



## Item 1. Financial Statements

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

December 31,	October 31,	January 31,	
-----	-----	-----	---
1999	2000	2000	
----	----	----	
<S>	<C>	<C>	<C>
Assets			
Current assets			
Cash and cash equivalents	\$ 7,244	\$ 2,721	
\$11,318			
Accounts receivable, net of allowance for doubtful			
accounts of \$638 at October 31, 2000 and			
\$908 at January 31, 2000 and December 31, 1999	23,457	16,756	
17,840			
Inventories	23,468	20,089	
17,128			
Prepaid expenses and other current assets	3,946	1,634	
1,568			
Deferred income taxes	3,400	3,400	
2,243			
----	-----	-----	---
Total current assets	61,515	44,600	
50,097			
Property and equipment, net	14,171	10,492	
10,538			
Other assets	907	869	
884			
Goodwill and intangibles, net	2,605	751	
785			
----	-----	-----	---
	\$79,198	\$56,712	
\$62,304	=====	=====	
=====			
Liabilities and Stockholders' Equity			
Current liabilities			
Current portion of equipment line of credit			
and obligations under capital lease	\$ 2,335	\$ 1,045	\$
1,048			
Accounts payable	14,927	10,451	
15,038			
Accrued expenses	1,972	2,776	
3,499			
Customer deposits	3,873	2,428	
2,092			
Deferred revenue	6,701	6,292	
4,380			
Income taxes payable	437	625	
675			
----	-----	-----	---
Total current liabilities	30,245	23,617	
26,732			
----	-----	-----	---
Long-term equipment line of credit and			
obligations under capital lease	4,024	1,144	
1,231			
----	-----	-----	---
Commitments and contingencies (Note 8)			
Stockholders' Equity			
Common stock, \$.01 par value; 100,000,000			
shares authorized; 21,956,614, 21,300,185 and			
21,285,855 shares issued at October 31, 2000,			
January 31, 2000 and December 31, 1999, respectively	220	213	
213			

Additional paid-in capital 35,634	47,907	35,696	
Accumulated deficit (1,440)	(3,033)	(3,898)	
Treasury stock, 60,750 shares (1)	(1)	(1)	
Accumulated other comprehensive loss (65)	(164)	(59)	
-----	-----	-----	---
Total stockholders' equity 34,341	44,929	31,951	
-----	-----	-----	---
	\$79,198	\$56,712	
\$62,304	=====	=====	
=====			

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)

ended	Three months ended		Nine months
	October 31,	October 31,	October 31,
-----	-----	-----	-----
October 31,	October 31,	October 31,	-----
-----	-----	-----	-----
1999	2000	1999	2000
-----	-----	-----	-----
<S>	<C>	<C>	<C>
<C>			
Revenues			
Systems	\$18,306	\$15,931	\$55,233
\$51,642			
Services	5,916	4,099	16,892
12,305	-----	-----	-----
-----			
	24,222	20,030	72,125
63,947	-----	-----	-----
-----			
Costs of revenues			
Systems	9,635	9,661	29,835
30,420			
Services	4,582	3,825	13,271
11,058	-----	-----	-----
-----			
	14,217	13,486	43,106
41,478	-----	-----	-----
-----			
Gross profit	10,005	6,544	29,019
22,469	-----	-----	-----
-----			
Operating expenses			
Research and development	5,101	3,985	14,456
12,332			
Selling and marketing	3,169	2,207	8,284
6,323			
General and administrative	1,675	1,329	4,977
4,047	-----	-----	-----
-----			
	9,945	7,521	27,717

22,702			
-----	-----	-----	-----
Income (loss) from operations (233)	60	(977)	1,302
Interest expense, net (5)	(54)	(12)	(30)
-----	-----	-----	-----
Income (loss) before income taxes (238)	6	(989)	1,272
Provision (benefit) for income taxes (438)	2	(375)	407
-----	-----	-----	-----
Net income (loss) \$ 200	\$ 4	\$ (614)	\$ 865
=====	=====	=====	=====
Basic and diluted earnings (loss) per share \$ 0.01	\$ 0.00	\$ (0.03)	\$ 0.04
=====	=====	=====	=====
Shares used in calculating:			
Basic earnings per share 21,036	21,855	20,983	21,668
=====	=====	=====	=====
Diluted earnings per share 22,030	23,218	20,983	23,170
=====	=====	=====	=====

</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 IN CASH AND CASH EQUIVALENTS (IN THOUSANDS)

<TABLE>  
<CAPTION>

months ended		For the nine
-----		-----
October 31,		October 31,
-----		-----
1999		2000
----		----
<S>		<C>
<C>		
Cash flows from operating activities		
Net income		\$ 865
\$ 200		
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization		3,546
3,092		
Inventory valuation allowance		149
558		
Changes in operating assets and liabilities:		
Accounts receivable		(6,528)
(3,887)		
Inventories		(3,204)
(1,543)		
Prepaid expenses, other current assets and other assets		(2,455)
2,938		

2,484	Accounts payable	4,476
(117)	Accrued expenses	(804)
883	Customer deposits	1,445
(359)	Deferred revenue	409
(344)	Income taxes payable	107
-----		-----
3,905	Net cash provided by (used in) operating activities	(1,994)
-----		-----
	Cash flows from investing activities	
(2,674)	Purchases of property and equipment	(7,367)
--	Increase in intangible assets	(2,209)
-----		-----
(2,674)	Net cash used in investing activities	(9,576)
-----		-----
	Cash flows from financing activities	
--	Proceeds from borrowings under construction loan	1,044
1,116	Proceeds from borrowings under equipment line of credit	4,324
(462)	Repayments under equipment line of credit	(1,017)
(72)	Repayments of obligation under capital lease	(181)
886	Proceeds from issuance of common stock	11,923
-----		-----
1,468	Net cash provided by financing activities	16,093
-----		-----
2,699	Net increase in cash and cash equivalents	4,523
2,090	Cash and cash equivalents, beginning of period	2,721
-----		-----
\$ 4,789	Cash and cash equivalents, end of period	\$ 7,244
=====		=====
	Supplemental disclosure of noncash activity:	
\$ 2,070	Transfer of items originally classified as inventories to fixed assets	\$ --
\$ 162	Transfer of items originally classified as fixed assets to inventories	\$ 497
\$ 336	Equipment acquired under capital leases	\$ --

</TABLE>

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

1. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of SeaChange International, Inc. and its subsidiaries. SeaChange believes that the unaudited consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments), necessary for a fair statement of SeaChange's financial position, results of operations and cash flows at the dates and for the periods indicated. The results of operations for periods presented 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 SeaChange'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, project management and training revenue is deferred and recognized as these services are performed. Revenue from technical support and maintenance is recognized ratably over the period of the related agreements, generally twelve months. Customers are billed for installation, project management, training and maintenance at the time of the product sale. Revenue from content fees, primarily movies, is recognized based on the volume of monthly purchases that are made by hotel guests. Revenue from product development contract services is recognized based on the time and materials incurred to complete the work.

SeaChange's transactions frequently involve the sales of systems and services under multiple element arrangements. Systems sales always include one year of free technical support and maintenance services. Revenue under multiple element arrangements is allocated to all elements except systems based upon the fair value of those elements. The amounts allocated to training, project management, technical support and maintenance and content fees is based upon the price charged when these elements are sold separately and unaccompanied by the other elements. The amount allocated to installation revenue is based upon hourly rates and the estimated time required to complete the service. The amount allocated to systems is done on a residual method basis. Under this method, the total arrangement value is allocated first to undelivered elements, based on their fair values, with the remainder being allocated to systems revenue. Installation, training and project management services are not essential to the functionality of systems as these services do not alter the equipment's capabilities, are available from other vendors and the systems are standard products.

3. Earnings Per Share

For the three months ended October 31, 1999, common shares of 1,096,000 issuable upon the exercise of stock options, are antidilutive because SeaChange 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:

<TABLE>  
<CAPTION>

ended	Three months ended		Nine months
	October 31,	October 31,	October 31,
October 31,	-----	-----	-----
-----			
1999	2000	1999	2000
----	----	----	----
<S>	<C>	<C>	<C>
<C>			
Weighted average shares used in calculating earnings per share- Basic.....	21,855,000	20,983,000	21,668,000
21,036,000			
Dilutive stock options.....	1,363,000	--	1,502,000
994,000	-----	----	-----
-----			
Weighted average shares used in calculating earnings per share- Diluted.....	23,218,000	20,983,000	23,170,000
22,030,000	=====	=====	=====
=====			

</TABLE>

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

4. Inventories

Inventories consist of the following:

	October 31, 2000 ----	January 31, 2000 ----	December 31, 1999 ----
Components and assemblies	\$19,185	\$17,602	\$14,739
Finished products	4,283	2,487	2,389
	-----	-----	-----
	\$23,468	\$20,089	\$17,128
	=====	=====	=====

5. Comprehensive Income (Loss)

For the three months and nine months ended October 31, 2000 and October 31, 1999, SeaChange's comprehensive income (loss) was as follows:

<TABLE>  
<CAPTION>

months ended	Three months ended		Nine
October 31,	October 31,	October 31,	October 31,
-----	-----	-----	-----
1999	2000	1999	2000
----	----	----	----
<S>	<C>	<C>	<C>
<C>			
Net income (loss)	\$4	\$ (614)	\$865
\$200			
Other comprehensive income (expense), net of tax:			
Foreign currency translation adjustment, net of			
tax of (\$8), \$--, (\$33) and (\$45), respectively	(18)	1	(72)
47	----	-	----
-			
Other comprehensive income (expense)	(18)	1	(72)
47	----	-	----
-			
Comprehensive income (loss)	\$ (14)	\$ (613)	\$793
\$247	=====	=====	=====
====			

</TABLE>

6. New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") 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. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", an amendment to SFAS No. 133. This accounting standard amended the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and hedging activities. To date SeaChange has not utilized derivative instruments or hedging activities and, therefore, the adoption of SFAS No. 133 is not expected to have a material impact on SeaChange's financial position or results of operations.

In December 1999, the 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 revenue recognition in financial statements. Historically, for some of SeaChange's sales transactions, a portion of the sales price, typically 25%, was not due until installation occurred. Under SAB 101 and the new accounting method adopted retroactive to February 1, 2000, SeaChange now defers the portion of the sales price not due until installation is complete. During the fourth quarter of the twelve months ended January 31, 2001, SeaChange implemented the SEC's SAB 101 guidelines, retroactive to the beginning of the year. This was reported as a cumulative effect of a change in accounting principle as of February 1, 2000. The cumulative effect of the change in accounting principle on prior years resulted in a charge to income of \$1.1 million (net of income taxes of \$732,000) or \$0.05 per diluted share which has been included in income for the twelve months ended January 31, 2001. For the twelve months ended January 31, 2001, SeaChange recognized \$1.5 million in revenue that is included in the cumulative effect adjustment as of February 1, 2000. During the twelve months ended January 31, 2001, SeaChange changed its standard payment terms such that no portion of the sales price is due upon installation.

#### 7. Segment Information

SeaChange 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. SeaChange does not measure the assets allocated to the segments. SeaChange 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. SeaChange 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		Nine months ended	
	October 31, 2000	October 31, 1999	October 31, 2000	October 31, 1999
<S>	<C>	<C>	<C>	<C>
Revenues				
Broadband	\$11,065	\$11,136	\$38,728	\$39,637
Broadcast	7,241	4,795	16,505	12,005
Services	5,916	4,099	16,892	12,305
Total	\$24,222	\$20,030	\$72,125	\$63,947
Costs of revenues				
Broadband	\$5,610	\$6,772	\$20,730	\$23,663
Broadcast	4,025	2,889	9,105	6,757
Services	4,582	3,825	13,271	11,058
Total	\$14,217	\$13,486	\$43,106	\$41,478

The following summarizes revenues by geographic locations:

Revenues				
United States	\$16,882	\$13,414	\$57,403	\$48,593
Canada and South America	1,075	2,185	3,051	3,960
Europe	2,864	3,408	5,589	8,574
Asian Pacific and rest of world	3,401	1,023	6,082	2,820
	\$24,222	\$20,030	\$72,125	\$63,947

</TABLE>

For the three and nine months ended October 31, 2000 and October 31, 1999 certain customers each accounted for more than 10% of SeaChange's revenue. Individual customers each accounted for 12% of revenues in the three months ended October 31, 2000;

10% in the nine months ended October 31, 2000; and 17% and 12% in the nine months ended October 31, 1999. No individual customer accounted for more than 10% of revenues in the three months ended October 31, 1999.

#### 8. Legal Proceedings

On March 17, 2000, Beam Laser Systems, Inc. and Frank L. Beam instituted a claim (Civil Action No. 2:00-CV-195) in the federal courts in the Eastern District of Virginia against one of SeaChange's customers, Cox Communications, Inc. This claim was later amended by Beam Laser on June 16, 2000 to also include two related companies of Cox Communications: CableRep, Inc. and CoxCom, Inc. Beam Laser has asserted that the ad insertion technology, which includes SeaChange's spot ad insertion system, used by Cox Communications, CableRep and CoxCom infringes two of the patents held by Beam Laser (Patents No. 4,814,883 and 5,200,825). Beam Laser is seeking both an injunction and monetary damages from the defendants in that case. The defendants have made a counterclaim against Beam Laser seeking a declaration of non-infringement, invalidity and unenforceability of the two patents held by Beam Laser that are at question. On May 19, 2000, SeaChange filed a motion seeking to intervene in the action between its customer and Beam Laser, and to transfer the case to the District Court of Massachusetts. On June 23, 2000, the court granted SeaChange's intervention motion and deferred ruling on the issue of transfer. Also on June 23, 2000, SeaChange filed its Intervenor Complaint in the Virginia action seeking, among other things, a declaratory judgment of non-infringement, invalidity and unenforceability regarding the two patents of Beam Laser that are at question. In addition, SeaChange has agreed to indemnify its customer for claims brought against the customer that are related to the customer's use of SeaChange's products. On October 23, 2000, the court denied SeaChange's motion to transfer. On November 29, 2000, Beam Laser filed a motion to amend its pleading to add claims against SeaChange seeking equitable relief, a finding of willful or contributory infringement, and attorneys' fees. The court has not yet ruled on Beam Laser's motion to amend. This dispute has a scheduled trial date commencing April 2001.

