Bank of a valid purchase order and such other documentation as the Bank may require with respect to any Advance based upon Inventory;

(e) if required by the Bank in its reasonable discretion, a satisfactory appraisal of Inventory with respect to any Advances to be made based in whole or in part upon the value of the Inventory; and

(f) except as otherwise disclosed to the Bank, the representations and warranties contained in Section 5 hereof shall be true and accurate in all material respects on and as of the date of such Payment/Advance Form and on the effective date of each Advance as though made at and as of each such date (except to the extent they relate specifically to an earlier date, in which case such representations and warranties shall continue to have been true and accurate as of such date), and no potential Event of Default or Event of Default shall have occurred and be continuing, or would result from such Advance.

The making of each Advance shall be deemed to be a representation and warranty by Borrower on the date of such Advance as to the accuracy of the facts referred to in this Section 3.1.

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4. CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower grants and pledges to Bank a

continuing security interest in all presently existing and hereafter acquired

or arising Collateral in order to secure prompt payment of any and all Obligations (which Obligations shall include, without limitation, all obligations of the Borrower to the Bank under the Domestic Loan Documents) and in order to secure prompt performance by Borrower of each of its covenants and duties under the Exim Loan Documents and Domestic Loan Documents. Except as set forth in the Schedule, such security interest constitutes a valid, first priority security interest in the presently existing Collateral, and will constitute a valid, first priority security interest in Collateral acquired after the date hereof. Borrower acknowledges that Bank may place a "hold" on any Deposit Account pledged as Collateral to secure the Obligations. Notwithstanding termination of this Agreement Bank's Lien on the Collateral shall remain in effect for so long as any Obligations are outstanding. Upon termination of this Agreement and satisfaction in full of the Obligations, Bank shall execute all documents and take all actions reasonably requested by Borrower in evidence thereof. Notwithstanding the foregoing, it is expressly acknowledged and agreed that the security interest created in this Exim Agreement in all of the Collateral (with the exception of both Exim Eligible Foreign Accounts and Eligible Export-Related Inventory but only to the extent any Advances are actually made by the Bank to the Borrower based upon such Exim Eligible Foreign Accounts and Eligible Export-Related Inventory), is subject to and subordinate to the security interest granted to the Bank in the Domestic Agreement and the Permitted Liens (as defined in the Domestic Agreement or the Borrower Agreement) with respect to the Collateral.

4.2 Delivery of Additional Documentation Required. Borrower shall from -----
time to time execute and deliver to Bank, at the request of Bank, all financing statements and other documents that Bank may reasonably request, in form satisfactory to Bank, to perfect and continue perfected Bank's security interests in the Collateral and in order to fully consummate all of the transactions contemplated under the Exim Loan Documents.

4.3 Power of Attorney. Effective only upon the occurrence and during the -----
continuance of an Event of Default Borrower hereby irrevocably appoints Bank (and any of Bank's designated officers or employees) as Borrower's true and lawful attorney, with power to: (a) send requests for verification of Accounts; (b) endorse Borrower's name on any checks or other forms of payment or security that may come into Bank's possession; (c) sign the name of Borrower on any of the documents described in Section 4.2 (regardless of whether an Event of Default has occurred); (d) sign Borrower's name on any invoice or bill of lading relating to any Account, drafts against account debtors, schedules and assignments of Accounts, verifications of Accounts, and notices to account debtors; (e) make, settle, and adjust all claims under and decisions with respect to Borrower's policies of insurance; and (f) settle and adjust disputes and claims respecting the accounts directly with account debtors, for amounts and upon terms which Bank determines to be reasonable. The appointment of Bank as Borrower's attorney-in-fact, and each of Bank's rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully repaid and Bank's obligation to provide Advances hereunder is terminated.

4.4 Right to Inspect. Each of Bank and Exim Bank (through any of their -----
respective officers, employees, or agents) shall have the right, upon reasonable prior notice, from time to time during Borrower's usual business hours, without causing any disruptions of Borrower's operations (prior to an Event of Default) to inspect Borrower's Books, facilities and activities, and to check, test, and appraise the Collateral in order to verify Borrower's financial condition or the amount, condition of, or any other matter relating to, the Collateral. Bank shall conduct annual accounts receivable audits, the results of which audits shall be satisfactory to Bank. Borrower will cause its officers and employees to give their full cooperation and assistance in connection therewith.

5. REPRESENTATIONS AND WARRANTIES

Borrower represents, warrants and covenants as follows:

5.1 Domestic Loan Documents. The representations and warranties contained -----
in the Domestic Loan Documents, which are incorporated by reference into this Exim Agreement, are true and correct as of the date hereof, except as set forth on Exhibit D attached hereto.

6. AFFIRMATIVE COVENANTS

Borrower covenants and agrees that, until payment in full of the Obligations, each Borrower shall do all of the following:

6.1 Domestic Loan Documents. Borrower shall comply in all respects with -----

the terms and provisions of the Domestic Loan Documents, which terms and provisions are incorporated into this Exim Agreement and which shall include, without limitation, compliance with the financial reporting requirements and the financial covenants set forth in Article 6 of the Domestic Agreement. In addition, the Borrower shall deliver to the Bank within twenty (20) days of the end of each month (i) a Borrowing Base Certificate, (ii) a schedule of Inventory for the preceding month, and (iii) an aged listing of accounts receivable, which shall include all Accounts whether domestic or foreign.

6.2 Terms of Sale. Borrower shall cause all sales of products upon which

Advances are based to be on open account to creditworthy buyers that have been preapproved in writing by Bank and Exim Bank.

6.3 Borrower Agreement. Borrower shall comply with all of the terms of

the Borrower Agreement, including without limitation, the delivery of any and all notices required pursuant to Sections 2.11 and/or 2.18 of the Borrower Agreement. In the event of any conflict or inconsistency between any provision contained in the Borrower Agreement with any provision contained in this Exim Agreement, the more strict provision with respect to the Borrower, as determined by the Bank shall control.

6.4 Notice in Event of Filing of Action for Debtor's Relief. Borrower

shall notify Bank in writing within five (5) days of the occurrence of any of the following: (1) Borrower begins or consents in any manner to any proceeding or arrangement for its liquidation in whole or in part or to any other proceeding or arrangement whereby any of its assets are subject generally to the payment of its liabilities or whereby any receiver, trustee, liquidator or the like is appointed for it or any substantial part of its assets (including without limitation the filing by Borrower of a petition for appointment as debtor-in-possession under Title 11 of the U.S. Code); (2) Borrower fails to obtain the dismissal or stay on appeal within thirty (30) calendar days of the commencement of any proceeding arrangement referred to in (1) above; (3) Borrower begins any other procedure for the relief of financially distressed or insolvent debtors, or such procedure has been commenced against it, whether voluntarily or involuntarily, and such procedure has not been effectively terminated, dismissed or stayed within thirty (30) calendar days after the commencement thereof, or (4) Borrower begins any procedure for its dissolution, or a procedure therefor has been commenced against it.

6.5 Payment in Dollars. Borrower shall require payment in United States

Dollars for the products, unless the Exim Bank otherwise agrees in writing hereafter.

6.6 Inventory Audits. Bank shall have the right to conduct audits of the

Borrower's Inventory at Borrower's expense.

6.7 Audits. Bank shall have the right from time to time hereafter to

audit Borrower's Accounts at Borrower's expense, provided that such audits will be conducted no more often than every six (6) months unless an Event of Default has occurred and is continuing.

6.8 Further Assurances. At any time and from time to time Borrower shall

(i) execute and deliver such further instruments, (ii) take such further action as may reasonably be requested by Bank, and (iii) deliver such additional information, reports, contracts, invoices and other data concerning the Collateral as may reasonably be requested by Bank, all of the foregoing in furtherance of the purposes of this Exim Agreement.

7. NEGATIVE COVENANTS

Borrower covenants and agrees that, so long as any Advance hereunder shall be available and until payment in full of the outstanding Obligations or for so long as Bank may have any commitment to make any Advances, Borrower will not do any of the following:

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7.1 Domestic Loan Documents. Violate or otherwise fail to comply with any

provisions of the Domestic Loan Documents, which provisions are incorporated into this Exim Agreement.