On June 13, 2000, SeaChange filed in the United States District Court for the District of Delaware a lawsuit against one of its competitors, nCube Corp., whereby SeaChange alleged that nCube's MediaCube-4 product infringed a patent held by SeaChange (Patent No. 5,862,312). In instituting the claim, SeaChange sought both a permanent injunction and damages in an unspecified amount. nCube made a counterclaim against SeaChange that the patent held by SeaChange was invalid and that nCube's MediaCube-4 product did not infringe SeaChange's patent. On September 25, 2000 the court upheld the validity of SeaChange's patent. At this time SeaChange is awaiting the court's decision regarding a permanent injunction. Damages will be determined in future proceedings.

On June 14, 1999, SeaChange filed a defamation complaint against Jeffrey Putterman, Lathrop Investment Management, Inc. and Concurrent Computer Corporation in the Circuit Court of Pulaski County, Arkansas alleging that the defendants conspired to injure the business and reputation of SeaChange in the marketplace. The complaint further alleges that Mr. Putterman and Lathrop Investment Management, Inc. defamed SeaChange through false postings on an Internet message board. The complaint seeks unspecified amounts of compensatory and punitive damages. On June 14, 2000, Concurrent filed a counterclaim under seal against SeaChange seeking unspecified damages. These motions are currently pending and no trial date has been set.

SeaChange cannot be certain of the outcome of the foregoing litigation, but does plan to oppose allegations against it and assert its claims against other parties vigorously. In addition, as these claims are in the early stages of discovery and certain claims for damages are as yet unspecified, SeaChange is unable to estimate the impact to its business, financial condition, and results of operations or cash flows.

#### 9. Fiscal Year Change

In April 2000, SeaChange's Board of Directors voted to change SeaChange's fiscal accounting year from December 31 to January 31, such that the current fiscal accounting year began on February 1, 2000 and will end on January 31, 2001. SeaChange has recast its financial statements to present the comparable prior year periods to conform to the current year fiscal periods.

#### 10. Construction Loan

In October 2000, SeaChange entered into an agreement with a bank to finance \$1.2 million of the construction costs related to the purchase and renovation of a manufacturing mill in New Hampshire that had been previously purchased in February 2000. During the construction period, interest is accrued and payable

at a per annum rate of 8.875%. Upon occupancy of the building by SeaChange, the loan will convert to two promissory notes whereby SeaChange will pay principal and interest based upon a fixed interest rate per annum using a five and ten year amortization schedule (8.875% at October 31, 2000). Borrowings under the loan are secured by the land and buildings of the renovated mill. The loan agreement requires that SeaChange provide the bank with certain periodic financial reports and comply with certain financial ratios. At October 31, 2000, SeaChange was in compliance with all covenants. As of October 31, 2000, borrowings outstanding under the loan were \$1.0 million.

#### 11. Subsequent Event

On December 1, 2000, SeaChange and Comcast Cable Communications, Inc. entered into a video-on-demand purchase agreement for SeaChange's interactive television video servers and related services. Under the terms of the video-on-demand purchase agreement, Comcast has committed to purchase SeaChange's equipment capable of serving a minimum of one million cable subscribers by approximately December 2002. In addition, Comcast may earn up to an additional 450,000 incentive common stock purchase warrants through December 2003 based on the number of cable subscribers in excess of one million who are served by SeaChange's equipment which has been purchased by Comcast. In connection with the execution of this commercial agreement, SeaChange entered into a common stock and warrant purchase agreement, dated as of December 1, 2000, with Comcast SC Investment, Inc., whereby Comcast SC agreed to purchase, subject to certain closing conditions including registration of the shares purchased thereby, 466,255 shares of SeaChange's common stock for approximately \$10 million and Comcast SC would receive a warrant to purchase 100,000 shares, exercisable at \$21.445 per share, of SeaChange's common stock. This stock and warrant purchase agreement was terminated by SeaChange and Comcast SC on February 28, 2001. The terms and conditions of the video-on-demand purchase agreement have not been modified.

On February 28, 2001, SeaChange signed and closed a new common stock and warrant purchase agreement on terms similar to the prior agreement. Under the terms of this new agreement, SeaChange sold in a private placement to Comcast SC for approximately \$10,000,000 an aggregate of 756,144 shares of its common stock and a warrant to purchase 100,000 shares of its common stock with an exercise price of \$13.225 per share. Under certain conditions determined upon the effectiveness of the registration of the shares, the number of common shares purchased and the number of common stock purchase warrants and related exercise price are subject to adjustment. An additional number of shares of common stock shall be issued to Comcast SC without any additional consideration as is equal to the difference between 756,144, the number of shares of common stock issued on February 28, 2001, and the number of shares obtained by dividing \$10,000,000 by the lower of 1) 92% of the closing market price of SeaChange's common stock on the date of effectiveness of this registration statement, and 2) the average of the closing market price of SeaChange's common stock for the five trading days ending on the effective date of this registration statement, if either of such prices is lower than \$13.225. The warrant agreement contains an adjustment mechanism such that the warrant is exercisable for an additional 25,000 shares of SeaChange's common stock if the registration statement has not been declared effective on or before March 31, 2001 and an additional 333.33 shares of SeaChange's common stock per day beginning on and including May 1, 2001 for each day up and including the day the registration statement is declared effective. The warrant agreement also provides that the exercise price of the warrant will be reduced on the effective date of the registration statement to the lower of 1) 92% of the closing market price of SeaChange's common stock on the effective date of the registration statement, and 2) the average of the closing market prices of SeaChange's common stock for the five trading days ending on the date of effectiveness of the registration statement if either of such prices is lower than \$13.225, the exercise price as of the closing date.

SeaChange will determine the intrinsic value of the common stock purchase and will measure the fair value of the 100,000 common stock purchase warrants at the closing date and will record these amounts as contra-equity. Upon effectiveness of the registration statement, SeaChange will measure the fair value of the additional common shares issued, if any, and the incremental fair value of the common stock warrants, and will add those amounts to the amount of contra-equity initially recorded at the closing date. The contra-equity amount will be amortized in future periods as an offset to gross revenue in proportion to the revenue recognized with respect to the first million subscribers Comcast has committed to under the video-on-demand purchase agreement. The fair value of the additional incentive common stock purchase warrants will also be recorded as an offset to gross revenue as the warrants are earned by Comcast, if any.

#### 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: SeaChange's ability to integrate the operations of acquired subsidiaries; fluctuations in demand for SeaChange's products and services; SeaChange's ability to manage its growth; SeaChange's ability to develop, market and introduce new and enhanced products and services on a timely basis; the rapid technological change which characterizes SeaChange's markets; SeaChange's significant concentration of customers; SeaChange's dependence on certain sole source suppliers and third-party manufacturers; the risks associated with international sales as SeaChange expands its markets; and the ability of SeaChange 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 SeaChange from time to time with the Securities and Exchange Commission, including but not limited to, those appearing under the caption "Certain Risk Factors" in SeaChange'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.

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#### Overview

SeaChange develops, manufactures and sells systems that automate the management and distribution of both short-form video streams, such as advertisements, and long-form video streams, such as movies or other feature presentations, each of which requires precise, accurate and continuous execution, and the related services and movie content to television operators, telecommunications companies and broadcast television companies. 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, project management and training revenue is deferred and recognized as these services are performed. Revenue from technical support and maintenance is deferred and recognized ratably over the period of the related agreements, generally twelve months. Customers are billed for installation, project management, training and maintenance at the time of the product sale. Revenue from content fees, primarily movies, is recognized based on the volume of monthly purchases that are made by hotel guests. Revenue from product development contract services is recognized based on the time and materials incurred to complete the work.

SeaChange's transactions frequently involve the sales of systems and services under multiple element arrangements. Systems sales always include one year of free technical support and maintenance services. Revenue under multiple element arrangements is allocated to all elements except systems based upon the fair value of those elements. The amounts allocated to training, project management, technical support and maintenance and content fees is based upon the price charged when these elements are sold separately and unaccompanied by the other elements. The amount allocated to installation revenue is based upon hourly rates and the estimated time required to complete the service. The amount allocated to systems is done on a residual method basis. Under this method, the total arrangement value is allocated first to undelivered elements, based on their fair values, with the remainder being allocated to systems revenue. Installation, training and project management services are not essential to the functionality of systems as these services do not alter the equipment's capabilities, are available from other vendors and the systems are standard products.

SeaChange has experienced fluctuations in its systems revenues from quarter to quarter due to the timing of receipt of customer orders and the shipment of those orders. The factors that impact the timing of receipt of customer orders include among other factors: (1) customer obtaining authorized signatures on their purchase orders, (2) budgetary approvals within the customer's company for capital purchases and (3) the ability to process the purchase order within the customer's organization in a timely manner. Factors that may impact the shipment of customer orders include: (1) the availability of material to produce the product, and (2) the time required to produce and test the system before delivery. Because the average sales price of a SeaChange system is high, the delay in the timing of receipt and shipment of any one customer order can result in quarterly fluctuations in SeaChange's revenue.

SeaChange's results are significantly influenced by a number of factors, including SeaChange's pricing, the costs of materials used in SeaChange's products and the expansion of SeaChange's operations. SeaChange 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 SeaChange's products primarily consist of the costs of components and subassemblies that have generally declined over time. As a result of the growth of SeaChange's business, operating expenses of SeaChange have increased in the areas of research and development, selling and marketing, customer service and support and administration.

In April 2000, SeaChange's Board of Directors voted to change SeaChange's fiscal accounting year from December 31 to January 31, such that the current fiscal

year began on February 1, 2000 and will end on January 31, 2001. SeaChange has recast its financial statements to present the comparable prior year periods to conform to the current year fiscal periods.

Three Months Ended October 31, 2000 Compared to the Three Months Ended October 31, 1999

#### Revenues

Systems. SeaChange's systems revenues consist of sales within its broadband segment (primarily digital advertising insertion and interactive television systems) and its broadcast segment. Systems revenues increased 15% from \$15.9 million in the three months ended October 31, 1999 to \$18.3 million in the three months ended October 31, 2000. Revenues from the broadband segment, which accounted for 46% and 56% of total revenues in the three months ended October 31, 2000 and 1999, respectively, decreased slightly from \$11.1 million in 1999 to \$11.0 million in 2000. SeaChange expects future growth, if any, in the broadband business to come primarily from its interactive television systems. Broadcast system segment revenues were \$7.2 million in the three months ended October 31, 2000 compared to \$4.8 million in the three months ended October 31, 1999. The 51% increase in broadcast revenues for the three months ended October 31, 2000 was primarily from the timing of receipt of customer orders and related shipments for new U.S. broadcast customers. SeaChange expects future growth, if any, in the broadcast business to come from both U.S. and international customers.

Services. SeaChange's services revenues consist of fees for installation, training, project management, technical support and maintenance services, product development services and movie content fees. SeaChange's services revenues increased 44% to \$5.9

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million in the three months ended October 31, 2000 from \$4.1 million in the three months ended October 31, 1999. This increase in services revenues primarily resulted from the renewals of technical support and maintenance, price increases on certain technical support and maintenance, the impact of a growing installed base of systems and a higher level of product development services.

For the three-month period ended October 31, 2000, a limited number of customers each accounted for more than 10% of SeaChange's total revenues. No individual customer accounted for more than 10% of revenues in the three months ended October 31, 1999. Single customers accounted for 12% of total revenues in the three months ended October 31, 2000. Revenue from these customers was primarily in the broadband segment. SeaChange believes that revenues from current and future large customers will continue to represent a significant proportion of total revenues.

International sales accounted for approximately 30% and 33% of total revenues in the three-month periods ended October 31, 2000 and October 31, 1999, respectively. SeaChange expects that international sales will remain a significant portion of SeaChange's business in the future. As of October 31, 2000, substantially all sales of SeaChange's products were made in United States dollars. SeaChange does not expect to change this practice in the foreseeable future. Therefore, SeaChange 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, SeaChange will reevaluate its foreign currency exchange rate risk.

#### 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 remained relatively flat at \$9.6 million in the three months ended October 31, 2000 as compared to \$9.7 million in the three months ended October 31, 1999 despite the increase in systems revenues as a result of improved manufacturing efficiencies and lower material costs through improved purchasing efficiencies for both the digital advertising insertion and broadcast products. SeaChange expects the cost of systems revenues for the interactive television products within the broadband segment to be higher as a percentage of revenues as the products are first deployed and to decrease as a percentage of revenues as the revenue level increases and SeaChange improves its manufacturing and material purchasing efficiencies.

Systems gross profit as a percentage of systems revenues was 47% and 39% in the three months ended October 31, 2000 and October 31, 1999, respectively. The increase in systems gross profit in the three months ended October 31, 2000 was primarily due to lower material and other manufacturing costs as a percentage of systems revenue within the broadband segment and specifically for system revenues for the digital advertising insertion products. SeaChange was able to reduce manufacturing material costs principally through improved purchasing methods despite the continued trend towards the purchase of smaller scale

digital advertising insertion systems and expansions to existing systems that have higher material content. Gross profit for the broadband and broadcast segments improved from 39% and 40% for the three months ended October 31, 1999 to 49% and 44% for the three months ended October 31, 2000. The improvement in gross margins was the result of higher system revenues and lower material and other manufacturing costs as a percentage of system revenues. SeaChange does not know if the reductions in material and labor costs as a percentage of revenues for the advertising insertion segment will continue in the future.

Services. Costs of services revenues consist primarily of labor, materials and overhead relating to the installation, training, project management, product development, and technical support and maintenance services provided by SeaChange and costs associated with providing movie content. Costs of services revenues increased 20% from \$3.8 million in the three months ended October 31, 1999 to \$4.6 million in the three months ended October 31, 2000, primarily as a result of increased revenues and the costs associated with SeaChange 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 23% in the three months ended October 31, 2000 and 7% in the three months ended October 31, 1999. Improvements in the services gross profit in the three months ended October 31, 2000 reflect the increase in the installed base of systems under maintenance, price increases on certain annual technical support and maintenance and higher product development revenues. SeaChange 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 SeaChange'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 28% from \$4.0 million in the three months ended October 31, 1999 to \$5.1 million in the three months ended October 31, 2000. The increase in the dollar amount in the three months ended October 31, 2000 was primarily attributable to the hiring and contracting of additional development personnel which reflects SeaChange's continuing investment in new technology. SeaChange expects that research and development expenses will continue to increase in dollar amount as SeaChange continues its development of new technology and support of new and existing products, but will decrease as a percentage of revenues.

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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 44% to \$3.2 million in the three months ended October 31, 2000 from \$2.2 million in the three months ended October 31, 1999. The increase was primarily due to the hiring of additional sales personnel for SeaChange's product segments, increased sales commissions on higher revenues 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 26% from \$1.3 million in the three-month period ended October 31, 1999 to \$1.7 million in the three-month period ended October 31, 2000. This increase is primarily due to increased legal expenses associated with various litigation matters.

Interest Expense, net. Interest expense, net was approximately \$54,000 and \$12,000 in the three months ended October 31, 2000 and October 31, 1999, respectively. The increase in interest expense, net in the three months ended October 31, 2000 primarily resulted from an increase in interest expense on additional borrowings.

Provision for Income Taxes. SeaChange's effective tax rate was 32% and 38% in the three months ended October 31, 2000 and October 31, 1999, respectively. The effective tax provision for the three months ended October 31, 2000 was favorably impacted by the utilization of research and development tax credits.

SeaChange had net deferred tax assets of \$3.4 million at October 31, 2000 and January 31, 2000 and \$2.2 million at December 31, 1999. SeaChange has made the determination it is more likely than not that it will realize the benefits of the net deferred tax assets.

Nine Months Ended October 31, 2000 Compared to the Nine Months Ended October 31, 1999

Revenues

Systems. SeaChange's systems revenues consist of sales within its broadband

segment (primarily digital advertising insertion and interactive television systems) and its broadcast segment. Systems revenues increased 7% from \$51.6 million in the nine months ended October 31, 1999 to \$55.2 million in the nine months ended October 31, 2000. Revenues from the broadband segment, which accounted for 54% and 62% of total revenues in the nine months ended October 31, 2000 and 1999, respectively, decreased from \$39.6 million in 1999 to \$38.7 million in 2000. This decrease in broadband revenues is primarily attributable to a shift in the timing of orders by U.S. cable operators between quarters this year versus the previous year. SeaChange expects future growth, if any, in the broadband business to come primarily from its interactive television systems. Broadcast system segment revenues were \$16.5 million in the nine months ended October 31, 2000 compared to \$12.0 million in the nine months ended October 31, 1999. The 37% increase in broadcast revenues for the nine months ended October 31, 2000 was primarily from the timing of receipt of customer orders and related shipments for new U.S. broadcast customers. SeaChange expects future growth, if any, in the broadcast business to come from both U.S. and international customers.

Services. SeaChange's services revenues consist of fees for installation, training, project management, technical support and maintenance services, product development services and movie content fees. SeaChange's services revenues increased 37% to \$16.9 million in nine months ended October 31, 2000 from \$12.3 million in the nine months ended October 31, 1999. This increase in services revenues primarily resulted from the renewals of technical support and maintenance, price increases on certain technical support and maintenance, the impact of a growing installed base of systems and a higher level of product development services.

For the nine-month periods ended October 31, 2000 and October 31, 1999, a limited number of customers each accounted for more than 10% of SeaChange's total revenues. Single customers each accounted for 10% of total revenues in the nine months ended October 31, 2000 and 17% and 12% of total revenues in the nine months ended October 31, 1999. Revenue from these customers was primarily in the broadband segment. SeaChange believes that revenues from current and future large customers will continue to represent a significant proportion of total revenues.

International sales accounted for approximately 20% and 24% of total revenues in the nine-month periods ended October 31, 2000 and October 31, 1999, respectively. SeaChange expects that international sales will remain a significant portion of SeaChange's business in the future. As of October 31, 2000, substantially all sales of SeaChange's products were made in United States dollars. SeaChange does not expect to change this practice in the foreseeable future. Therefore, SeaChange 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, SeaChange will reevaluate its foreign currency exchange rate risk.

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#### 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 decreased to \$29.8 million in the nine months ended October 31, 2000 as compared to \$30.4 million in the nine months ended October 31, 1999. In the nine months ended October 31, 2000, the cost of systems revenues decreased from the prior year despite the increase in systems revenues as a result of improved manufacturing efficiencies and lower material costs through improved purchasing efficiencies for both the digital advertising insertion and broadcast products. SeaChange expects the cost of systems revenues for the interactive television products within the broadband segment to be higher as a percentage of revenues as the products are first deployed and to decrease as a percentage of revenues as the revenue level increases and SeaChange improves its manufacturing and material purchasing efficiencies.

Systems gross profit as a percentage of systems revenues was 46% and 41% in the nine months ended October 31, 2000 and October 31, 1999, respectively. The increase in systems gross profit in the nine months ended October 31, 2000 was primarily due to lower material and other manufacturing costs as a percentage of systems revenue within the broadband segment and specifically for system revenues for the digital advertising insertion products. Gross profit for the broadband segment improved from 40% for the nine months ended October 31, 1999 to 46% for the nine months ended October 31, 2000 while gross profit for the broadcast segment increased slightly to 45% for the nine months ended October 31, 2000 compared to 44% for the nine months ended October 31, 1999. The improvement in gross margins for the broadband segment was the result of lower material and other manufacturing costs as a percentage of system revenues.

Services. Costs of services revenues consist primarily of labor, materials and overhead relating to the installation, training, project management, product

development, and technical support and maintenance services provided by SeaChange and costs associated with providing movie content. Costs of services revenues increased 20% from \$11.1 million in the nine months ended October 31, 1999 to \$13.3 million in the nine months ended October 31, 2000, primarily as a result of increased revenues and the costs associated with SeaChange 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 21% in the nine months ended October 31, 2000 and 10% in the nine months ended October 31, 1999. Improvements in the services gross profit in the nine months ended October 31, 2000 reflect the increase in the installed base of systems under maintenance, price increases on certain annual technical support and maintenance and higher product development revenues. SeaChange 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 SeaChange'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 17% from approximately \$12.3 million in the nine months ended October 31, 1999 to \$14.5 million in the nine months ended October 31, 2000. The increase in the dollar amount was primarily attributable to the hiring and contracting of additional development personnel which reflects SeaChange's continuing investment in new products. SeaChange expects that research and development expenses will continue to increase in dollar amount as SeaChange continues to focus on the development of new technology and support of new and existing products.

Selling and Marketing. Selling and marketing expenses increased 31% from \$6.3 million in the nine months ended October 31, 1999 to \$8.3 million in the nine months ended October 31, 2000. This increase is primarily due to the hiring of additional sales personnel for SeaChange's broadcast and interactive television products, increased sales commissions on higher revenues and higher marketing expenses.

General and Administrative. General and administrative expenses increased 23% from \$4.0 million in the nine months ended October 31, 1999 to \$5.0 million in the nine months ended October 31, 2000. This increase is primarily due to increased legal expenses associated with various litigation matters.

Interest expense, net. Interest expense, net, was approximately \$30,000 and \$5,000 in the nine months ended October 31, 2000 and October 31, 1999, respectively. The increase in 2000 in interest expense, net, primarily resulted from interest expense on borrowings.

Provision for Income Taxes. SeaChange's effective tax rate was 32% in the nine months ended October 31, 2000. The effective tax provision was favorably impacted by the utilization of research and development tax credits.

#### Liquidity and Capital Resources

SeaChange has financed its operations and capital expenditures primarily with the proceeds of SeaChange's common stock, borrowings and cash flows generated from operations. Cash and cash equivalents increased \$4.5 million from \$2.7 million at January 31, 2000 to \$7.2 million at October 31, 2000. Working capital increased from approximately \$21.0 million at January 31, 2000 to approximately \$31.3 million at October 31, 2000.

Net cash used in operating activities was approximately \$2.0 million for the nine month period ended October 31, 2000. Net cash provided by operating activities was approximately \$3.9 million for the nine months ended October 31, 1999. The net cash used in operating activities in the nine months ended October 31, 2000 was the result of the net income adjusted for non-cash expenses including depreciation and amortization of \$3.5 million offset by changes in certain operating assets and liabilities. The significant net changes in assets and liabilities that used cash in operations included an increase in accounts receivable of \$6.5 million, an increase in inventories of \$3.2 million and an increase in prepaid expenses and other assets of \$2.5 million. Inventory levels increased during the period principally as a result of new product introductions within the interactive television and broadcast product areas. Increases of inventory levels occurred in each of these product areas specifically for customer demonstration equipment and procurement commitments in component inventories with an average order to delivery requirement of twelve to fifteen weeks. SeaChange expects these inventory levels to decrease as revenues from both these products increase. SeaChange expects that the broadcast segment and the interactive television products within the broadband segment will continue to require a significant amount of cash to fund future product development, to manufacture and deploy customer test and demonstration equipment and to meet higher revenue levels in both product segments. These items that used cash in operations were partially offset by an increase in accounts payable of \$4.5 million and an increase in customer deposits of \$1.4 million.

Net cash used in investing activities was approximately \$9.6 million and \$2.7 million for the nine months ended October 31, 2000 and October 31, 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 \$16.1 million and \$1.5 million for the nine months ended October 31, 2000 and October 31, 1999, respectively. In the nine months ended October 31, 2000, the cash provided by financing included \$11.9 million received in connection with the issuance of common stock (\$10 million of which was issued to Microsoft Corporation) and \$5.4 million in borrowings under the equipment line of credit and SeaChange's construction loan. Microsoft entered into an agreement with SeaChange to collaborate on extending Microsoft Windows Media Technologies from Broadband Internet delivery to cable and broadcast television systems. Concurrent with this agreement, Microsoft purchased 277,162 shares of SeaChange's common stock for \$10 million. Microsoft has agreed to purchase additional shares of SeaChange's common stock based upon the achievement of mutually agreed upon development milestones including the development of software that meets specific streaming performance levels and the commercial release of an enhanced version of the software that will be used with Microsoft's Next Generation Media Server. During the same period, cash used in financing activities included approximately \$1.2 million in principal payments under SeaChange's equipment line of credit and capital lease obligations.

In July 2000, SeaChange renewed its revolving line of credit and equipment line of credit with a bank. The revolving line of credit was extended until March 2001 and borrowings under the facility increased to \$7.5 million. The equipment line of credit was extended to provide SeaChange additional equipment financing of \$4.0 million through March 2001. In addition, SeaChange entered into a \$3 million line of credit facility with the Export-Import Bank of the United States which allows SeaChange 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 SeaChange'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 October 31, 2000). Loans under the EXIM line of credit bear interest as a rate per annum equal to the prime rate (9.5% at October 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 October 31, 2000). The loan agreement relating to the lines of credit requires that SeaChange 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 October 31, 2000 SeaChange was in compliance with all covenants. As of October 31, 2000, there were no borrowings against the revolving line of credit and borrowings outstanding under the equipment line of credit were \$4.9 million.

In October 2000, SeaChange entered into an agreement with a bank to finance \$1.2 million of the construction costs related to the purchase and renovation of a manufacturing mill in New Hampshire that had been previously purchased in February 2000. During the construction period, interest is accrued and payable at a per annum rate of 8.875%. Upon occupancy of the building by SeaChange, the loan will convert to two promissory notes whereby SeaChange will pay principal and interest based upon a fixed interest rate per annum using a five and ten year amortization schedule (8.875% at October 31, 2000). Borrowings under the loan are secured by the land and buildings of the renovated mill. The loan agreement requires that SeaChange provide the bank with certain periodic financial reports and comply with certain financial ratios. At October 31, 2000, SeaChange was in compliance with all covenants. As of October 31, 2000, borrowings outstanding under the loan were \$1.0 million.

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SeaChange believes that existing funds together with available borrowings under the revolving line of credit and equipment line facility are adequate to satisfy its working capital and capital expenditure requirements for the foreseeable future. On February 28, 2001, SeaChange received \$10.0 million from a private placement sale of common stock and a warrant to Comcast SC Investment, Inc. (See Note 14 to the Consolidated Financial Statements). For the quarter ended April 30, 2001, SeaChange expects to generate revenues of approximately \$29.0 to \$30.0 million and net income of a penny per share.

SeaChange had no material capital expenditure commitments as of October 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. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", an amendment to SFAS No. 133. This accounting standard amended the accounting and reporting standards of SFAS No. 133 for certain derivative instruments and hedging activities. To date SeaChange has not utilized derivative instruments or hedging activities and, therefore, the adoption of SFAS No. 133 is not expected to have a material impact on SeaChange's financial position or results of operations.

In December 1999, the 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 is required in SeaChange'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. SeaChange estimates that the cumulative effect of the change in accounting principle will result in a change to income before income taxes of approximately \$1.6 million, which will be included in the results of operations for the fiscal year ended January 31, 2001.

### ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

SeaChange 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 SeaChange's financial results. SeaChange's primary exposure has been related to local currency revenue and operating expenses in Europe and Asia. Historically, SeaChange has not hedged specific currency exposures as gains and losses on foreign currency transactions have not been material to date. At October 31, 2000, SeaChange had \$5,917,000 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 \$56,000.

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

SeaChange maintains investment portfolio holdings of various issuers, types, and maturities. SeaChange's cash and marketable securities include cash equivalents, which SeaChange 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 October 31, 2000, a sharp rise in interest rates should not have a material adverse impact on the fair value of SeaChange's investment portfolio. As a result, SeaChange does not currently hedge these interest rate exposures.

## PART II. OTHER INFORMATION

### ITEM 1. Legal Proceedings

On March 17, 2000, Beam Laser Systems, Inc. and Frank L. Beam instituted a claim (Civil Action No. 2:00-CV-195) in the federal courts in the Eastern District of Virginia against one of SeaChange's customers, Cox Communications, Inc. This claim was later amended by Beam Laser on June 16, 2000 to also include two related companies of Cox Communications: CableRep, Inc. and CoxCom, Inc. Beam Laser has asserted that the ad insertion technology, which includes SeaChange's spot ad insertion system, used by Cox Communications, CableRep and CoxCom infringes two of the patents held by Beam Laser (Patents No. 4,814,883 and 5,200,825). Beam Laser is seeking both an injunction and monetary damages from the defendants in that case. The defendants have made a counterclaim against Beam Laser seeking a declaration of non-infringement, invalidity and unenforceability of the two patents held by Beam Laser that are at question. On May 19, 2000, SeaChange filed a motion seeking to intervene in the action between its

customer and Beam Laser, and to transfer the case to the District Court of Massachusetts. On June 23, 2000, the court granted SeaChange's intervention motion and deferred ruling on the issue of transfer. Also on June 23, 2000, SeaChange filed its Intervenor Complaint in the Virginia action seeking, among other things, a declaratory judgment of non-infringement, invalidity and unenforceability regarding the two patents of Beam Laser that are at question. In addition, SeaChange has agreed to indemnify its customer for claims brought against the customer that are related to the customer's use of SeaChange's products. On October 23, 2000, the court denied SeaChange's motion to transfer. On November 29, 2000, Beam Laser filed a motion to amend its pleading to add claims against SeaChange seeking equitable relief, a finding of willful or contributory infringement, and attorneys' fees. The court has not yet ruled on

Beam Laser's motion to amend. This dispute has a scheduled trial date commencing April 2001.