7.2 Loans to Shareholders or Affiliates. Without Exim Bank's prior

written consent, make any loans to any shareholder or entity affiliated with Borrower. As used in this Section 7.2, the term "loan" does not include salary, reasonable rent paid to an affiliated entity owned by the shareholders, or to

other expenses incurred in the ordinary course of Borrower's business.

7.3 Borrower Agreement. Violate or otherwise fail to comply with any

provision of the Borrower Agreement, including without limitation the negative covenants set forth in Section 2.15.

7.4 Exim Guarantee. Take any action, or permit any action to be taken,

that causes or, with the passage of time, could reasonably be expected to cause, the Exim Guarantee to cease to be in full force and effect.

8. EVENTS OF DEFAULT

Any one or more of the following events shall constitute an Event of Default by Borrower under this Exim Agreement:

8.1 Payment Default. If Borrower fails to pay, when due, any of the

Obligations.

8.2 Covenant Default; Cross Default. If Borrower fails or neglects to

perform, keep, or observe any material term, provision, condition, covenant, or agreement contained in this Exim Agreement, in any of the Domestic Loan Documents, the Borrower Agreement, or the Exim Loan Documents, or an Event of Default occurs under any of the Domestic Loan Documents or the Borrower Agreement and as to any default under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure such default within twenty (20) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the twenty (20) day period or cannot after diligent attempts by Borrower be cured within such twenty (20) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional reasonable period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to have cured such default shall not be deemed an Event of Default (provided that no Advances will be required to be made during such cure period); or

8.3 Exim Guarantee. If the Exim Guarantee ceases for any reason to be in

full force and effect, or if the Exim Bank declares the Exim Guarantee void or revokes or purports to revoke any obligations under the Exim Guarantee.

9. BANK'S RIGHTS AND REMEDIES

9.1 Rights and Remedies. Upon the occurrence and during the continuance of

an Event of Default, Bank may, at its election, without notice of its election and without demand, do any one or more of the following, in accordance with applicable law, all of which are authorized by the Borrower:

(a) Declare all Obligations, whether evidenced by this Exim Agreement, the Domestic Loan Documents, or by any of the other Exim Loan Documents, or otherwise, immediately due and payable (provided that upon the occurrence of an Event of Default described in Section 8.5 of the Domestic Agreement, all Obligations shall become immediately due and payable without any action by Bank);

(b) Cease advancing money or extending credit to or for the benefit of Borrower under this Exim Agreement or under any other agreement between Borrower and Bank;

(c) Settle or adjust disputes and claims directly with account debtors for amounts, upon terms and in whatever order that Bank reasonably considers advisable;

(d) Notify customers of Borrower or other third parties to pay amounts owing to Borrower directly to the Bank;

(e) Without notice to or demand upon Borrower, make such payments and do such acts as Bank considers necessary or reasonable to protect its security interest in the Collateral. Borrower agrees to assemble the Collateral if Bank so requires, and to make the Collateral available to Bank as Bank may designate. Borrower authorizes Bank to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien which in Bank's determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Borrower's premises, Borrower hereby grants Bank a license to enter such premises and

to occupy the same, without charge, in order to exercise any of Bank's rights or remedies provided herein, at law, in equity, or otherwise;

(f) With notice to the Borrower, set off and apply to the Obligations any and all (i) balances and deposits of Borrower held by Bank, or (ii) indebtedness at any time owing to or for the credit or the account of Borrower held by Bank;

(g) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided far herein) the Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right, solely pursuant to the provisions of this Section 9.1, to use, without charge, Borrower's labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, to the extent required for Bank's exercise of its rights under this Section 9.1, Borrower's rights under all licenses and all franchise agreements shall inure to Bank's benefit;

(h) Sell the Collateral in a commercially reasonable manner at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as Bank determines is commercially reasonable, and apply the proceeds thereof to the Obligations in whatever manner or order it deems appropriate; and

(i) Bank may credit bid and purchase at any public sale, or at any private sale permitted by law.

Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by Borrower.

9.2 Exim Direction. Upon the occurrence of an Event of Default, Exim Bank

shall have a right to: (i) direct Bank to exercise the remedies specified in Section 9.1 and (ii) request that Bank accelerate the maturity of any other loans to Borrower as to which Bank has a right to accelerate.

9.3 Exim Notification. Bank shall have the right to immediately notify

Exim Bank in writing if it has knowledge of the occurrence of any of the following events: (1) any failure to pay any amount due under this Exim Agreement or the Note; (2) the Borrowing Base is less than the sum of outstanding Advances hereunder; (3) any failure to pay when due any amount payable to Bank by the Borrower under any loan(s) extended by Bank to Borrower; (4) the filing of an action for debtor's relief by, against, or on behalf of Borrower; or (5) any threatened or pending material litigation against Borrower, or any material dispute involving Borrower.

In the event that it sends such a notification to Exim Bank, Bank shall have the right to thereafter send Exim Bank a written report on the status of the events covered by said notification on each Business Day which occurs every thirty (30) calendar days after the date of said notification, until such time as Bank files a claim with Exim Bank or said default or other events have been cured. Bank shall not have any obligation to make any Advances following said notification to Exim Bank, unless Exim Bank gives its written approval thereto. If directed to do so by Exim Bank, Bank shall have a right promptly to exercise any rights it may have against borrower to demand the immediate repayment of all amounts outstanding under the Exim Loan Documents.

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9.4 Remedies Cumulative. Bank's rights and remedies under this Exim

Agreement, the Exim Loan Documents, the Domestic Loan Documents and all other agreements shall be cumulative. Bank shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by Bank of one right or remedy shall be deemed an election, and no waiver by Bank of any Event of Default on Borrower's part shall be deemed a continuing waiver. No delay by Bank shall constitute a waiver, election, or acquiescence by it. No waiver by Bank shall be effective unless made in a written document signed on behalf of Bank and then shall be effective only in the specific instance and for the specific purpose for which it was given.

9.5 Power of Attorney. Effective only upon the occurrence and during the

continuance of an Event of Default, Borrower hereby irrevocably appoints Bank (and any of Bank's designated officers, or employees) as Borrower's true and lawful attorney to: (a) send requests for verification of Accounts or notify account debtors of Bank's security interest in the Accounts; (b) endorse Borrower's name on any checks or other forms of payment or security that may come into Bank's possession; (c) sign Borrower's name on any invoice or bill of lading relating to any Account, drafts against account debtors, schedules and assignments of Accounts, verifications of Accounts, and notices to account

debtors; (d) make, settle, and adjust all claims under and decisions with respect to Borrower's policies of insurance; and (e) settle and adjust disputes and claims respecting the accounts directly with account debtors, for amounts and upon terms which Bank determines to be reasonable; and (f) to file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Borrower where permitted by law provided Bank may exercise such power of attorney to sign the name of Borrower on any of the documents described in Section 4.2 regardless of whether an Event of Default has occurred. The appointment of Bank as Borrower's attorney in fact, and each and every one of Bank's rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully repaid and performed and Bank's obligation to provide advances hereunder is terminated.

9.6 Accounts Collection. Upon the occurrence and during the continuance of

an Event of Default, Bank may notify any Person owing funds to Borrower of Bank's security interest in such funds and verify the amount of such Account. Borrower shall collect all amounts owing to Borrower for Bank, receive in trust all payments as Bank's trustee, and if requested or required by Bank, immediately deliver such payments to Bank in their original form as received from the account debtor, with proper endorsements for deposit.

9.7 Bank Expenses. If Borrower fails to pay any amounts or furnish any

required proof of payment due to third persons or entities, as required under the terms of this Agreement, then Bank may do any or all of the following: (a) make payment of the same or any part thereof; (b) set up such reserves under the Committed Revolving Line as Bank deems necessary to protect Bank from the exposure created by such failure; or (c) obtain and maintain insurance policies of the type discussed in Section 6.5 of the Domestic Agreement, and take any action with respect to such policies as Bank deems prudent. Any amounts so paid or deposited by Bank shall constitute Bank Expenses, shall be immediately due and payable and shall bear interest at the then applicable rate hereinabove provided, and shall be secured by the Collateral. Any payments made by Bank shall not constitute an agreement by Bank to make similar payments in the future or a waiver by Bank of any Event of Default under this Agreement.

9.8 Bank's Liability for Collateral. So long as Bank complies with

reasonable banking practices and applicable law, Bank shall not in any way or manner be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other person whomsoever. All risk of loss, damage or destruction of the Collateral shall be borne by Borrower.