On June 13, 2000, SeaChange filed in the United States District Court for the District of Delaware a lawsuit against one of its competitors, nCube Corp., whereby SeaChange alleged that nCube's MediaCube-4 product infringed a patent held by SeaChange (Patent No. 5,862,312). In instituting the claim, SeaChange sought both a permanent injunction and damages in an unspecified amount. nCube made a counterclaim against SeaChange that the patent held by SeaChange was invalid and that nCube's MediaCube-4 product did not infringe SeaChange's patent. On September 25, 2000 the court upheld the validity of SeaChange's patent. At this time SeaChange is awaiting the court's decision regarding a permanent injunction. Damages will be determined in future proceedings.

On June 14, 1999, SeaChange filed a defamation complaint against Jeffrey Putterman, Lathrop Investment Management, Inc. and Concurrent Computer Corporation in the Circuit Court of Pulaski County, Arkansas alleging that the defendants conspired to injure the business and reputation of SeaChange in the marketplace. The complaint further alleges that Mr. Putterman and Lathrop Investment Management, Inc. defamed SeaChange through false postings on an Internet message board. The complaint seeks unspecified amounts of compensatory and punitive damages. On June 14, 2000, Concurrent filed a counterclaim under seal against SeaChange seeking unspecified damages. These motions are currently pending and no trial date has been set.

SeaChange cannot be certain of the outcome of the foregoing litigation, but does plan to oppose allegations against it and assert its claims against other parties vigorously. In addition, as these claims are in the early stages of discovery and certain claims for damages are as yet unspecified, SeaChange is unable to estimate the impact to its business, financial condition, and results of operations or cash flows.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 4.1: Certificate of Amendment, filed May 25, 2000 with the Secretary of State in the State of Delaware, to the Amended and Restated Certificate of Incorporation of SeaChange (filed as Exhibit 4.2 to SeaChange's registration statement on Form S-8 (File No. 333-17379) and incorporated herein by reference).

\*Exhibit 10.1: Video-on-Demand Purchase Agreement, dated as of December 1, 2000, by and between SeaChange and Comcast Cable Communications of Pennsylvania, Inc.

Exhibit 10.2: Loan Agreement, dated as of October 16, 2000, by and between SeaChange and the Bank of New Hampshire, N.A.

\* Confidential treatment requested as to certain portions of the document, which portions have been omitted and filed separately with the Commission.

(b) Reports on Form 8-K

None

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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 amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 3, 2001

SEACHANGE INTERNATIONAL, INC.

by: /s/ William L. Fiedler  
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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

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4.1: Certificate of Amendment, filed May 25, 2000 with the Secretary of State in the State of Delaware, to the Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 4.2 to the Company's registration statement on Form S-3 (File No. 333-51386) and incorporated herein by reference).

10.1\*: Video-on-Demand Purchase Agreement, dated as of December 1, 2000, by and between the Company and Comcast Cable Communications of Pennsylvania, Inc.

10.2: Loan Agreement, dated as of October 16, 2000, by and between the Company and the Bank of New Hampshire, N.A.

\* Confidential treatment requested as to certain portions of the document, which portions have been omitted and filed separately with the Securities and Exchange Commission.

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## VIDEO-ON-DEMAND PURCHASE AGREEMENT

This Video-On-Demand Purchase Agreement ("this Agreement") is made this 1st day of December, 2000, by and between SeaChange International, Inc., 124 Acton Street, Maynard, Massachusetts 01754 ("SeaChange"), and Comcast Cable Communications of Pennsylvania, Inc., 1500 Market Street, Philadelphia, PA 19102 ("Comcast") setting forth the terms and conditions governing the sale and licensing from time to time by SeaChange to Comcast of SeaChange's video-on-demand equipment (the "Equipment") and software (the "Software") and related documentation and services. The Equipment and Software are collectively referred to as "Product" or the "Products".

## 1. ORDERING PROCESS AND PROCEDURE

All purchases by Comcast hereunder shall be pursuant to a purchase order issued by Comcast and accepted by SeaChange ("Order"). SeaChange shall accept an Order by written acknowledgment or by commencement of performance. Comcast may issue Orders in writing, by facsimile, or, if available, by means of Electronic Data Interchange (EDI). All Orders shall be subject to the terms of this Agreement, whether or not this Agreement is referenced in such Order. No other terms shall apply to an Order, unless agreed upon by both parties in writing.

## 2. PRICES

2.1 The list prices and license fees applicable to the Products shall be SeaChange's then current prices and fees, including SeaChange's then standard discounts and allowances, set forth in SeaChange's published Price List in effect on the date of order. A copy of SeaChange's Price List in effect on the date of this Agreement is set forth in Attachment A. All prices and license fees are for delivery FOB Maynard, Massachusetts and are net of all taxes, duties and other governmental charges. All transportation, rigging and draying charges shall be paid by Comcast. There shall be added to the prices and license fees all taxes, and other governmental charges, however designated, levied or based on the sale or license of the Products or their use, including, without limitation, state and local privilege or excise taxes based on gross revenue and import or export duties, and any taxes or amounts in lieu thereof paid or payable by SeaChange in respect of the foregoing, exclusive, however, of taxes based on SeaChange's income. Any personal property taxes assessable on the Products after delivery to the carrier shall be borne by Comcast. Freight charges for shipments outside the continental United States shall be on a prepaid or collect basis only.

2.2 Service prices for integration of Comcast-owned equipment will be quoted on a case-by-case basis and will assume that such equipment meets SeaChange's specifications and that it is available and ready to install at time of system integration. Service charges for labor required to integrate or repair Comcast-

owned equipment or to dismantle and make such equipment ready for integration will be billed separately plus expenses.

2.3 In addition to SeaChange's standard discounts applicable to the Products, all Product prices and fees (other than fees for services of any kind) shall be subject to the additional discounts set forth in Attachment A during the term of this Agreement, including any renewals thereof.

2.4 Notwithstanding anything herein to the contrary, the prices and fees for Products hereunder shall be no greater than those offered to other SeaChange commercial customers under substantially similar terms and conditions for substantially similar volume purchases at the time of purchase, pursuant to the terms more fully set forth in Section 18 below.

## 3. PAYMENT TERMS

3.1 Payment for all Products and services ordered shall be made in United States Dollars in two installments as follows:

- (a) 50% with Comcast's Order;
- (b) 50% within thirty (30) days after the date of delivery as evidenced by SeaChange's notice of delivery and invoice.

3.2 All payments are to be paid to SeaChange at the address set forth in SeaChange's invoice.

## 4. TITLE AND RISK OF LOSS

Title to the Equipment shall pass to Comcast upon delivery at the FOB

point. Title to Software shall not pass to Comcast at any time, but shall remain with SeaChange or its licensor. The Products will be packaged in accordance with standard commercial practices for domestic shipment and will be shipped by means deemed most appropriate by SeaChange unless shipping instructions are otherwise specified in writing by Comcast. Comcast shall be responsible for all risk of loss or damage or destruction to the Products from and after delivery of the Products by SeaChange to the carrier at the FOB point.

5. SECURITY INTEREST

SeaChange reserves a purchase money security interest in all of the Products until the price and license fees shall have been paid in full. Comcast agrees to execute any documents requested by SeaChange to protect SeaChange's security interest.

6. INSTALLATION

SeaChange shall install the Products in accordance with its standard installation and testing procedures, which are set forth in Attachment B, and shall notify

Comcast of the successful completion of installation. Comcast shall provide a suitable installation environment with all necessary facilities, as specified by SeaChange, on or before the scheduled date of delivery of the Products and shall furnish all labor required for unpacking and placing the Products in the desired location in accordance with SeaChange's standard procedures. SeaChange shall be given reasonable access to the Products upon arrival of the Products at Comcast's installation site for the purpose of installation and testing of the Products. The "Installation Date" shall be the (a) date SeaChange furnishes Comcast with its certificate of successful completion of installation and testing procedures, or (b) if Comcast has not provided SeaChange with a suitable installation environment or installation support as required herein which results in a delay in commencement of installation, on the thirtieth (30/th/) day following delivery of the Products.

7. DOCUMENTATION

Two (2) sets of manuals for each Product will be provided by SeaChange on or before the Installation Date at no cost to Comcast. Additional copies of such manuals are available from SeaChange at prevailing prices.

8. MAINTENANCE SERVICE

SeaChange shall provide to Comcast maintenance service and technical support on all Products through December 31, 2002 in accordance with the terms set forth in Attachments A and C. Thereafter, pursuant to its standard maintenance agreement, a form of which is attached hereto as Attachment C, SeaChange will offer Comcast maintenance service for the Products at SeaChange's then current prices and fees in accordance with its then current published Price List.

9. LICENSE OF SOFTWARE

9.1 The Software provided hereunder is furnished to Comcast under a nontransferable, nonexclusive license for use solely on the Equipment on which first installed for the sole purpose of operating the Equipment. In the event SeaChange furnishes to Comcast media containing additional software programs or routines not specified as Software licensed hereunder, Comcast shall make no attempt to copy or otherwise use or disclose any such additional software program or routines for any purpose.

9.2 Comcast shall NOT remove any copyright, trademark, proprietary rights, legal or warning notice included on or embedded in any part of the Software.

9.3 Comcast will not sell, license, sublicense, rent, lease or otherwise transfer or assign the Software, whether by operation of law or otherwise, without the written permission of SeaChange, except that Comcast may transfer the Software to an affiliate of Comcast provided that the Equipment on which such Software is used is also transferred to such affiliate and such affiliate agrees in writing to be bound by the Software license terms set forth in this Agreement.

9.4 No reproduction rights in or to the Software or related documentation are granted hereunder to Comcast. Comcast agrees that it will not, except for archival purposes, copy, reproduce, duplicate by any means, or translate into a machine language the Software or any portion thereof without the prior written approval of SeaChange. Further, Comcast shall not, nor shall Comcast permit any other person to, compile, decompile, or reverse engineer the Software (except and only to the extent that such activity is expressly permitted by applicable law notwithstanding this limitation), or otherwise permit the unauthorized use of the Software, and any attempt to do so shall be a material breach of this Agreement.

9.5 The license granted hereunder to the Software shall be effective from the date of delivery of the Software and shall remain in force until terminated as provided herein. SeaChange reserves the right to terminate any license of the Software upon written notice in the event that Comcast shall fail to pay any portion of the purchase price or license fee for the Products when due, or Comcast shall make any improper use, transfer, duplication or disclosure of the Software or in any other way breach this Agreement, provided that Comcast shall have thirty (30) days from the date of such notice to cure such breach. If the breach is not cured within the applicable cure period, the applicable license shall terminate immediately and Comcast shall immediately return the applicable Software, documentation and any copies thereof to SeaChange. The opportunity to cure, however, shall not affect SeaChange's right to obtain injunctive relief immediately.

#### 10. WARRANTY

10.1 SeaChange warrants that the Equipment shall be fully functional and free from defects in material and workmanship, and shall materially conform to the functional specifications set forth in Attachment D, for a period of two (2) years from the Installation Date. The foregoing warranty shall not apply unless the Products are operated in strict conformance with SeaChange's manuals furnished with the Products. Written notice of any claimed defect must be given within thirty (30) days after such defect is first discovered. SeaChange's obligation under this warranty is limited, at its option, to the repair or replacement of the Equipment, components, or parts thereof which prove to be other than as warranted above. Such repair or replacement will be made at SeaChange's designated plant or repair facility, and shall be at SeaChange's expense; however, transportation or inspection charges covering any Equipment, component or part returned that proves not to be defective in accordance with the terms of this warranty shall be paid by Comcast. No Equipment is to be returned to SeaChange without first receiving instructions regarding return procedures. This warranty does not extend to any labor charges for physical removal and/or replacement of defective Equipment or components or parts thereof.

10.2 SeaChange warrants that the Software furnished hereunder will perform in material conformance with its published specifications for a period of two (2) years from the Installation Date. In the event of any failure to so perform,

SeaChange will use all reasonable commercial efforts to repair or circumvent the defect, which shall be Comcast's sole remedy. It is understood that SeaChange does not warrant that the Software will be error-free.

10.3 Notwithstanding anything herein to the contrary, Products that are not manufactured or developed by SeaChange, but are supplied or sublicensed by SeaChange, and which are wholly or partially integrated into a system are warranted only to the extent, and subject to the terms, of the original warranty given by the manufacturer to SeaChange. Comcast must give prompt written notice to SeaChange of any defect or failure of such Products and provide satisfactory proof thereof.

10.4 The warranties set forth herein shall not apply to Products requiring adjustments, correction, repair, or replacement, or increase in service time, caused by:

- (a) electrical work external to the Products (discuss with Comcast & SeaChange), or the attachment or use of accessories or other devices, including networking devices, not furnished, approved or recommended by SeaChange; or failure to properly maintain the same;
- (b) accident, transportation, neglect or misuse;
- (c) alterations, including, but not limited to, any deviation from circuit or network designs or structural equipment recommended by SeaChange, installation or removal of Product features not recommended by SeaChange, and all other modifications not recommended by SeaChange, whenever any of the foregoing is performed by any person other than those authorized by SeaChange;
- (d) failure to provide and maintain a suitable installation environment with all facilities specified by SeaChange (including, but not limited to, failure of, or failure to provide, adequate electrical power, air-conditioning, humidity control) or from use of supplies or materials not meeting SeaChange's specifications;
- (e) repair or replacement of consumable supplies or parts which have reached the end of their useful life; or
- (f) the use of a Product for other than the purposes for which designed.