9.9 Demand: Protest. Borrower waives demand, protest, notice of protest,

notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by Bank on which Borrower may in any way be liable.

10. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER

The laws of the Commonwealth of Massachusetts shall apply to this Agreement. BORROWER ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN

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THE COMMONWEALTH OF MASSACHUSETTS IN ANY ACTION, SUIT, OR PROCEEDING OF ANY KIND, AGAINST IT WHICH ARISES OUT OF OR BY REASON OF THIS AGREEMENT; PROVIDED, HOWEVER, THAT IF FOR ANY REASON BANK CANNOT AVAIL ITSELF OF THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS, BORROWER ACCEPTS JURISDICTION OF THE COURTS AND VENUE IN SANTA CLARA COUNTY, CALIFORNIA.

BORROWER AND BANK EACH HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE EXIM LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY RECOGNIZES AND AGREES THAT THE FOREGOING WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR IT TO ENTER INTO THIS AGREEMENT. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

11. WAIVERS: INDEMNIFICATION

11.1 Indemnification. Borrower shall defend, indemnify and hold harmless

Bank and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Exim Agreement, and (b) all losses or Exim Bank. Expenses in any way suffered, incurred, or paid by Bank as a result of or in any way arising out of, following, or consequential to transactions between Bank and Borrower whether under this Exim Agreement, or otherwise (including without limitation reasonable attorneys fees and expenses), except for losses caused by Bank's gross negligence or willful misconduct.

12. NOTICES

Unless otherwise provided in this Exim Agreement, all notices or demands by any party relating to this Exim Agreement at any other agreement entered into in connection herewith shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by a recognized overnight delivery service, by certified mail, postage prepaid, return receipt requested, or by telefacsimile to Borrower or to Bank, as the case may be, at the address set forth in the Domestic Loan Documents. The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other.

13. GENERAL PROVISIONS

13.1 Successors and Assigns. This Exim Agreement shall bind and inure to the benefit of the respective successors and permitted assigns of each of the parties; provided, however, that neither this Exim Agreement nor any rights hereunder may be assigned by Borrower without Bank's prior written consent, which consent may be granted or withheld in Bank's sole discretion. Bank shall have the right without the consent of or notice to Borrower to sell, transfer, negotiate, or grant participations in all or any part of, or any interest in Bank's obligations, rights and benefits hereunder.

13.2 Time of Essence. Time is of the essence for the performance of all obligations set forth in this Exim Agreement.

13.3 Severability of Provisions. Each provision of this Exim Agreement shall be severable from every other provision of this Exim Agreement for the purpose of determining the legal enforceability of any specific provision.

13.4 Amendments in Writing. This Exim Agreement cannot be changed or terminated orally. Without the prior written consent of Exim Bank, no material amendment of or deviation from the terms of this Exim Agreement or the Note shall be made that would adversely affect the interests of Exim Bank under the Exim Guarantee, including without limitation the rescheduling of any payment terms provided for in this Exim

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Agreement. All prior agreements, understandings, representations, warranties, and negotiations between the parties hereto with respect to the subject matter of this Exim Agreement, if any, are merged into this Exim Agreement.

13.5 Counterparts. This Exim Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Exim Agreement.

13.6 Survival. All covenants, representations and warranties made in this Exim Agreement shall continue in full force and effect so long as any Obligations remain outstanding. The obligations of Borrower to indemnify Bank with respect to the expenses, damages, losses, costs and liabilities described in Section 11.1 shall survive until all applicable statute of limitations periods with respect to actions that may be brought against Bank have run.

13.7 Countersignature. This Agreement shall become effective only when it shall have been executed by Borrower and Bank (provided, however, in no event shall this Agreement become effective until signed by an officer of Bank in California).

13.8 Confidentiality. In handling any confidential information Bank shall exercise the same degree of care that it exercises with respect to its own proprietary information of the same types to maintain the confidentiality of any

non-public information thereby received or received pursuant to this Agreement except that disclosure of such information may be made (i) to the subsidiaries or affiliates of Bank in connection with their present or prospective business relations with Borrower, (ii) to prospective transferees or purchasers of any interest in the Loans, provided that they have entered into a comparable confidentiality agreement in favor of Borrower and have delivered a copy to Borrower, (iii) as required by law, regulations, rule or order, subpoena, judicial order or similar order, (iv) as may be required in connection with the examination, audit or similar investigation of Bank, and (v) as Bank may deem appropriate in connection with the exercise of any remedies hereunder. Confidential information hereunder shall not include information that either: (a) is in the public domain or in the knowledge or possession of Bank when disclosed to Bank, or becomes part of the public domain after disclosure to Bank through no fault of Bank; or (b) is disclosed to Bank by a third party, provided Bank does not have actual knowledge that such third party is prohibited from disclosing such information.

IN WITNESS WHEREOF, the parties hereto have caused this Exim Agreement to be executed as of the date first above written.

SEACHANGE INTERNATIONAL, INC.

By: /s/ WL Fielder

Name: WL FIELDER

Title: VICE PRESIDENT

SILICON VALLEY BANK, d/b/a
SILICON VALLEY EAST

By: _____

Name: _____

Title: _____

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SILICON VALLEY BANK

By: _____

Name: _____

Title: _____

(Signed in Santa Clan County, California)

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COMMON STOCK PURCHASE AGREEMENT

This COMMON STOCK PURCHASE AGREEMENT (this "Agreement") is made as of this 23rd day of May, 2000 between SeaChange International, Inc., a Delaware corporation (the "Company"), and Microsoft Corporation, a Washington corporation (the "Purchaser").

RECITALS

WHEREAS, the Company desires to sell to the Purchaser, and the Purchaser desires to purchase from the Company, shares of the Company's Common Stock, \$0.01 par value per share (the "Common Stock"), on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1

Agreement to Purchase and Sell Common Stock

1.1 Agreement to Purchase and Sell Common Stock. Upon the terms and -----
subject to the conditions of this Agreement, the Company hereby agrees to sell to the Purchaser at the Closing (as defined below), and the Purchaser agrees to purchase from the Company at the Closing, two hundred seventy-seven thousand one hundred sixty-two (277,162) shares of Common Stock, (the "Shares") at a price of \$36.08 per share (the "Per Share Purchase Price") for an aggregate purchase price of \$10,000,004.96.

SECTION 2

Closing Date; Delivery

2.1 Closing Date. The Closing of the purchase and sale of the Shares -----
hereunder (the "Closing") shall be held at the offices of the Company at 5:00 p.m. on May 23, 2000, or at such other time and place as the Company and the Purchaser mutually agree (the date of the Closing being hereinafter referred to as the "Closing Date").

2.2 Delivery. At the Closing, the Company will deliver to the Purchaser a -----
certificate or certificates representing the Shares against payment of the aggregate purchase price of \$10,000,000 by wire transfer of immediately available funds to an account designated by the Company. The certificate or certificates representing the Shares shall be subject to the following legend restricting transfer under the Securities Act of 1933, as amended (the "Securities Act"):

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. NO TRANSFER OF THE

SHARES REPRESENTED BY THIS CERTIFICATE SHALL BE VALID OR EFFECTIVE UNLESS (A) SUCH TRANSFER IS MADE PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (B) THE HOLDER SHALL DELIVER TO THE COMPANY AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY THAT SUCH PROPOSED TRANSFER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND OF ANY APPLICABLE STATE SECURITIES LAWS.

The Company agrees to remove the legend set forth in the preceding paragraph upon receipt of an opinion of counsel in form and substance reasonably satisfactory to the Company that the Shares or the shares of Common Stock issuable upon conversion of the Shares are eligible for transfer without registration under the Securities Act.

SECTION 3

Representations and Warranties of the Company

Except as disclosed in a document referring specifically to the representations and warranties in this Agreement which identifies by section number the section and subsection to which such disclosure relates and is delivered by Company to Purchaser prior to the execution of this Agreement (which is attached as Exhibit A hereto), the Company hereby represents and warrants to the Purchaser as follows:

3.1 Organization. The Company is a corporation duly organized and validly

existing under the laws of the State of Delaware and is in good standing under such laws. The Company has the requisite corporate power to own and operate its properties and assets, and to carry on its business as presently conducted and as proposed to be conducted. The Company is qualified to do business as a foreign corporation in each jurisdiction in which the ownership of its property or the nature of its business requires such qualification, except where the failure to be so qualified would not have a materially adverse effect on the Company and its subsidiaries, taken as a whole.

3.2 Authorization. All corporate action on the part of the Company

necessary for the authorization, execution, delivery and performance of this Agreement and the Registration Rights Agreement (attached as Exhibit B hereto) by the Company, the authorization, sale, issuance and delivery of the Shares hereunder has been taken. This Agreement and the Registration Rights Agreement constitute legal, valid and binding obligations of the Company enforceable in accordance with their respective terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies, and to limitations of public policy as they may apply to Section 6 of the Registration Rights Agreement. Upon their issuance and delivery pursuant to this Agreement, the Shares will be validly issued, fully paid and nonassessable. The issuance and sale of the Shares will not give rise to any preemptive rights or rights of first refusal on behalf of any person in existence on the date hereof.

3.3 No Conflict. The execution and delivery of this Agreement and the

Registration Rights Agreement do not, and the consummation of the transactions contemplated hereby and thereby will not, conflict with, or result in any violation of, or default (with or without notice or lapse

of time, or both), or give rise to a right of termination, cancellation or acceleration of any obligation or to a loss of a material benefit under, any provision of the Certificate of Incorporation or Bylaws of the Company or any mortgage, indenture, lease or other agreement or instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Company, its properties or assets, the effect of which would have a material adverse effect on the Company and its subsidiaries, taken as a whole, or materially impair or restrict the Company's power to perform its obligations as contemplated under said agreements.

3.4 SEC Documents. The Company has filed all required reports, schedules,

forms, statements and other documents required to be filed by the Company with the Securities and Exchange Commission (the "SEC") since January 1, 1999 (the "SEC Documents"). As of their respective dates, the SEC Documents complied in all material respects with requirements of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as the case may be and the rules and regulations of the SEC promulgated thereunder applicable to such SEC Documents, and none of the SEC Documents, except to the extent that information contained in any SEC Document has been revised or superseded by a later Filed SEC Document (as defined below), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the Company's Form 10-K for the year ended December 31, 1999 comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or as described in writing to the Purchaser prior to the date hereof) and fairly present the consolidated financial position of the Company and its consolidated subsidiaries as of the dates thereof and the consolidated results of their operation and cashflows for the periods then ending in accordance with GAAP (subject, in the case of the unaudited statements, to normal year end audit adjustments). Except as set forth in the Filed SEC Documents (as defined below), neither the Company nor any of its subsidiaries has any material liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) required by GAAP to be set forth on a consolidated balance sheet of the Company and its consolidated subsidiaries or in the notes thereto and which can reasonably be expected to have a material adverse effect on the Company and its subsidiaries taken as a whole.

3.5 Absence of Certain Changes or Events. Except as disclosed in the SEC

Documents filed and publicly available (either on the EDGAR system or by delivery to Purchaser) prior to the date of this Agreement (the "Filed SEC Documents"), since the date of the most recent audited financial statements included in the Filed SEC Documents, there has not been (i) any declaration, setting aside or payment of any dividend or distribution (whether in cash, stock or property) with respect to any of the Company's capital stock, (ii) any split, combination or reclassification of any of its capital stock or any issuance or

the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, (iii) any damage, destruction or loss of property, whether or not covered by insurance, that has or is likely to have a material adverse effect on the Company and its subsidiaries taken as a whole, or (iv) any change in accounting methods, principles or practices by the Company materially affecting its assets, liabilities, or business, except insofar as may have been required by a change in GAAP.

3.6 Governmental Consent, etc. In reliance on the representations of the

Purchaser contained herein, no consent, approval or authorization of, or designation, declaration or filing with,

any governmental authority on the part of the Company is required in connection with the valid execution and delivery of this Agreement, or the offer, sale or issuance of the Shares, or the consummation of any other transaction contemplated hereby, except such filings as may be required to be made with the SEC and the National Association of Securities Dealers, Inc.

3.7 Litigation. Except as is disclosed in the Filed SEC Documents, there

is no suit, action or proceeding pending against the Company or any of its subsidiaries that, individually or in the aggregate, would (i) have a material adverse effect on the Company and its subsidiaries taken as a whole, (ii) impair the ability of the Company to perform its obligations under this Agreement and the Registration Rights Agreement, or (iii) prevent the consummation of any of the transactions contemplated by said agreements.

3.8 Capitalization.

(a) As of the date of this Agreement, the authorized capital stock of the Company consists of 50,000,000 shares of the Common Stock and 5,000,000 shares of preferred stock, par value \$.01 per share, of the Company (the "Company Preferred Stock").

(b) As of April 30, 2000, there were approximately (1) 21,437,873 shares of the Common Stock issued and outstanding, (2) 40,500 shares of the Common Stock held in the treasury of the Company, (3) no shares of the Company Preferred Stock issued and outstanding, (4) 2,222,585 shares of the Common Stock reserved for issuance upon exercise of outstanding stock options issued by the Company to current or former employees and directors of the Company and its subsidiaries, and (5) no shares of the Common Stock have been reserved for issuance upon exercise of authorized but unissued Company Preferred Stock.

(c) All outstanding shares of the Common Stock are duly authorized, validly issued, fully paid and nonassessable, free from any liens created by the Company with respect to the issuance and delivery thereof and not subject to preemptive rights.

3.9 Registration Rights. No person has the right to register shares of

Common Stock on a Registration Statement filed by the Company pursuant to this Agreement.

SECTION 4

Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to the Company as follows:

4.1 Organization. The Purchaser is a corporation duly organized and

validly existing and in good standing under the laws of the State of Washington, with all requisite corporate power and authority to own, lease and operate its properties and to conduct its business as now being conducted.

4.2 Authority. All corporate action on the part of the Purchaser

necessary for the authorization, execution, delivery and performance of this Agreement and the Registration Rights Agreement by the Purchaser has been taken. This Agreement and the Registration Rights Agreement have been duly executed and delivered by the Purchaser and constitute legal, valid and binding obligations of the Purchaser, enforceable in accordance with their respective terms, subject to laws of

general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies, and to limitations of public policy as they may apply to Section 6 of the Registration Rights Agreement. The execution and delivery of said agreements do not, and the consummation of the transactions contemplated hereby and thereby will not, conflict with or result in any violation of any obligation under any provision of the Articles of Incorporation or Bylaws of the Purchaser or any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Purchaser.

4.3 Investment. The Purchaser is acquiring the Shares for investment for

its own account, not as a nominee or agent, and not with a view to, or for
resale in connection with, any distribution thereof. The Purchaser understands
that the Shares have not been registered under the Securities Act by reason of a
specific exemption from the registration provisions of the Securities Act which
depends upon, among other things, the bona fide nature of the investment intent
and the accuracy of the Purchaser's representations and warranties contained
herein.

4.4 Disclosure of Information. The Purchaser has had full access to all

information it considers necessary or appropriate to make an informed investment
decision with respect to the Shares to be purchased by the Purchaser under this
Agreement. The Purchaser further has had an opportunity to ask questions and
receive answers from the Company regarding the terms and conditions of the
offering of the Shares and to obtain additional information necessary to verify
any information furnished to the Purchaser or to which the Purchaser had access.

4.5 Investment Experience. The Purchaser understands that the purchase of

the Shares involves substantial risk. The Purchaser has experience as an
investor in securities of companies and acknowledges that it is able to fend for
itself, can bear the economic risk of its investment in the Shares and has such
knowledge and experience in financial or business matters that it is capable of
evaluating the merits and risks of this investment in the Shares and protecting
its own interests in connection with this investment.

4.6 Accredited Investor Status. The Purchaser is an "accredited investor"

within the meaning of Regulation D promulgated under the Securities Act.

4.7 Restricted Securities. The Purchaser understands that the Shares to

be purchased by the Purchaser hereunder are characterized as "restricted
securities" under the Securities Act inasmuch as they are being acquired from
the Company in a transaction not involving a public offering and that under the
Securities Act and applicable regulations thereunder such securities may be
resold without registration under the Securities Act only in certain limited
circumstances. The Purchaser is familiar with Rule 144 of the Securities Act, as
presently in effect, and understands the resale limitations imposed thereby and
by the Securities Act. The Purchaser understands that the Company is under no
obligation to register any of the Shares sold hereunder except as provided in
the Registration Rights Agreement.