10.5 SEACHANGE MAKES NO REPRESENTATION OR WARRANTY OTHER THAN THOSE SET FORTH

IN THIS AGREEMENT. THE WARRANTY STATED HEREIN IS EXPRESSLY IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

11. Infringement Indemnity

SeaChange shall, at its expense, defend, indemnify and hold harmless Comcast from and against any claim of infringement of any United States patents or copyrights by any Products manufactured or developed by SeaChange, provided that (i) SeaChange is promptly informed in writing of such claim and furnished a copy of each communication, notice or other action relating to the alleged infringement, (ii) SeaChange shall have control over the defense and negotiations for a settlement or compromise, (iii) SeaChange is given all reasonable authority, information and assistance from Comcast (at SeaChange's expense) necessary to defend or settle such suit or proceeding, and (iv) Comcast incurs no obligation or liability without the prior written consent of SeaChange. The foregoing obligation of SeaChange does not apply to Products or portions or components thereof (a) which are modified by persons or entities other than SeaChange (or persons or entities employed or contracted by SeaChange) if the alleged infringement relates to such modification unless such modification was recommended or approved by SeaChange or (b) combined with other products, processes or materials not supplied or recommended by SeaChange where the alleged infringement relates to such combination. If any claim that SeaChange is obligated to defend has occurred or, in SeaChange's opinion, is likely to occur, SeaChange may, at its option, either (i) procure for Comcast the right to continue to use the applicable Product, (ii) replace or modify the Product so it becomes non-infringing, or (iii) refund the undepreciated portion of the price paid by Comcast for such Product, assuming a 60-month straight-line depreciation schedule. This Section states the entire liability of SeaChange with respect to infringement of any copyrights, patents, or other intellectual property rights by the Products.

12. LIMITATION OF LIABILITY

Except with respect to SeaChange's obligations under Section 11 above, and except for personal injury or tangible property damage caused by the gross negligence or willful misconduct of SeaChange in the performance of services hereunder, SeaChange's liability in contract, tort or otherwise arising out of or in connection with the sale, license or use of the Product, shall not exceed the purchase price or license fee paid by Comcast with respect to the Product that is the subject of the claim. IN NO EVENT SHALL SEACHANGE OR ITS DEVELOPERS, DIRECTORS, OFFICERS, EMPLOYEES OR AFFILIATES BE LIABLE FOR SPECIAL, INDIRECT, EXEMPLARY, INCIDENTAL, MULTIPLE, CONSEQUENTIAL, OR TORT DAMAGES (INCLUDING ANY DAMAGES RESULTING FROM LOSS OF USE, LOSS OF DATA, LOSS OF PROFITS, LOSS OF SAVINGS, LOSS OF BUSINESS OR OTHER ECONOMIC LOSS) ARISING OUT OF OR IN CONNECTION WITH THE PERFORMANCE OF THE PRODUCT, CUSTOMER'S INABILITY TO USE THE PRODUCT OR SEACHANGE'S PERFORMANCE OF SERVICES, EVEN

IF SEACHANGE HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

13. CONFIDENTIALITY

13.1 It is anticipated that the parties may be required to exchange certain confidential information ("Information") to the other in the course of performing this Agreement. From the date of disclosure, and until two (2) years following such date, the recipient of Information ("Recipient") shall maintain the Information in confidence and limit its use to the performance of this Agreement, using at least the same degree of care as it employs to protect its own confidential information of a similar nature, but not less than a reasonable standard of care, provided the Information is identified in writing as confidential at the time of disclosure, or if orally disclosed is identified as confidential at the time of disclosure and confirmed in writing within 20 days after the oral disclosure. Recipient shall have no obligation hereunder with respect to any Information that is:

- (a) generally known to the public at the time of disclosure, or becomes known to the public without breach of this Agreement; or
- (b) known to the Recipient prior to the disclosure, or is independently developed by the Recipient without reference to or use of any other portion of the Information; or
- (c) obtained by the Recipient in good faith from a third party not under obligation of secrecy to the disclosing party (hereafter called "Discloser");
- (d) the subject of a court or government agency order to disclose, provided the Recipient gives prompt notice to the Discloser to allow the Discloser to contest such order.

The Recipient shall have the burden of proving that any of the above

exceptions apply by means of documentary evidence available at the time Recipient claims the exception first became applicable.

13.2 Title to all tangible forms of the Information, and all copies thereof, shall be and remain with Discloser. Recipient shall not copy or otherwise reproduce, in whole or in part, any Information without the prior written authorization of Discloser, except as may be reasonably necessary to fulfill the purpose of this Agreement. Recipient shall not disclose any Information to any third party other than employees and contractors having a need to know to support performance of this Agreement and who are subject to written confidentiality agreements whose terms are substantially similar to this Section. Recipient shall promptly return or destroy all tangible forms of the Information, and copies thereof, upon Discloser's request or termination of this Agreement.

13.3 It is understood, however, that SeaChange has performed substantial development relating to the design and manufacture of digital video and other products, and that SeaChange has relationships with other companies which may be competitors

of Comcast. It is further understood that Comcast has relationships with other companies that may be competitors of SeaChange. Neither this Agreement, nor receipt of Information hereunder, shall limit either party's independent development, manufacture, or marketing of products or systems involving technology or ideas similar to those disclosed, nor will this Agreement or receipt of Information hereunder prevent either party from undertaking similar efforts or discussions with third parties, including competitors of the other party.

#### 14. TERM AND TERMINATION

14.1 This Agreement will become effective as of the date first above written and will continue for an initial term of four (4) years. This Agreement may be renewed by Comcast for an additional two (2) year period with written notice to SeaChange at least ninety (90) days prior to the expiration of the initial term. If Comcast renews this Agreement pursuant to the previous sentence, this Agreement shall be automatically renewed thereafter for successive one (1) year periods until terminated at the end of the then current renewal period by either party with at least ninety (90) days prior written notice.

14.2 Either party shall be in default of this Agreement if such party:

- (a) substantially fails to perform any material provision of this Agreement;
- (b) assigns this Agreement, or any obligation or right under this Agreement to a third party that is not an affiliate of such party; or
- (c) becomes insolvent or makes an assignment for the benefit of creditors, or a receiver or similar officer is appointed to take charge of all or part of that party's assets.

In the event of a default, the non-defaulting party may terminate the Agreement and any outstanding Orders if the other party has failed to cure such default within thirty (30) calendar days after its receipt of a notice of default and intent to terminate. Notwithstanding the previous sentence (except with respect to non-payment), if a cure is not possible within such thirty (30) days, and if the defaulting party diligently pursues a cure of such default during such thirty (30) day period and thereafter, then the cure period shall extend up to a total of sixty (60) calendar days.

14.3 Termination or expiration of this Agreement shall not relieve either party of any of its then-accrued obligations, including without limitation payment obligations for delivered Products or for any then applicable cancellation charges pursuant to this Agreement.

14.4 Notwithstanding any other provision of this Agreement, in the event that SeaChange and Comcast SC Investment, Inc. (the "Investor"), an affiliate of Comcast, terminate that certain Common Stock and Warrant Purchase Agreement of even date herewith prior to the consummation of the investment by the Investor in SeaChange as described therein, either SeaChange or Comcast may terminate

this Agreement upon fifteen (15) days prior written notice to the other party within ten (10) days of the date on which such Common Stock and Warrant Purchase Agreement is terminated, whereupon this Agreement shall become null and void and of no further force or effect and neither party shall have any further obligations to the other hereunder.

#### 15. CANCELLATION OF AN ORDER AND RETURN OF PRODUCTS

15.1 Comcast may not cancel any Order within thirty (30) days of the scheduled delivery date. To the extent that SeaChange can not use the products to fulfill another Order from Comcast or another third party within a

reasonable time frame, cancellation of any Order by Comcast, other than as provided in Section 14.2 above, shall obligate Comcast to pay all expenses incurred in commitments made by SeaChange and all unrecoverable costs incurred by SeaChange. In the event of any such cancellation, SeaChange shall use reasonable commercial efforts to mitigate such costs and expenses.

15.2 Acceptance of goods for return shall be made only with prior written authorization by SeaChange and in accordance with SeaChange's standard policy relevant to restocking charges.

#### 16. CHANGES

SeaChange reserves the right, at its option, to modify or change the Equipment in whole or in part, at any time prior to delivery thereof in order to include electrical or mechanical improvements deemed appropriate without incurring any liability to modify or change the Equipment previously delivered.

#### 17. INSURANCE

SeaChange will provide the following insurance coverage at its own expense throughout the term of this Agreement:

- (a) Workers' compensation insurance, as required by law, and employer's liability insurance with at least a \$100,000.00 limit.
- (b) Personal injury, bodily injury, and property damage liability insurance, including automobile coverage, with personal injury and bodily injury of not less than \$1,000,000.00 combined single limit, and property damage of at least \$500,000.00 for any one occurrence.

SeaChange will also furnish upon request a certificate of insurance to Comcast for the required coverage's, which certificate shall name Comcast as an additional insured.

#### 18. MOST FAVORED CUSTOMER PROVISION

18.1 Most Favored Customer Provision. Notwithstanding any other provision in

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any other agreement entered into between SeaChange or any of its affiliates and Comcast or any of its affiliates, Comcast and each of its affiliates are hereby accorded the right to receive "most favored customer" terms and conditions from SeaChange and any of its affiliates, meaning that each of Comcast and its affiliates shall be entitled to such terms and conditions, including, but not limited to, price and any and all kinds of incentives (including any equity incentives awarded), with respect to the purchase of SeaChange's or any of its affiliates' Products and services hereunder, that are no less favorable than each of those terms and conditions offered by SeaChange or any of its affiliates to any other party, individually or collectively, at any time and from time to time, without regard to the size (through volume discounts or otherwise) or identity of such other parties or their ownership interests in SeaChange or any of its affiliates; provided that such "most favored customer" terms and conditions shall not apply to any existing customer agreements that were disclosed to Comcast prior to the date first above written in a written document referring specifically to this Section 18. Without limiting the generality of the foregoing, in the event that SeaChange enters into any agreement with any other party, which agreement contains a "most favored customer" provision that is superior to the provisions of this Section 18, Comcast and each of its affiliates shall be entitled to the benefit of such superior "most favored customer" provision. The "most favored customer" status afforded Comcast and its affiliates hereunder shall apply by comparison of complete offerings of Products and services offered Comcast and its affiliates on the one hand and a third party on the other, such that the overall contractual relationship between Comcast or any of its affiliates and SeaChange or any of its affiliates shall be on no less favorable terms than SeaChange's or its affiliates' contractual relationship with such third party, taken in its entirety. Comcast acknowledges that a third party may have more favorable terms with regard to a specific line item, and such shall not in and of itself constitute a violation or breach of this Section 18.

18.2 Audit Right. Comcast may, upon reasonable notice to SeaChange, instruct

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an external independent auditor to audit the relevant books and records of SeaChange to ensure compliance with Section 18.1. In the event that SeaChange is found to be in violation of Section 18.1, SeaChange agrees to (i) pay the reasonable expenses of the independent auditor, (ii) refund or credit overpaid amounts to Comcast or its Affiliates, as the case may be, against future license fees (at the election of Comcast or the Affiliate) and (iii) to the extent possible, give retroactive and prospective effect to non-economic terms and conditions as required by Section 18.1.

#### 19. HARDWARE AND SOFTWARE INTEGRATION

SeaChange shall provide to Comcast, at no additional charge, from the signing of this Agreement until December 31, 2002, all reasonable hardware and software integration services required to provide a fully functional SeaChange VOD system, as described in Attachment D, to Comcast including, but not limited to, the following integration:

- . Motorola headend controller and set top platform including DAC controller and DCT 2000 and DCT 5000 class set tops.
- . Scientific Atlanta headend controller and set top platform including DNCS controller and Explorer 2000 and Explorer 6000 class set tops.
- . PACE Genesis class set top.
- . Integrated QAM modulation equipment internal to the SeaChange Product.
- . Integrated Up-Conversion equipment internal to the Seachange Product.
- . Comcast VOD Navigator and User Interface.
- . Comcast Interactive Programming Guide.
- . Set top operating system software or Comcast chosen middleware software, including VRTX, Power TV, Liberate Technologies, Microsoft and WorldGate.
- . Comcast billing system, including Cable Data and Convergys.
- . Content encoding, encryption, distribution (digital linear tape and satellite), loading, tracking and auditing including requirements by content providers In Demand, Intertainer, TVN or an industry standard.

## 20. APPLICATION INTEGRATION

SeaChange shall make available to Comcast an application integration laboratory for Comcast and SeaChange to jointly develop new products such as User Interface design, interactive advertising with streaming media, Internet Protocol media storage and streaming, time shifted programming and personal video recording/streaming to a television through a set top box.

## 21. DEPLOYMENT COMMITMENT

- 21.1 Comcast shall commit to deploy SeaChange Equipment on two-way capable digital headends that serve 1 million basic subscribers by December 31, 2002 (the "Deployment Commitment"), subject to SeaChange's obligation to fulfill the conditions precedent set forth in Section 21.2. Should SeaChange fail to fulfill the conditions set forth in Section 21.2 by December 31, 2000, then the terms of the

Deployment Commitment and related provisions of this Agreement shall shift out in time, from December 31, 2002, proportionally to the time differential between December 31, 2000 and the date that SeaChange fulfills the conditions set forth in Section 21.2.

- 21.2 The Deployment Commitment shall not activate until SeaChange has provided to Comcast a fully functional VOD Product, as described in Attachment D, and met the following conditions precedent:
- (a) SeaChange VOD Product is integrated, with respect to all material functions, with the Motorola headend DAC controller and DCT 2000 set top platform.
  - (b) SeaChange VOD Product is integrated, with respect to all material functions, with the Scientific Atlanta headend DNCS controller and Explorer 2000 set top platform.
  - (c) SeaChange VOD Product has internal integrated QAM modulation equipment or an option for Comcast to accept an external High Density Integrated QAM/Up-Conversion solution at no additional cost to Comcast.
  - (d) SeaChange VOD Product is integrated, with respect to all material functions, with the Power TV set top operating system software for the Scientific Atlanta Explorer 2000 set top platform, WorldGate Communications middleware software for the Motorola DCT 2000 set top platform, and Liberate Technologies middleware software for the Motorola DCT 2000 set top platform.
  - (e) SeaChange VOD Product is integrated, with respect to all material functions, with the Cable Data Comcast billing system.