4.8 Governmental Consent, etc. In reliance on the representations of the

Company contained herein, no consent, approval or authorization of, or
designation, declaration or filing with, any governmental authority on the part
of the Purchaser is required in connection with the valid execution and delivery
of this Agreement, or the offer, sale or issuance of the Shares, or the
consummation of any other transaction contemplated hereby, except such filings
as may be required to be made with the SEC and the National Association of
Securities Dealers, Inc.

SECTION 5

Conditions to Obligation of the Purchaser

The Purchaser's obligation to purchase the Shares at the Closing is subject
to the fulfillment on or prior to the Closing Date of the following conditions:

5.1 Representations and Warranties. Each of the representations and

warranties of the Company contained in Section 3 will be true and correct on and
as of the date hereof and on and as of the Closing Date with the same effect as
though such representations and warranties had been made as of the Closing Date.
The Purchaser shall have received a certificate signed by an officer of the
Company to such effect on the Closing Date.

5.2 No Order Pending. There shall not then be in effect any order

enjoining or restraining the transactions contemplated by this Agreement.

5.3 No Law Prohibiting or Restricting Sale of the Shares. There shall not

be in effect any law, rule or regulation prohibiting or restricting the sale of
the Common Stock, or requiring any consent or approval of any Person which shall
not have been obtained to issue the Common Stock.

5.4 Registration Rights Agreement. The Company shall have executed and

delivered the Registration Rights Agreement substantially in the form attached
hereto as Exhibit B.

5.5 Opinion of Counsel. The Purchaser shall have received an opinion

dated as of the Closing Date of Testa, Hurwitz & Thibault, LLP, counsel to the Company, substantially in the form attached as Exhibit 5.5.

SECTION 6

Conditions to Obligation of the Company

The Company's obligation to sell and issue the Shares at the Closing is subject to the fulfillment on or prior to the Closing Date of the following conditions:

6.1 Representations and Warranties. The representations and warranties of

the Purchaser contained in Section 4 will be true and correct on and as of the date hereof and on and as of the Closing Date with the same effect as though such representations and warranties had been made as of the Closing Date. The Company shall have received a certificate signed on behalf of the Purchaser by an officer of the Purchaser to such effect on the Closing Date.

6.2 No Order Pending. There shall not then be in effect any order

enjoining or restraining the transactions contemplated by this Agreement.

6.3 No Law Prohibiting or Restricting the Sale of the Shares. There shall

not be in effect any law, rule or regulation prohibiting or restricting the sale of the Shares, or requiring any consent or approval of any Person which shall not have been obtained to issue the Shares with full benefits afforded the Common Stock (except as otherwise provided in this Agreement).

6.4 Registration Rights Agreement. The Purchaser shall have executed and

delivered the Registration Rights Agreement substantially in the form attached hereto as Exhibit B.

6.5 Opinion of Counsel. The Company shall have received an opinion dated

as of the Closing Date of Preston Gates & Ellis LLP, counsel to the Purchaser, substantially in the form attached as Exhibit 6.5.

SECTION 7

Miscellaneous

7.1 Best Efforts. Each of the Company and the Purchaser shall use its best

efforts to take all actions required under any law, rule or regulation adopted subsequent to the date hereto to ensure that the conditions to the Closing set forth herein are satisfied on or before the Closing Date.

7.2 Governing Law. This Agreement shall be governed in all respects by the

internal laws of the State of Delaware as applied to contracts entered into solely between residents of, and to be performed entirely within, such state, and without reference to principles of conflicts of laws or choice of laws.

7.3 Survival. The representations and warranties in Sections 3 and 4 of

this Agreement shall not survive the Closing except for the representations and warranties in Sections 4.3, 4.6 and 4.8 hereof, which shall continue to survive.

7.4 Successors and Assigns. This Agreement shall be binding upon and shall

inure to the benefit of the parties hereto and their respective successors and assigns.

7.5 Entire Agreement; Amendment. This Agreement and the Registration

Rights Agreement constitute the full and entire understanding and agreement between the parties with regard to the subject matter hereof and thereof and supersede all prior agreements and understandings among the parties relating to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the party against whom enforcement of any such amendment, waiver, discharge or termination is sought.

7.6 Notices. All notices, requests, demands or other communications which

are required or may be given pursuant to the terms of this Agreement shall be in writing and shall be deemed to have been duly given: (i) on the date of delivery if personally delivered by hand, (ii) upon the third day after such notice is (a) deposited in the United States mail, if mailed by registered or certified

mail, postage prepaid, return receipt requested, or (b) sent by a nationally recognized overnight express courier, or (iii) by facsimile upon written confirmation (other than the automatic confirmation that is received from the recipient's facsimile machine) of receipt by the recipient of such notice:

(a) if to the Company, to it at:

SeaChange International, Inc.
124 Acton Street
Maynard, MA 01754
Facsimile Number: (978) 897-9590
Attention William L. Fiedler

with a copy to:

William B. Simmons, Jr., Esq.
Testa, Hurwitz & Thibault, LLP
125 High Street
Boston, MA 02110
Facsimile Number: (617)248-7100

(b) if to the Purchaser, to it at:

Microsoft Corporation
One Microsoft Way
Building 8 North Office 2211
Redmond, WA 98052
Attention: Chief Financial Officer
Facsimile Number: (425) 936-7369

with a copy addressed as set forth above but to the attention of
Deputy General Counsel, Finance and Operations, Facsimile Number:
(425) 869-1327

with a copy to:

Richard B. Dodd, Esq.
Preston Gates & Ellis LLP
701 Fifth Avenue, Suite 5000
Seattle, WA 98104-7078
Facsimile Number: (206) 623-7022

7.7 Brokers.

(a) The Company has not engaged, consented to or authorized any broker, finder or intermediary to act on its behalf, directly or indirectly, as a broker, finder or intermediary in connection with the transactions contemplated by this Agreement. The Company hereby agrees to indemnify and hold harmless the Purchaser from and against all fees, commissions or other payments owing to any party acting on behalf of the Company hereunder.

(b) The Purchaser has not engaged, consented to or authorized any broker, finder or intermediary to act on its behalf, directly or indirectly, as a broker, finder or intermediary in

connection with the transactions contemplated by this Agreement. The Purchaser hereby agrees to indemnify and hold harmless the Company from and against all fees, commissions or other payments owing to any party acting on behalf of the Purchaser hereunder.

7.8 Fees, Costs and Expenses. All fees, costs and expenses (including

attorneys' fees and expenses) incurred by either party hereto in connection with the preparation, negotiation and execution of this Agreement and the Registration Rights Agreement and the consummation of the transactions contemplated hereby and thereby, shall be the sole and exclusive responsibility of such party.

7.9 Severability. If any term, provision, covenant or restriction of this

Agreement or the Registration Rights Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restriction of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

7.10 Counterparts. This Agreement may be executed in two or more partially

or fully executed counterparts and by facsimile signatures each of which shall be deemed an original and shall bind the signatory, but all of which together shall constitute but one and the same instrument. The execution and delivery of a Signature Page - Common Stock Purchase Agreement in the form attached to this Agreement by any party hereto who shall have been furnished the final form of this Agreement shall constitute the execution and delivery of this Agreement by such party.

7.11 Initial Public Announcement. The Company and the Purchaser shall

agree on the form and content of the initial public announcement which shall be made concerning this Agreement and the Registration Rights Agreement and the transactions contemplated hereby and thereby, and neither the Company nor the Purchaser shall make such public announcement without the consent of the other, except as required by law.

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SIGNATURE PAGE-COMMON STOCK PURCHASE AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective authorized officers as of the date set forth above.

MICROSOFT CORPORATION

By: /s/ Amar Nehru

Name: Amar Nehru

Title: Corporate Development VP

SEACHANGE INTERNATIONAL, INC.

By: _____

Name: _____

Title: _____

SIGNATURE PAGE-COMMON STOCK PURCHASE AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective authorized officers as of the date set forth above.

MICROSOFT CORPORATION

By: _____

Name: _____

Title: _____

SEACHANGE INTERNATIONAL, INC.

By: /s/ W.L. Fiedler

Name: W.L. FIEDLER

Title: Vice President

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement") is entered into as of this 23rd day of May, 2000, between SeaChange International, Inc., a Delaware corporation (the "Company"), and Microsoft Corporation, a Washington corporation (the "Purchaser").

WHEREAS, the Purchaser intends to purchase shares of Common Stock, par value, \$0.01 per share (the "Common Stock") of the Company pursuant to the terms and conditions of a Stock Purchase Agreement dated as of May 23, 2000 (the "Purchase Agreement"); and

WHEREAS, the Purchase Agreement requires that the Company enter into this Agreement with the Purchaser;

NOW, THEREFORE, in consideration of the foregoing, the parties to this Agreement hereby agree as follows:

1. Demand Registration. If, after the date of this Agreement the Purchaser

shall request the Company in writing to register under the Securities Act of 1933, as amended (the "Securities Act"), any or all of the shares of the Common Stock acquired by Purchaser pursuant to the Purchase Agreement (the shares of such Common Stock so registrable are referred to as the "Subject Stock"), the Company shall use its reasonable best efforts to cause the Subject Stock to be registered as soon as reasonably practicable so as to permit the sale thereof, and in connection therewith shall prepare and file a Form S-3 registration statement with the Securities and Exchange Commission (the "SEC") under the Securities Act to effect such registration; provided, however, such request shall (i) express the intention of the Purchaser to offer or cause the offering of the Subject Stock for distribution, (ii) describe the nature or method of the proposed offer and sale thereof, and (iii) contain the undertaking of the Purchaser to provide all such information and materials and take all such action as may be required in order to permit the Company to comply with all applicable requirements of the SEC and to obtain any desired acceleration of the effective date of such registration statement. In the event that Form S-3 is not then available, the registration statement shall be filed on the successor to Form S-3 or if there is no clear successor form, or if the Company is not eligible to use Form S-3 or a successor form, then the registration statement shall be filed using such form as may be available for the proposed distribution by the Purchaser with which it is least burdensome for the Company to comply. The Company agrees not to grant to any other person registration rights pursuant to which such person would have the right to register shares of Common Stock on a registration statement filed by the Company pursuant to the exercise of Purchaser's rights under this Agreement. Subject to the limitations in Section 2 and the termination of this Agreement pursuant to Section 12 Purchaser may make no more than two such requests, provided that a second request shall not be made prior to six months after the termination of the distribution made pursuant to the first registration statement and neither request shall be for less than 25% of the shares acquired by Purchaser pursuant to the Purchase Agreement.

2. Obligations of the Company.

(a) Whenever the Company is required by the provisions of this Agreement to use its reasonable best efforts to effect the registration of any Subject Stock under the Securities Act, the Company shall (i) prepare and, as soon as reasonably practicable, file with the SEC a registration statement with respect to the shares of Subject Stock, and shall use its reasonable best efforts to cause such registration statement to become effective and to remain effective until the earlier of (A) the sale of the shares of Subject Stock so registered, (B) the

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withdrawal at the request of Purchaser of such shares from such registration statement or (C) the ability of the Purchaser to sell within a single three month period pursuant to Rule 144 or Rule 144(k) of the Securities Act all of the shares of Common Stock acquired by Purchaser pursuant to the Purchase Agreement and then held by Purchaser; (ii) subject to paragraph (b) below, prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be reasonably necessary to make and to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the sale or other disposition of all securities proposed to be registered pursuant to such registration statement until the earlier of (A), (B) or (C) in (i) above; and (iii) take all such other action reasonably necessary to permit the shares of Subject Stock held by the Purchaser to be registered and disposed of in accordance with the method of disposition described herein.

(b) Notwithstanding anything in this Agreement to the contrary, by

delivery of written notice to the Purchaser (a "Suspension Notice"), stating which one or more of the following limitations shall apply to the Purchaser, the Company may (1) postpone effecting a registration under this Agreement or (2) require the Purchaser to refrain from disposing of Subject Stock under the registration, in each case for a reasonable time specified in the notice but not exceeding an aggregate of 90 days in any one year period (which period may not be extended or renewed). The Company may postpone effecting a registration or require the Purchaser to refrain from disposing of Subject Stock under the registration, if (1) the Company in good faith determines that such registration or disposition would materially impede, delay or interfere with any material financing, offer or sale of equity securities or debt securities of the Company, acquisition, disposition or other material transaction by the Company or any of its material subsidiaries, (2) an investment banking firm of recognized national standing shall advise the Company in writing that effecting the disposition by such person of Subject Stock would materially and adversely affect an offering of equity securities of the Company, by the Company for its own account the preparation of which had then been commenced, or (3) the Company in good faith determines that the Company is in possession of material non-public information the disclosure of which during the period specified in such notice the Company reasonably believes would not be in the best interests of the Company; provided that the Company may not take any action pursuant to this Section with respect to any of the limitations on dispositions specified in clause (2) for a period of time in excess of 90 days in any one year period.

(c) In connection with any registration statement, the following provisions shall apply:

(1) The Company shall furnish to the Purchaser, prior to the filing thereof with the SEC, a copy of any registration statement, and each amendment thereof and each amendment or supplement, if any, to the prospectus included therein and shall use its reasonable efforts to reflect in each such document, when so filed with the SEC, such comments as the Purchaser and its counsel reasonably may propose.

(2) The Company shall take such action as may be necessary so that: (i) any registration statement and any amendment thereto and any prospectus forming part thereof and any amendment or supplement thereto (and each report or other document incorporated therein by reference) complies in all material respects with the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the respective rules and regulations thereunder, and (ii) any registration statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

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(3) (A) The Company shall advise the Purchaser and, if requested by the Purchaser, confirm such advice in writing:

(i) when a registration statement and any amendment thereto has been filed with the SEC and when the registration statement or any post-effective amendment thereto has become effective; and

(ii) of any request by the SEC for amendments or supplements to the registration statement or the prospectus included therein or for additional information.

(B) The Company shall advise the Purchaser and, if requested by the Purchaser, confirm such advice in writing of:

(i) the issuance by the SEC of any stop order suspending effectiveness of the registration statement or the initiation of any proceedings for that purpose; and

(ii) the receipt by the Company of any notification with respect to the suspension of the qualification of the securities included therein for sale in any jurisdiction or the initiation of any proceeding for such purpose.

(4) The Company shall notify the Purchaser at any time when a Prospectus with respect to the Subject Stock is required to be delivered under the Securities Act, when the Company becomes aware of the happening of any event as a result of which the Registration Statement or the Prospectus (as then in effect) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein (in the case of the Prospectus or any preliminary Prospectus, in light of the circumstances under which they were made) not misleading; and, as promptly as practicable thereafter, but subject to Sections 2(b) and 4, the Company shall use its reasonable best efforts to prepare and file with the SEC an amendment or supplement to the Registration Statement or the Prospectus so that, as thereafter delivered to the purchasers of the Subject Stock, such Prospectus will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the

circumstances under which they were made, not misleading. As promptly as practicable after the issuance by the SEC of an order suspending the effectiveness of the Registration Statement, but subject to Sections 2(b) and 4, the Company shall use its best efforts to obtain the withdrawal of such order at the earliest possible moment.

(5) The Company shall furnish to the Purchaser with respect to the registration statement relating to the Subject Stock, without charge, such number of copies of such registration statement and any post-effective amendment thereto, including financial statements and schedules, and all reports, other documents and exhibits (including those incorporated by reference) as the Purchaser shall reasonably request.

(6) The Company shall furnish to the Purchaser such number of copies of any prospectus (including any preliminary prospectus and any amended or supplemented prospectus) relating to the Subject Stock as the Purchaser may reasonably request in order to effect the offering and sale of the shares of Subject Stock to be offered and sold, but only while the Company shall be required under the provisions hereof to cause the

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registration statement to remain current, and the Company consents (except during the continuance of any event described in Sections 2(b) or 4 to the use of the Prospectus or any amendment or supplement thereto by the Purchaser in connection with the offering and sale of the Subject Stock covered by the Prospectus or any amendment or supplement thereto.