## 22. WARRANT ISSUANCE

- 22.1 On the terms set forth in this Section 22, and without any additional consideration therefor, SeaChange shall issue to Comcast Cable SC Investment, Inc. (the "Holder"), an affiliate of Comcast, warrants (each,

an "Incentive Warrant," and collectively, the "Incentive Warrants") to purchase shares of SeaChange's common stock, par value \$0.01 per share (the "Common Stock"), at a per share exercise price equal to the average of the Current Market Prices (as defined below) of the Common Stock for the fifteen consecutive Trading Days (as defined below) ending on the Determination Date (as defined below) with respect to which such Incentive Warrant is issued, or, if such Determination Date is not a Trading Day, then ending on the last Trading Day immediately prior to such Determination Date. Each Incentive Warrant shall be exercisable by the Holder for a period of five years from the date of issuance, and shall have such other rights, preferences, privileges and restrictions as are set forth in the form of Incentive Warrant attached hereto as Attachment E. The shares of Common

Stock purchasable upon exercise of each Incentive Warrant (the "Warrant Shares") shall have those registration rights set forth in that certain Registration Rights Agreement dated as of the date hereof among SeaChange, Comcast SC Investment, Inc. and the Holder, substantially in the form attached hereto as Attachment F.

22.2 Prior to the end of the calendar month immediately following each Determination Date, Comcast shall provide to SeaChange a certification signed by an officer of Comcast on behalf of Comcast of the number of Committed Subscribers (as defined below) as of such Determination Date and the applicable Warrant Number (as defined below) for the Incentive Warrant to be issued by SeaChange in respect thereof, if any. Promptly upon receipt of such certification, but in no event more than five Business Days (as defined below) thereafter, SeaChange shall issue to the Holder an Incentive Warrant to purchase a number of Warrant Shares equal to such Warrant Number.

22.3 The Warrant Factors (as defined below) shall be subject to adjustment from time to time as described in this Section 22.3.

(a) In case SeaChange shall pay or make a dividend or other distribution on the Common Stock of SeaChange in Common Stock or any other security convertible into or exchangeable for shares of Common Stock (other than any rights, options or warrants described in subsection (b) of this Section 22.3), the Warrant Factors shall each be adjusted by multiplying such Warrant Factor by a fraction of which (i) the numerator shall be the sum of (A) the number of shares of Common Stock outstanding at the close of business on the date fixed for the determination of stockholders entitled to receive such dividend or other distribution and (B) the total number of shares of Common Stock constituting such dividend or distribution (or, in the case of a dividend or distribution of securities convertible into or exchangeable for shares of Common Stock, the total number of shares of Common Stock underlying such securities), and (ii) the denominator shall be such number of shares referred to in clause (i) (A) above, such adjustment to become effective immediately prior to the opening of business on the next Business Day following the date fixed for such determination. For the purposes of this subsection (a), the number of shares of Common Stock at any time outstanding shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock.

(b) In case SeaChange shall hereafter issue rights, options or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock or any other security convertible into or exchangeable for shares of Common Stock at a price per share less than the Current Market Price of the Common Stock on the date fixed for the determination of stockholders entitled to receive such rights, options or warrants (other than pursuant to a dividend reinvestment plan), (i) the

Warrant Factors shall each be adjusted by multiplying such Warrant Factor by a fraction of which (A) the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase (or such number of shares of Common Stock underlying any convertible securities so offered for subscription or purchase), and (B) the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock that the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such Current Market Price, such reduction to become effective immediately prior to the opening of business on the next Business Day following the date fixed for such determination (for the purposes of this subsection (b), the number of shares of Common Stock at any time outstanding shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock), and (ii) if any such rights, options or warrants expire or terminate without having been exercised or are exercised for a consideration different from that utilized in the computation of any

adjustment or adjustments on account of such rights, options or warrants, the Warrant Factors shall be readjusted such that each Warrant Factor would be the same as would have resulted had such adjustment been made without regard to the issuance of such expired or terminated rights, options or warrants or based upon the actual consideration received upon exercise thereof, as the case may be, which readjustment shall become effective upon such expiration, termination or exercise, as applicable; provided, however, that all readjustments in the Warrant Factors based upon any expiration, termination or exercise for a different consideration of any such right, option or warrant, in the aggregate, shall not cause the Warrant Factors to be less than the Warrant Factors immediately prior to the time such rights, options or warrants were initially issued (without regard to any other adjustments of such number under this subsection (b) that may have been made since the date of the issuance of such rights, options or warrants).

- (c) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Warrant Factors shall each be proportionately increased, such increase to become effective immediately prior to the opening of business on the next Business Day following the day upon which such subdivision occurs, and, conversely, in case the outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Warrant Factors shall each be proportionately decreased, such reduction to become effective immediately prior to the opening of business on the next Business Day following the day upon which such combination occurs.
- (d) In case SeaChange shall, by dividend or otherwise, distribute to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding any rights, options or warrants referred to in subsection (b) of this Section 22.3, any dividend or distribution paid exclusively in cash and any dividend referred to in subsection (a) of this Section 22.3), the Warrant Factors shall each be adjusted by multiplying such Warrant Factor by a fraction of which (i) the numerator shall be the Current Market Price at the close of business on the date fixed for such determination and (ii) the denominator shall be such Current Market Price less the then fair market value of the portion of the assets or evidences of indebtedness so distributed applicable to one share of Common Stock, such adjustment to become effective immediately prior to the opening of business on the next Business Day following the date fixed for the determination of stockholders entitled to receive such distribution.
- (e) In case of any reclassification, recapitalization or other change in the outstanding securities of any class issuable upon exercise of the Incentive Warrants thereafter issuable hereunder (including any such reclassification, recapitalization or other change upon a consolidation or merger in which SeaChange is the continuing corporation, but not including any transactions for which an adjustment is provided in subsection (c), (d) or (f) of this Section 22.3), the provisions of this Section 22 shall be immediately and automatically amended, without any further action on the part of SeaChange, Comcast or the Holder, to the extent necessary to provide that any Incentive Warrant issued thereafter shall entitle the Holder to exercise such Incentive Warrant into the kind and amount (if any) of securities, cash and other property receivable upon such reclassification, recapitalization or other change by a holder of the number of shares of Common Stock that would have otherwise been issuable upon exercise of such Incentive Warrant had it been issued and exercised immediately prior to such reclassification, recapitalization or other change, subject to any further adjustment as provided herein, at an exercise price equal to the fair market value of such securities, cash and other property on the date such Incentive Warrant is actually issued (calculated as described in Section 22.1 above). The above provisions of this subsection (e) shall similarly apply to successive reclassifications, recapitalizations and other changes in the outstanding securities of the class issuable upon exercise of the Incentive Warrants thereafter issuable hereunder.
- (f) In case of any consolidation of SeaChange with, or merger of SeaChange into, any other person, any merger of another person into SeaChange (other than a merger that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of the Common Stock) or any sale or transfer of all or substantially all of the assets of SeaChange, in each case in which this Agreement remains in full force and effect, the provisions of this Section 22.3 shall be immediately

and automatically amended, without any further action on the part of SeaChange, Comcast or the Holder, to the extent necessary to provide that any Incentive Warrant issued thereafter shall entitle the Holder to exercise such Incentive Warrant into the kind and amount (if any) of securities, cash and other property receivable upon such

consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock that would have otherwise been issuable upon exercise of such Incentive Warrant had it been issued and exercised immediately prior to such consolidation, merger, sale or transfer, subject to any further adjustment as provided herein, at an exercise price equal to the fair market value of such securities, cash and other property on the date such Incentive Warrant is actually issued (calculated as described in Section 22.1 above). If the holders of the Common Stock may elect from choices the kind or amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer, then for the purpose of this Section 22.3 the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer shall be deemed to be the choice specified by the Holder, which specification shall be made by the Holder by the later of (i) ten Business Days after the Holder is provided with a final version of all information required by law or regulation to be furnished to holders of Common Stock concerning such choice, or, if no such information is required, ten Business Days after the Holder is provided with a final version of all information that was otherwise furnished to the holders of Common Stock concerning such choice, and (ii) the last time at which holders of Common Stock are permitted to make their specification known to SeaChange. If the Holder fails to make any specification, the Holder's choice shall be deemed to be whatever choice is made by a plurality of holders of Common Stock not affiliated with SeaChange or the other person to the merger or consolidation. The above provisions of this subsection (f) shall similarly apply to successive consolidations, mergers, sales or transfers.

- (g) All calculations under this Section 22.3 shall be made to the fifth decimal place, and no adjustment to any Warrant Factor shall be required unless such adjustment (plus any adjustments not previously made by reason of this subsection (g)) would require an adjustment of at least 0.00001 to such Warrant Factor; provided, however, that any adjustments that by reason of this subsection (g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (h) Whenever the Warrant Factors are adjusted as herein provided, SeaChange shall (i) compute the adjusted Warrant Factors in accordance with the provisions of this Section 22.3, and (ii) mail to Comcast a notice stating that the Warrant Factors have been adjusted and setting forth the adjusted Warrant Factors.

22.4 SeaChange shall not, by amendment of its Certificate of Incorporation, through reorganization, consolidation, merger, dissolution or sale of assets, or any other voluntary act, avoid or seek to avoid the observance or performance of any of its obligations under this Section 22.

22.5 Once per 12 month period, SeaChange may, upon reasonable notice to Comcast, instruct an external independent auditor to audit the relevant books and records of Comcast to ensure the accuracy of the number of Committed Subscribers set forth in the certifications provided by Comcast pursuant to Section 22.2. In the event that any such Comcast certification is found to be incorrect as of the date with respect to which it was made, such that warrants covering a greater number of Warrant Shares were issued to Comcast than were actually earned, Comcast agrees to (i) pay the reasonable expenses of the independent auditor, and, at SeaChange's option, (ii) return to SeaChange for cancellation any such warrants to the extent of any unearned Warrant Shares, and, to the extent such warrants have been exercised with respect to such unearned Warrant Shares, sell to SeaChange at the exercise price, adjusted for any stock dividends or other distribution on the Common Stock of SeaChange, the number of Warrant Shares received by Comcast, adjusted for any such stock dividends or other distribution on the Common Stock of SeaChange and including any rights, options or warrants issued in respect thereof, as a result of the exercise of such warrants with respect to such unearned Warrant Shares.

22.6 In addition, at Comcast's option and to the extent that Comcast has not earned the maximum number of Warrant Shares underlying all Incentive Warrants issuable hereunder, Comcast may elect to (a) place on or before January 31, 2004 one or more noncancelable Orders for Equipment to be deployed (or in the process of being deployed) by it on or before June 30, 2004, (b) make a nonrefundable payment of 100% of the amount payable with respect to such Order(s) on or before January 31, 2004 and (c) submit to SeaChange on or before January 31, 2004 a good faith estimate of the number of Committed Subscribers with respect to which such Equipment so ordered will be deployed (or in the process of being deployed) on or before June 30, 2004, in which event SeaChange shall promptly, but in no event more than five Business Days after January 31, 2004, issue to the Holder an additional Incentive Warrant to purchase a number of Warrant Shares equal to the Warrant Number calculated in the manner described in the succeeding sentence, which additional Incentive Warrant shall have a per share exercise price equal to the average of the Current Market Prices of the Common Stock for the fifteen consecutive Trading Days ending on January 31,

2004, or, if such date is not a Trading Day, then ending on the last Trading Day immediately prior to such date. For purposes of this Section 22.6, the Warrant Number shall be calculated assuming that December 31, 2003 is the applicable Determination Date and the number of Committed Subscribers as of such Determination Date shall include the number of Committed Subscribers estimated in good faith by Comcast with respect to which the Equipment so ordered will be deployed (or in the process of being deployed).

22.7 For the purpose of this Section 22, the following terms shall have the following meanings:

- (a) "Business Day" shall mean any day except a Saturday, Sunday or any day on which banking institutions are authorized or required to close in the city of New York, New York.
- (b) "Committed Subscriber" shall mean a basic Comcast subscriber served by a two-way digital headend on which SeaChange's VOD Equipment is deployed, including any such subscriber who was served by a two-way digital headend on which SeaChange's VOD Equipment was deployed by Comcast as of the date on which such headend (and, therefore, such subscriber) was sold, traded or otherwise transferred by Comcast to another entity, but excluding any such subscriber who was served by a two-way digital headend on which SeaChange's VOD Equipment was deployed by another entity as of the date on which such headend (and, therefore, such subscriber) was sold, traded or otherwise transferred by such other entity to Comcast. "First Tier Committed Subscriber" shall mean each Committed Subscriber in excess of 1,000,000 but less than 2,000,001. "Second Tier Committed Subscriber" shall mean each Committed Subscriber in excess of 2,000,000 but less than 3,000,001. "Third Tier Committed Subscriber" shall mean each Committed Subscriber in excess of 3,000,000 but less than 4,000,001.
- (c) "Current Market Price" shall mean the closing price per share of Common Stock on the earlier of the day in question or the Ex Date (as defined below) with respect to the issuance, payment or distribution, where the closing price for each day shall be the reported last sale price regular way or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on such Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the Nasdaq National Market System or, if the Common Stock is not listed or admitted to trading on any national securities exchange or quoted on the Nasdaq National Market System, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm reasonably selected from time to time by the Board of Directors of SeaChange for that purpose.
- (d) The "Determination Dates" shall be June 30, 2001, December 31, 2001, June 30, 2002, December 31, 2002, June 30, 2003 and December 31, 2003.
- (e) "Ex Date" shall mean, with respect to any issuance or distribution, the first date on which the Common Stock trades regular way on the applicable securities exchange or in the applicable securities market without the right to receive such issuance or distribution.
- (f) "Trading Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday other than any day on which the Common Stock is not traded on the applicable securities exchange or in the applicable securities market.
- (g) "Warrant Factors" shall mean the First Tier Warrant Factor, the Second Tier Warrant Factor and the Third Tier Warrant Factor. The "First Tier Warrant Factor" shall equal 0.1, the "Second Tier Warrant Factor" shall equal 0.15 and the "Third Tier Warrant Factor" shall equal 0.2, each subject to adjustment as described in Section 22.3.
- (h) The "Warrant Number" for each Determination Date shall equal the sum of (i) the product obtained by multiplying the First Tier Warrant Factor by the difference between (A) the total number of First Tier Committed Subscribers as of such Determination Date minus (B) the highest number (as adjusted based upon the results of any audit conducted pursuant to Section 22.5) of First Tier Committed Subscribers counted on any previous Determination Date (provided that in no event shall the difference between (A) and (B) be less than zero), plus (ii) the product obtained by multiplying the Second Tier Warrant Factor by the difference between (A) the total number of Second Tier Committed Subscribers as of such Determination Date minus (B) the highest number (as adjusted based upon the results of any audit conducted pursuant to Section 22.5) of Second Tier Committed

Subscribers counted on any previous Determination Date (provided that in no event shall the difference between (A) and (B) be less than zero), plus (iii) the product obtained by multiplying the Third Tier Warrant Factor by the difference between (A) the total number of Third Tier Committed Subscribers as of such Determination Date minus (B) the highest number (as adjusted based upon the results of any audit conducted pursuant to Section 22.5) of Third Tier Committed Subscribers counted on any previous Determination Date (provided that in no event shall the difference between (A) and (B) be less than zero); provided, however, that in the event that the Warrant Number for any Determination Date (other than the last Determination Date) would not be a whole number, the Warrant Number shall be rounded down to the nearest whole number and the number of Committed Subscribers, or portions thereof, not counted towards the Warrant Number as a result of such rounding shall be counted on the next Determination Date. Applying the foregoing formula and based upon the initial Warrant Factors, which are subject to adjustment as described in Section 22.3, the maximum number of Warrant Shares underlying all Incentive Warrants issuable hereunder is 450,000 shares (100,000 shares with respect to the First Tier Committed Subscribers, 150,000 shares with respect to the Second Tier

Committed Subscribers and 200,000 shares with respect to the Third Tier Committed Subscribers).