(7) Prior to any offering of Subject Stock pursuant to any registration statement, the Company shall use its reasonable best efforts to register or qualify the shares of Subject Stock covered by such registration statement under the securities or blue sky laws of such states as the Purchaser shall reasonably request, maintain any such registration or qualification current until the earlier of (i) the sale of the shares of Subject Stock so registered, (ii) termination pursuant to Section 4 or (iii) the withdrawal of Subject Stock from the registration statement, and do any and all other acts and things either reasonably necessary or advisable to enable the Purchaser to consummate the public sale or other disposition of the shares of Subject Stock in domestic jurisdictions where the Purchaser desires to effect such sales or other disposition; provided, however, that the Company shall not be required to take any action that would subject it to the general jurisdiction of the courts of any jurisdiction in which it is not so subject or to qualify as a foreign corporation in any jurisdiction where the Company is not so qualified.

(8) In connection with any offering of shares of Subject Stock registered pursuant to this Agreement, the Company shall (x) furnish the Purchaser, at the Company's expense, on a timely basis with certificates free of any restrictive legends representing ownership of the shares of Subject Stock being sold in such denominations and registered in such names as the Purchaser shall request and (y) instruct the transfer agent and registrar of the Subject Stock to release any stop transfer orders with respect to the shares of Subject Stock.

(9) The Company shall make generally available to its security holders or otherwise provide in accordance with Section 11(a) of the Securities Act as soon as reasonably practicable after the effective date of the registration statement an earnings statement satisfying the provisions of Section 11(a) of the Securities Act.

(10) The Company shall, if requested, promptly include or incorporate in a prospectus supplement or post-effective amendment to a registration statement, such information as the Purchaser or any underwriters reasonably request to be included therein in accordance with Section 3(b) and to which the Company does not reasonably object and shall make all required filings of such prospectus supplement or post-effective amendment as soon as practicable after they are notified of the matters to be included or incorporated in such prospectus supplement or post-effective amendment.

(11) [Intentionally Omitted]

(12) The Company will use its best efforts to cause the Subject Stock to be admitted for quotation on the Nasdaq National Market or other stock exchange or trading system on which the Common Stock primarily trades on or prior to the effective date of any registration statement hereunder.

(13) Any obligation of the Company under this Agreement, including any obligation to use its "best efforts," "reasonable best efforts" or take such actions as are reasonably required, shall not preclude the Company from taking any action or omitting

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to take any action (other than omitting to file necessary amendments, post-effective amendments and supplements if a Suspension Notice or Termination Notice is not then in effect pursuant to Section 2(b) or 4, respectively) that would result in the Company issuing a Suspension Notice or Termination

Notice pursuant to Section 2(b) or 4, respectively.

(d) With a view to making available the benefits of certain rules and regulations of the SEC which may at any time permit the sale of the Subject Stock to the public without registration, the Company agrees to:

(1) make all filings with the SEC required by Rule 144(c) (or any similar provision then in force) under the Securities Act to permit the sale of the Subject Stock by any holder thereof to satisfy the conditions of Rule 144 (or any similar provision then in force).

(2) during the term of this Agreement, to furnish to the Purchaser upon request (i) a written statement by the Company as to its compliance with the reporting requirements of Rule 144, (ii) a copy of the most recent annual or quarterly report of the Company, and (iii) such other reports and documents of the Company as the Purchaser may reasonably request in availing itself of any rule or regulation of the SEC allowing the Purchaser to sell any such securities without registration.

3. Obligations of the Purchaser.

(a) The Purchaser shall, (i) offer to sell or otherwise distribute the Subject Stock in reliance upon a registration contemplated by this Agreement only after a registration statement shall have been filed with the SEC, (ii) sell or otherwise distribute the Subject Stock in reliance upon such registration only if a registration statement is then effective under the Securities Act, (iii) not sell or otherwise distribute any of the Subject Stock during any period specified in a Suspension Notice delivered to the Purchaser pursuant to Section 2(b) or after receiving a Termination Notice pursuant to Section 4 (until the Purchaser shall have received written notice from the Company that the registration is again effective), (iv) distribute the Subject Stock only in accordance with the manner of distribution contemplated by the prospectus and (v) report to the Company distributions made by the Purchaser of shares of the Subject Stock pursuant to the prospectus. The Purchaser, by participating in a registration pursuant to this Agreement, acknowledges that the remedies of the Company at law for failure by the Purchaser to comply with the undertaking contained in this paragraph (a) would be inadequate and that the failure would not be adequately compensable in damages and would cause irreparable harm to the Company, and therefore agrees that undertakings made by the Purchaser in this paragraph (a) may be specifically enforced.

(b) The Purchaser shall furnish to the Company in writing promptly upon the request of the Company the information regarding the Purchaser, the contemplated distribution of the Subject Stock and the other information regarding the proposed distribution by the Purchaser that shall be required in connection with the proposed distribution by the applicable securities laws of the United States of America and the states thereof in which the Subject Stock are contemplated to be distributed. The information furnished by the Purchaser shall be certified by the Purchaser and shall be stated to be specifically for use in connection with the registration.

(c) The obligations of the Company to maintain a registration statement are conditioned upon the Purchaser of the Subject Stock furnishing to the Company the information

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in respect of the distribution of the Subject Stock that may be required under this Agreement to be furnished by the Purchaser to the Company.

4. Termination Provisions. Notwithstanding anything in this Agreement to

the contrary, if, in the opinion of counsel for the Company (which opinion shall be reasonably acceptable to counsel for the Purchaser), there shall have arisen any legal impediment to the offering of the Subject Stock pursuant to this Agreement or if any legal action or administrative proceeding shall have been instituted or threatened or any other claim shall have been made relating to the registration or the offer made by the related prospectus or against any of the parties involved in the offering, the Company may at any time upon written notice to the Purchaser (a "Termination Notice") terminate the effectiveness of the related Registration Statement; provided that, promptly after those matters

shall be resolved to the satisfaction of counsel for the Company, then, the Company shall cause the registration of the Subject Stock formerly covered by the Registration Statement that were removed from registration by the action of the Company.

5. Expenses. The Company shall pay all fees and expenses incurred in

connection with the performance of its obligations under Sections 1 and 2 hereof, including, without limitation, all SEC and blue sky registration and filing fees, printing expenses, transfer agents' and registrars' fees, and the reasonable fees and disbursements of the Company's outside counsel and independent accountants incurred in connection with the preparation, filing and

amendment of any registration statement authorized by this Agreement (but excluding underwriters' and brokers' discounts and commissions).

6. Indemnification and Contribution.

(a) Indemnification by the Company. In the case of any offering

registered pursuant to this Agreement, the Company agrees to indemnify and hold the Purchaser and each person who controls any of the foregoing within the meaning of Section 15 of the Securities Act harmless against any and all losses, claims, damages or liabilities to which they or any of them may become subject under the Securities Act or any other statute or common law or otherwise, and to reimburse them, from time to time upon request, for any legal or other expenses reasonably incurred by them in connection with investigating any claims and defending any actions, insofar as any such losses, claims, damages, liabilities or actions shall arise out of or shall be based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the registration statement (or any amendment thereto) relating to the sale of such shares of Subject Stock, including all documents incorporated therein by reference, or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus (as amended or supplemented if the Company shall have filed with the SEC any amendment thereof or supplement thereto), if used prior to the effective date of such registration statement or contained in the prospectus (as amended or supplemented if the Company shall have filed with the SEC any amendment thereof or supplement thereto), if used within the period during which the Company shall be required to keep the registration statement to which such prospectus relates current pursuant to the terms of this Agreement, or the omission or alleged omission to state therein (if so used) a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the indemnification agreement contained in this Section 6(a) shall not apply to such losses, claims, damages, liabilities or actions which shall arise out of or shall be based upon any such untrue statement or alleged untrue statement, or any such omission or alleged omission, if such statement or omission shall have been (x) made in reliance upon and

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in conformity with information furnished in writing to the Company by the Purchaser specifically for use in connection with the preparation of the registration statement or any preliminary prospectus or prospectus contained in the registration statement or any such amendment thereof or supplement thereto, or (y) made in any preliminary prospectus, and the prospectus shall have corrected such statement or omission and a copy of such prospectus shall have been delivered to the Purchaser or any such underwriter prior to the time such prospectus is required to be delivered by the Purchaser or the underwriter under applicable law.