#### 23. PUBLIC ANNOUNCEMENT

SeaChange and Comcast shall agree on the form and content of any public announcement that shall be made concerning this Agreement and the transactions contemplated hereby, and neither SeaChange nor Comcast shall make any such public announcement without the consent of the other, except as required by law.

#### 24. GENERAL

##### 24.1 Force Majeure. Neither party shall be liable for delays in performance

-----  
arising out of or resulting from causes beyond such party's control. Such causes include, but are not restricted to, acts of God, any government authority, or the public enemy, fires, floods, epidemics, quarantine restrictions, strike, freight embargoes, shortages of materials, unusually severe weather, and default or delay of suppliers. In the event of such delay, the shipping date shall be extended for a period equal to the time lost by reason of the delay.

##### 24.2 Governing Law. This Agreement shall be governed by the laws of the

-----  
Commonwealth of Massachusetts, without regard to its conflict of laws rules, except that the United Nations Convention on the International Sale of Goods shall not apply to this Agreement.

##### 24.3 Survival. In addition to any provision of this Agreement which by its

-----  
nature is intended to survive expiration or termination of this Agreement, Sections 4, 5, 9, 10, 11, 12, 13, 14 and 15 shall survive the termination or expiration of this Agreement.

##### 24.4 Assignment. This Agreement and the rights, duties and obligations under

-----  
this Agreement may not be assigned in whole or in part without the prior written consent of the other party, which shall not be unreasonably withheld, provided, however, that either party may assign, without the written consent of the other party, all or any part of this Agreement to any subsidiary or affiliate of such party or a purchaser of substantially all of the assets of the such party and such subsidiary, affiliate or purchaser agrees in writing to be bound by all the terms and provisions of this Agreement. Any attempted assignments of any rights, duties or obligations under this Agreement without such required consent shall be null and void. This Agreement shall be binding on each party's respective successors and permitted assigns.

##### 24.5 Independent Contractors. Comcast and SeaChange are independent

-----  
contractors and have no power, right or authority to bind the other party or to assume or to create an obligation or responsibility, express or implied, on behalf of the other party. Nothing in this Agreement shall be construed as creating a partnership relationship between Comcast and SeaChange or as creating the relationships of

employer and employee, master and servant, or principal and agent between the parties hereto.

##### 24.6 Waiver and Severability.. Any failure or delay by either party in

-----  
exercising any right or remedy provided by or relating to this Agreement in

one or many instances does not constitute a waiver and shall not prohibit that party from exercising such right or remedy at a later time within applicable statute of limitations or from exercising any right or remedy otherwise available. If any provision of this Agreement is deemed invalid by a court of competent jurisdiction, it shall, to that extent only, be deemed omitted from this Agreement.

24.7 Notice. Any notice required or permitted by this Agreement shall be in -----  
writing and shall be hand delivered, or sent by prepaid registered or certified mail, return receipt requested (if available), or sent by prepaid courier service, in each case addressed to the other party at the address shown at the beginning of this Agreement or at such address for which such party gives notice hereunder. Copies of all notices to Comcast shall be sent to the attention of Comcast's General Counsel at the same address. Delivery shall be deemed completed upon receipt or refusal to accept such notice.

24.8 Entire Agreement. This Agreement, including all of its referenced -----  
Attachments, constitutes the entire agreement between the parties with respect to its subject matter. It supersedes any terms or conditions contained on Comcast's purchase order, sales acknowledgment or invoice. It also supersedes all previous oral or written communications between the parties regarding the sale or license of the Products. Except as otherwise provided herein, this Agreement may not be modified except by a written document signed by an authorized representative of the party against whom enforcement is sought.

For SeaChange International, Inc.:	For Comcast Cable Communications
Signature: /s/ William L. Fiedler	of Pennsylvania, Inc.:
-----	Signature: /s/ Mark E. Hess
Name: William L. Fiedler	-----
-----	Name: Mark E. Hess
Title: Vice President	-----
-----	Title: Vice President of Digital
	-----
	Television
	-----

CONFIDENTIAL MATERIALS OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE OMISSIONS.

Attachment A  
-----

SeaChange Price List

The pricing specified in this SeaChange Price list includes all reasonable parameters required to correctly design, install, operate and maintain a highly reliable commercial SeaChange VOD system including, but not limited to, media asset loading and management, video storage/pump, DVB/ASI and QAM output, server interconnect equipment/Ethernet hubs, and all software.

1. \*
2. \*

Hardware and Software for:  
(Detailed Listing in Comcast Product Description)  
  
Video Servers with 456 Mbps Output and (12) - 18 GB Disk Drives

\*\*  
  
ITV Command Center  
  
Asset Manager  
Connection Manager  
Propagation Services  
Streaming Service  
Client Application  
Directory Service

\*\*

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3. \*\* Maintenance includes all hardware and software including 7 by 24 telephone support (see Purchase Agreement Attachment C, Maintenance Agreement).

4. OTHER CHARGES

Shipping, Taxes and Insurance is not included.

\*

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Attachment B

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SeaChange  
Interactive TV  
Customer Installation  
Certification Guide

Revision 1.0  
11/26/00

SEA CHANGE INTERNATIONAL

124 ACTON STREET

MAYNARD, MASSACHUSETTS 01754

PHONE: 978-897-0100

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Notice

While SeaChange believes the information included in this publication is correct as of the publication date, information in this document is subject to change without notice.

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Introduction

Document Objective

The SeaChange International Interactive Television (ITV) System is configured and tested at the SeaChange factory prior to shipment. Upon installation and integration into a customer site, the SeaChange installation team verifies the correct installation, operation, and functionality of the ITV System. This document specifies the tests that the SeaChange installation team executes to validate the installation and integration. While it is intended that this plan be executed by a qualified SeaChange Installation Engineer, SeaChange welcomes customer supervision and participation. The following capabilities will be

completed:

1. Content loading
2. Content propagation
3. SeaChange Movies on Demand client application functionality
4. Resource management
5. Fault-tolerance
6. Billing System integration

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#### Content Loading

##### Test Objective

The objective of this test is to validate that movie content (video and audio) can be uploaded into the ITV System's Asset Manager and installed into the Upload MediaCluster and that the movie metadata can be installed to the ITV System's Directory Service.

##### Test Action

Automatically import a movie from a Digital Linear Tape (DLT) drive and install it on the Asset Manager's content installation disk drive. Enter the metadata for the content (either automatically from a metadata file or manually via the Asset Manager GUI). Finally, install the movie to the ITV Upload MediaCluster.

##### Components Validated

Installation of the movie content (video and audio) to the Asset Manager validates the DLT interface and installation of the movie metadata validates the Asset Manager software and its Server-to-Server Network interface to the Directory Service. Metadata importing also validates that the Directory Service and its SQL database are operational. Installing the movie from the Asset Manager to the Upload MediaCluster validates the Propagation Network interface to the Upload MediaCluster and that the Upload MediaCluster is operational and able to import movie content.

##### Test Verification

From the Asset Manager Command Center, use the Asset Manager (activated by clicking on the Asset Manager icon) and select the folder for the genre of the movie you installed. In the genre folder select the asset and verify that it is green and in an active state. Once the asset has been propagated in a subsequent test you will be able to further validate the movie content installation.

##### Figure 1 Asset View in the Asset Manager

Textual Description of Graphic: View of computer screen with window divided into three quadrants. The first quadrant contains a list of movies that may be selected by the active cursor. The second quadrant provides information regarding the movie selected by the cursor. The third quadrant provides the asset identification number of the movie selected by the cursor.

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#### Content Propagation

##### Test Objective

The objective of this test is to validate that a movie imported to the Upload MediaCluster can be propagated to another MediaCluster in the ITV system.

##### Test Action

Propagate the movie imported to the Upload MediaCluster in the previous test. Verify that the remote MediaCluster you wish to propagate to is in the propagation cluster list. Check HKEY\_LOCAL\_MACHINE\software\seachange\itv\currentversion\services\IPS in the active Propagation Server for verification. Set the activation time of the movie to be propagated to be within the configured propagation window based on the current time.

##### Components Validated

Initiation of the movie propagation to a remote MediaCluster validates the Propagation Service's Server-to-Server interface to the Directory Service and to both the Upload MediaCluster and the remote MediaClusters. The actual movie propagation validates the Propagation Network between the Upload and remote MediaClusters. Also verified is the Propagation Service, the MediaCluster Agent, IP multicasting on the Propagation Network, and the ability of the

MediaClusters to export and import propagating content.

#### Test Verification

From the Propagation Service Command Center, execute the ctail command on the IPS.log log file to verify that the asset propagation process has been initiated. Next issue a remote-command to a node in the remote MediaCluster you are propagating to and execute a 'scp dir' command to display the contents of the directory of that MediaCluster. The directory listing should show the Asset Element ID of the movie being propagated. Finally, execute the Management Utility (ManUtil). Click on the Connection Manager - ICM symbol, select the Propagation Service API (IPS API), and verify that the Connection Manager recognizes the new location for the movie asset. Once the asset is streamed in a subsequent test you will be able to completely validate the movie content installation.

Figure 2 Sample ManUtil Window

Textual Description of Graphic: View of computer screen with window divided into three quadrants. The first quadrant contains icons relating to subscribers and icons relating to system components. The second quadrant provides a subdirectory for the systems component icon titled "IPS API" hilited in the graphic in the first quadrant. The third quadrant provides asset identification numbers relating to the hilited graphic in the first quadrant.

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### SeaChange MOD Client Application Functionality

#### Test Objective

The objective of this test is to validate that functionality of the SeaChange Movies-on-Demand (MOD) client and to verify the installation of the movie installed and propagated in the previous test cases. If the SeaChange MOD application is not being used then the applicable test from the application provider should be used in lieu of this test case.

#### Test Action

Tune to the MOD channel. Navigate through the genres and select the movie that was installed and propagated in the prior tests. Enable the Purchase PIN through the EPG. Enter the Purchase PIN. Let the movie stream for a few minutes. Channel off and then back onto the MOD channel. Verify that the movie suspended at the proper position. Enable Parental Control. Verify the Parental Control function. Verify the movie suspend functionality. Verify the trick-modes by rewinding, fast-forwarding, pausing, and stopping the movie.

#### Components Validated

Activation of the MOD client and presentation of the movie list validates the MOD Application Service and the Client-to-Server Network from the Return Data Channel Network to the ITV Command Center. Purchase of the movie validates the integration between the MOD Application Service, the Connection Manager Service, the Streaming Service, and the MediaCluster Agent and the Server-to-Server Network on which they communicate. Also validated is the integration with the Resource Manager to allocate bandwidth on the broadband network.

#### Test Verification

The user should be able to navigate the movie lists and order a movie after successfully entering the Purchase PIN. The user should be able to resume the movie and the trick modes should work as requested.

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### Resource Management TSID CLIENT APPLICATION

#### Test Objective

The objective of this test is to validate the integration of the ITV System with the Session and Resource Manager (SRM) and movie streaming through the SRM specified delivery network path.

#### Test Action

Tune to the VOD application and order a movie. Verify the purchase of the movie and use ManUtil utility to verify it is streaming through the specified QAM. Select the TSID of the QAM that you are trying to stream the movie through. Repeat for each QAM in the Service Group. (Note that some QAM devices support multiple channels e.g. Harmonic's VSG QAM provides 8 QAM channels and Scientific Atlanta's MQAM provides 4 QAM channels.) If Conditional Access is deployed in the environment one stream should be done with an asset marked for encryption.

#### Components Validated

This test validates the interface between the Connection Manager Service and the SRM and the Server-to-Server Network on which they communicate. The Streaming Service and its communication with the MediaCluster Agent over the Server-to-Server Network are validated. The MediaCluster's ability to stream movies through the specified delivery network path and on the proper PID is validated. The configuration and wiring of the QAMs are also verified.

#### Test Verification

The user should be able to order a movie and view at the expected QAM frequency. After test completion, test each pipe in the Service Group and test each Service Group.

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#### Delivery Network Path Table

##### Test Objective

The objective of this test is to validate that the Delivery Network Path (DNP) tables are correctly configured

##### Test Action

Run the Confedit program (See Figure 3) on the Streaming Server 1 (S1) Command Center. For every pipe except one in a service group, set the TotalBW to 0. Order a movie from a settop in the service group. If Conditional Access is deployed in the environment one stream should be done with an asset marked for encryption.

#### Components Validated

This test validates the DNP tables and the proper usage of these tables by the ITV System.

#### Test Verification

The user should be able to order a movie and view it at the expected QAM frequency. After test completion, test each pipe in the Service Group and test each Service Group.

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#### Fault Tolerance ITV COMMAND CENTER

##### Test Objective

This test validates fail over fault tolerance within server pairs in the ITV Command Center.

##### Test Action

Purchase a movie from the MOD application. While the movie is streaming, fail over the primary Connection Manager/Streaming Service to the back up server.

#### Components Validated

This test validates the proper configuration of the ITV Command Center servers and their ability to fail over to their back up pairs and continuing to provide their services to the MOD application.

#### Test Verification

The Connection Manager/Streaming Service Command Center will fail the services to its paired machine and the stream will continue to play. Trick modes will be unavailable during the fail over process, but will become available when the service starts on the secondary ITV Command Center. The user should test the trick modes once the failover has completed and verify they are still available from the MOD application. Once complete, repeat these test on the Propagation Service, Directory Service, and Application Service Command Center servers.