(b) Indemnification by the Purchaser. In the case of each offering

registered pursuant to this Agreement, the Purchaser agrees, in the same manner and to the same extent as set forth in Section 6(a) of this Agreement to indemnify and hold harmless the Company and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, its directors and those officers of the Company who shall have signed any such registration statement with respect to any statement in or omission from such registration statement or any preliminary prospectus (as amended or as supplemented, if amended or supplemented as aforesaid) or prospectus contained in such registration statement (as amended or as supplemented, if amended or supplemented as aforesaid), if such statement or omission shall have been made in reliance upon and in conformity with information furnished in writing to the Company by the Purchaser specifically for use in connection with the preparation of such registration statement or any preliminary prospectus or prospectus contained in such registration statement or any such amendment thereof or supplement thereto.

(c) Notice of Claims. Each party indemnified under Section 6(a) or

Section 6(b) of this Agreement shall, promptly after receipt of notice of the commencement of any action against such indemnified party in respect of which indemnity may be sought, notify the indemnifying party in writing of the commencement thereof, enclosing a copy of all papers served on such indemnified party. The omission of any indemnified party so to notify an indemnifying party of any such action shall not relieve the indemnifying party from any liability in respect of such action which it may have to such indemnified party on account of the indemnity agreement contained in Section 6(a) or Section 6(b) of this Agreement, unless the indemnifying party was prejudiced by such omission, and in no event shall relieve the indemnifying party from any other liability which it may have to such indemnified party. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying

party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party; provided, that if any indemnified party or parties reasonably determine that there may be legal defenses available to such indemnified party that are different from or in addition to those available to such indemnifying party or that representation of such indemnifying party and any indemnified party by the same counsel would present a conflict of interest, then such indemnifying party shall not be entitled to assume such defense. If an indemnifying party is not entitled to assume the defense of such action as a result of the proviso to the preceding sentence, counsel for such indemnifying party shall be entitled to conduct the defense of such indemnifying party and counsel for the indemnified party shall be entitled to conduct the defense of such indemnified party or parties. If an indemnifying party assumes the defense of an action in accordance with and as permitted by the provisions of this paragraph, such indemnifying party shall not be liable to such indemnified party under Section 6(a) or Section 6(b) of this Agreement for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. In no event shall the indemnifying party be liable for the fees and expenses of more than one counsel (in addition to local counsel) separate from its own counsel for all indemnified parties in connection with any

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one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. The indemnifying party shall not be liable for any settlement of any action or proceeding effected without its written consent, but if settled with its written consent, or if there be a final judgment for the plaintiff in any such action or proceeding, the indemnifying party shall indemnify and hold harmless the indemnified persons from and against any loss or liability by reason of the settlement or judgment.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in this Section 6 is for any reason held to be unavailable to the indemnified parties although applicable in accordance with its terms, the Company and Purchaser shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity incurred by the Company and Purchaser, as incurred; provided that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person that was not guilty of such fraudulent misrepresentation. As between the Company, on the one hand, and Purchaser, on the other hand, such parties shall contribute to such aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by such indemnity agreement in such proportion as shall be appropriate to reflect the relative fault of the Company, on the one hand, and the Purchaser, on the other hand, with respect to the statements or omissions which resulted in such loss, liability, claim, damage or expense, or action in respect thereof, as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and of the Purchaser, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, on the one hand, or by or on behalf of the Purchaser, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Purchaser agree that it would not be just and equitable if contribution pursuant to this Section 6 were to be determined by pro rata allocation or by any other method of allocation that does not take into account the relevant equitable considerations. For purposes of this Section 6(d), each person who controls the Company or the Purchaser within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as Purchaser or the Company, as the case may be. No party shall be liable for contribution with respect to any action, suit, proceeding or claim settled without its written consent.

(e) The Company may require, as a condition to entering into any underwriting agreement with respect to the registration of Subject Stock, that the Company shall have received an undertaking reasonably satisfactory to it from each underwriter named in any such underwriting agreement, severally and not jointly, to comply with the provisions of paragraphs (a) through (d) of this Section 6.

(f) The obligations of the Company and Purchaser under this Section 6 shall survive the completion of any offering of Subject Stock in a registration statement.

7. Notices. Any notice or other communication given under this Agreement

shall be sufficient if in writing and sent by registered or certified mail, return receipt requested, postage prepaid, to a party at its address set forth below (or at such other address as shall be designated for such purpose by such party in a written notice to the other party hereto):

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(a) if to the Company, to it at:

SeaChange International Inc.
124 Acton Street
Maynard, MA 01754
Facsimile Number: (978) 897-9590
Attention: Mr. William L. Fiedler

with a copy to:

William B. Simmons, Jr., Esq.
Testa, Hurwitz & Thibeault, LLP
125 High Street
Boston, MA 02110
Facsimile Number: (617) 248-7100

(b) if to the Purchaser, to it at:

Microsoft Corporation
One Microsoft Way
Redmond, WA 98052-6399
Attention: Chief Financial Officer
Facsimile Number: (425) 936-7369

with a copy addressed as set forth above but to the attention of
Deputy General Counsel, Finance and Operations, facsimile number:
(425) 869-1327

with a copy to:

Richard B. Dodd, Esq.
Preston Gates & Ellis LLP
701 Fifth Avenue, Suite 5000
Seattle, WA 98104-7078
Facsimile Number: (206) 623-7022

All such notices and communications shall be effective when received by the addressee.

8. Governing Law. This Agreement shall be governed in all respects by the

internal laws of the State of Delaware as applied to contracts entered into solely between residents of, and to be performed entirely within, such state, and without reference to principles of conflicts of laws or choice of laws.

9. Entire Agreement; Amendments. This Agreement constitutes the full and

entire understanding and agreement between the parties with regard to the subject matter hereof and supersedes all prior agreements and understandings among the parties relating to the subject matter hereof. Neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the party against whom enforcement of any such amendment, waiver, discharge or termination is sought.

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10. Successors and Assigns. This Agreement shall be binding upon and shall

inure to the benefit of the parties hereto and their respective successors and assigns.

11. Severability. If any term, provision, covenant or restriction of this

Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restriction of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

12. Termination of Company Obligation. All registration rights provided

hereunder shall terminate upon the earlier of (i) the third anniversary of the date of this Agreement or (ii) the ability of the Purchaser to sell within a single three month period pursuant to Rule 144 or Rule 144(k) of the Securities Act all of the shares of Common Stock acquired by Purchaser pursuant to the Purchase Agreement and then held by Purchaser.

13. Counterparts This Agreement may be executed in two or more partially

or fully executed counterparts and by facsimile signatures each of which shall be deemed an original and shall bind the signatory, but all of which together shall constitute but one and the same instrument. The execution and delivery of a Signature Page - Registration Rights Agreement in the form attached to this Agreement by any party hereto who shall have been furnished the final form of this Agreement shall constitute the execution and delivery of this Agreement by such party.

14. No Transfer or Assignment of Registration Rights. The registration

rights set forth in this Agreement shall not be transferable or assignable by
the Purchaser, except to (i) any person or group approved in writing by the
Company; or (ii) a corporation of which the Purchaser owns more than 50% of the
voting power entitled to be cast in the election of directors; provided,
however, that each transferee agrees in writing to be subject to all the terms
and conditions of this Agreement and the Purchase Agreement and in the case of a
transfer permitted by (ii) the number of shares shall not represent less than
50% of the shares initially acquired by the Purchaser.

15. Interpretation. The words "include," "includes," and "including" when

used therein shall be deemed in each case to be followed by the words "without
limitation." The headings contained in this Agreement are for reference purposes
only and shall not affect in any way the meaning or interpretation of this
Agreement.

[The balance of this page intentionally left blank.]

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SIGNATURE PAGE-REGISTRATION RIGHTS AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be
executed by their respective authorized officers as of the date set forth above.

SEACHANGE INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ W.L. Fiedler

Name: W.L. FIEDLER

Title: VICE PRESIDENT

MICROSOFT CORPORATION,
a Washington corporation

By: /s/ Amar Nehru

Name: Amar Nehru

Title: Corporate Development VP

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS OF SEACHANGE INTERNATIONAL, INC. FOR THE SIX MONTHS ENDED JULY 31, 2000 AND JUNE 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FINANCIAL STATEMENTS OF SEACHANGE INTERNATIONAL, INC. FOR THE ONE MONTHS ENDED JANUARY 31, 2000 AND APRIL 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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