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#### ITV MediaCluster

##### Test Objective

This test validates fault tolerance within a MediaCluster in the ITV System.

#### Test Action

Purchase a movie from the MOD application. While the movie is streaming, fail a single node in the MediaCluster providing that movie.

#### Components Validated

This test validates the fail over capabilities of the ITV MediaCluster and its ability to stream movies while suffering a failure of one of its nodes. When a node is failed, the remaining nodes in the MediaCluster will continue with the streaming of the movie using the parity data striped across the MediaCluster.

#### Test Verification

Monitor the settop receiving and displaying the streaming movie when the node is failed. If the delivery network path to the QAM for the movie being viewed originated at the failed MediaCluster node then the movie will be briefly suspended while another delivery network path is established to the settop. If the delivery network path to the QAM for the movie being viewed originated from a node other than the one that was failed then there will be no sign of the failure. In either case, the movie will be available to the subscriber and all trick modes will continue to operate as expected.

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#### NETWORK

##### Test Objective

This test validates that the individual components of the ITV system will fail over from one network to another when a network is failed.

##### Test Action

Purchase a movie from the MOD application. While the movie is streaming, fail the ITV Client-to-Server Network.

##### Components Validated

This test will validate the network configuration of the ITV system and the ability of the individual components in the ITV System to fail over to the configured failover network upon a loss of network service.

##### Test Verification

When the network is failed the ITV System components using the Client-to-Server Network will fail over to the Server-to-Server Network and ITV System operations will continue unaffected. Once complete; validate the configured network failover capabilities of the Server-to-Server and Propagation Networks. (Note that in most cases the operator does not wish to have a Propagation Network failover option.)

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#### Billing System Integration

##### Test Objective

This test validates the integration of the ITV System to the Billing System and verifies that movie purchase transactions are provided to the Billing System and recorded appropriately.

##### Test Action

Purchase a movie from the MOD application. Allow the movie to run past its Preview Time or set the Preview Time to 0 minutes prior to ordering the movie.

##### Components Validated

This test validates the MOD Application Service and its providing of the billable transaction to the MOD Billing Service over the Server-to-Server Network. This test also validates that the MOD Billing Service provides the transaction information to the Billing System over the Server-to-Server Network.

##### Test Verification

The user should successfully order a movie and the SeaChange ITV System should provide the billing transaction to the Billing System. To verify the transaction within the ITV System, execute "Mbtester.exe -e c:\temp\billing.txt" from the \itv\exe directory. Enter the name of the machine on which the active Interactive Application Directory (IAD) is running. Select Option 1, which is Initialize VOD Upload, then select Option 3, which is get VOD Records. Verify

the event was recorded properly. Finally, verify that the Operator's Billing System has the appropriate record of the movie purchase. The steps to verify this will vary depending on the Billing System.

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Attachment C

-----

SeaChange International, Inc.  
124 Acton Street  
Maynard, MA 01754

Maintenance Service Agreement for Hardware and Software  
("MAINTENANCE SERVICE AGREEMENT")

This Maintenance Service Agreement dated as of this 1/st/ day of December , 2000 is entered into between SeaChange International, Inc., a Delaware Corporation having a principal place of business at 124 Acton Street, Maynard, MA 01754 ("Vendor") and

Comcast Cable Communications of Pennsylvania, Inc., a Pennsylvania corporation having a principal place of business at 1500 Market Street, Philadelphia PA 19102 ("Customer").

1. Hardware and Software Maintenance. Vendor agrees to furnish to Customer, and

-----

Customer agrees to accept from Vendor technical support and maintenance service on the computer hardware and computer software listed in Exhibit A

-----

hereto (the "Hardware" and the "Software"; together the "System"), all in accordance with the terms and conditions herein contained.

2. Term and Termination. This Agreement shall commence on the date the Hardware

-----

and Software is installed and shall continue unless terminated in accordance with the terms of this Agreement. The services provided under this Maintenance Service Agreement commence from the date of installation as referenced in Exhibit B hereto ("Initial Maintenance Term"). Thereafter this

-----

Agreement shall continue in full force and effect as referenced in Exhibit B

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hereto ("Subsequent Maintenance Term"). Either party shall have the right to terminate this Agreement at the end of the Initial Maintenance Term, during the Subsequent Maintenance Term, or at any subsequent renewal term thereafter, by giving the other party sixty-(60) days advance written notice of termination. At any time during the Initial Maintenance Term or any Subsequent Maintenance Term of this Agreement, Vendor may evaluate the System, its use and its environment, and may qualify the continuation of this Agreement based on its environment, or its use, and such other changes as are, in the opinion of Vendor, reasonably necessary for proper operation and maintenance of the System.

3. Eligibility for Service Agreement Coverage.

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a) In order to establish eligibility for coverage during the Subsequent Maintenance Term, if any or all of the Hardware or Software was not under the Vendor's Maintenance Service Agreement for any period of time after the Initial Maintenance Term, such Hardware and Software shall be subject to inspection by Vendor, at Vendor's discretion, and the Customer shall pay for such inspection, labor, materials and other amounts deemed appropriate by Vendor to place the Hardware and Software in good operating condition. The Customer shall pay the Vendor's then prevailing service rates plus reasonable out-of-pocket expenses for travel, hotels and meals.

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b) This Maintenance Service Agreement requires that the Customer obtain coverage under this Agreement for all Hardware and Software listed in the then current Exhibit A and the Customer may not exclude any Hardware components or Software from inclusion hereunder.

4. Hardware and Software Maintenance Responsibilities of Vendor. Vendor will

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provide maintenance services for the Hardware and Software as follows: a) Technical Telephone Support. Vendor will provide Customer with technical support, available by telephone as listed in Exhibit B to assist Customer

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with its technical and operational inquiries. The Vendor shall use reasonable efforts to telephone support requests within two business hours of receipt of

the Customer's call.

b) Remedial Maintenance Service. In response to telephonic notification from the Customer and on the Vendor's determination that the System or the Software is not operating in accordance with the specifications described in the product documentation Vendor agrees to use reasonable efforts to provide the necessary remedial maintenance services which may include the correction or work-around of errors in the Software. Vendor will provide the diagnosis and repair process from a remote location. Vendor will use all reasonable efforts to correct or work around material Software errors, provided that the error can be recreated with an unmodified release of the Software. Vendor will provide programming services without additional charge to correct verified errors and issue corrections to the Software to the extent deemed reasonably practicable by Vendor, provided that if Vendor determines that product documentation is in error, and such error does not affect the general functioning of the Software, Vendor shall correct such documentation. If the source of the stated problem can be demonstrated to be due to customer modifications of the Hardware and/or Software, Customer agrees to compensate Vendor, at Vendor's prevailing rates, for all time and expenses incurred in accordance with Section 8 of this Agreement.

c) Maintenance Releases. Vendor agrees to provide Customer, at Vendor's expense, with engineering changes to correct operational deficiencies and errors to the Software, and such enhancements and improvements to existing Software functionality as Vendor may furnish to its end users generally at no additional charge, that are developed during the term of this Agreement ("Maintenance Releases") at such time as such Maintenance Releases are made available for general release to end-users by Vendor. After the installation of any Maintenance Releases of the Software, the Customer herewith relieves Vendor of any liability or continued responsibility for any prior Software release. The term "Maintenance Releases" does not include any software deemed by Vendor to be a new version or product, or providing a new function or feature, for which Vendor may charge a separate fee. All Maintenance Releases shall remain the sole and exclusive proprietary technology and trade secrets of Vendor.

From time to time, Vendor may release new versions of the Software, incorporating new functions or features for the System for which Vendor will charge a separate fee ("New Version"). Customer shall not be required to use or install any New Version. If, however, the Customer elects not to receive and install any New Version of the Software, Vendor may elect to terminate this Agreement one (1) year after such New Version becomes available. Vendor cannot warrant that a New Version will be compatible with Customer's version of the System; however, any New Version which in the opinion of Vendor has been successfully installed in

such System shall be eligible for the Software maintenance services provided for herein. After the installation of any New Version of the Software, Vendor shall be relieved of any liability or continued responsibility for any prior Software release. The delivery of any New Version does not include new charges, installation or training fees or expenses related to such New Version.

5. In the event that the Vendor determines (using remote diagnosis) that a Hardware component is not performing in accordance with the specifications described in the product documentation, the Vendor will, at its option, repair or replace the Hardware component as soon as reasonably practicable. If necessary, the Vendor will send a new or refurbished replacement Hardware component to the Customer, subject to Section 7 (a) of this Agreement. This Contract does not cover battery cells. Vendor agrees to provide technical telephone support to remotely assist the Customer in replacing the new or refurbished Hardware component at a pre-arranged point in time.

6. Exclusion from Contract. Vendor may at any time exclude from this Agreement -----

any Hardware or Software which (1) has been modified, repaired or serviced by anyone other than Vendor's Service staff without the prior written approval of Vendor, (2) has been subjected to unusual physical or electrical stress, whether such stress results from accident, neglect, misuse, failure of electrical power, air conditioning, humidity control, transportation, the making of specification or configuration changes requested by Customer, or any other cause other than ordinary use, and whether or not such stress is the fault of the Customer, (3) has been purchased from another supplier and is networked, linked, attached or otherwise intended to work with the System or (4) has been moved from the place of installation. When Hardware or Software has been improperly modified, repaired, stressed, used or moved as described above, Vendor may, at its option and subject to the approval of the Customer, perform such corrective work, including any repairs, replacements and adjustments, as are in Vendor's opinion necessary to restore the System to the condition it would have been in if subjected only to normal wear and tear.

Vendor's maintenance service as described in Section 4 hereto is intended to maintain the Hardware and Software in good operating condition when such

service is required because of normal wear and tear when used by Customer in the application for which it was intended. If Vendor service is requested due to causes other than normal wear and tear in such use and for reasons other than those provided pursuant to Section 4 of this Agreement, the service will be provided at the then prevailing Vendor daily rates for its service staff and its then prevailing prices for replacement parts, components and assemblies. Vendor maintenance service is limited to the Hardware and Software listed in Exhibit A hereof, unless Hardware or Software is added to

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this Agreement in accordance with Sections 4 and 9 hereto. If Customer modifies the Hardware or Software or adds foreign devices to the Hardware or Software, Vendor, at its option, may terminate this Agreement or install, support and service such modifications and foreign devices at its then prevailing rates.

7. Responsibilities of Customer. Customer shall have the following obligations  
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under this Agreement.

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a) The Customer shall return to Vendor any Hardware component original of any Hardware component which the Vendor has replaced pursuant to Section 5 hereof of this Agreement. The Vendor will provide the Customer with instructions on how to tag and return the original Hardware component. If the Customer has not returned the Hardware component to the Vendor in accordance with Vendor's packaging and shipping instructions within ten (10) business days of receipt of the replacement part, the Customer will be billed and the Customer will pay the then prevailing price for the Hardware component. If the Customer fails to make the requisite payment within thirty (30) days of invoicing and the Customer still has not returned the Hardware Component(s) pursuant to this Section 7, Vendor shall have the right to suspend Maintenance coverage.

b) Customer shall provide Vendor access to the System for any on-site repairs.

c) Customer shall ensure that a Customer employee is on-site during any periods of time the Vendor is on-site.

d) Customer shall provide adequate working space and facilities, including light, heat, ventilation, electric current and outlets, and the like, for use by Vendor maintenance personnel, and adequate storage space if required, for spare parts. All such facilities shall be reasonably close to the System to be serviced and shall be provided at no charge to Vendor.

e) Customer shall at all times maintain, for the benefit of Vendor, separate telephone access to the System through a Remote-Access Service (RAS) at each individual system installation location.

f) Customer shall provide Vendor, at no charge, access to and use of any machines, attachments, features, communications facilities or other equipment and materials normally at Customer's site which, in the opinion of Vendor's service staff, are necessary to facilitate the performance of the maintenance services described herein.

g) Customer shall maintain and control site environmental standards and conditions as prescribed in Vendor's equipment manuals.

h) Customer shall not perform, nor attempt to perform, nor cause to be performed, maintenance or repair of the System, except with the prior written approval of Vendor.

i) Customer shall provide the names of up to four (4) individuals with access to the Vendor technical telephone support. The names of these individuals will be provided by the Customer to the Vendor upon commencement of the Initial Maintenance Term.

8. Service Charges. In return for the maintenance services provided under this  
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Agreement, Customer shall pay Vendor the service charges ("Service Charges").

The Service Charges are due and payable to Vendor at the above address at the beginning of each Subsequent Maintenance Term. The Service Charges are subject to change by Vendor effective at any time, on commencement of each Subsequent Maintenance Term, after thirty (30) days' advance written notice. If the Customer fails to make the requisite payment pursuant to this Section 8 within sixty (60) days of the Initial Maintenance Term or Subsequent Maintenance Term, as the case may be, Vendor shall have the right to terminate this Agreement upon ten (10) days prior written notice ("Notice of Termination"). If Customer remits the total amount due within ten (10) days of the receipt of Vendor's Notice of Termination, this Agreement shall remain in full force and effect.

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The Vendor may elect, at its sole discretion, to combine all Service Charges to the Customer such that the Customer will be invoiced on an annual basis for all Maintenance Services in order to facilitate one annual billing for all Hardware and Software subject to Service Charges. At the end of the Initial Maintenance Term the Vendor will pro rate the Service Charges for

any subsequent Hardware or Software purchases to the commencement of the main maintenance term.

Charges for services other than those specifically provided by this Agreement will be billed at Vendor's then prevailing service rates plus reasonable out-of-pocket expenses for travel, hotels and meals. Vendor neither guarantees nor implies the availability of services not specifically provided under this Maintenance Service Agreement.

Payment not received by the invoice due date will be subject to a late charge equal to the lesser of (a) 1-1/2% per month, or (b) the highest rate permitted by law. Vendor may suspend or terminate this Agreement, at its sole option, in the event Customer has failed to make prompt payment of Service Charges on or before the invoice due date or otherwise breaches this Agreement.

The charges hereunder are subject to increases in amounts equal to any tax, fee or charge which Vendor may be required to collect from Customer, or in respect of, the services performed, or the materials furnished, by Vendor hereunder.

9. Additional Hardware and/or Software. Any additional Vendor's Hardware

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and/or Software acquired and installed during the term of this Agreement will be added to this Agreement without notification by the Vendor. Service Charges at Vendor's then prevailing maintenance charges and service rates will be charged.

10. Notices. All notices provided for in this Agreement shall be given in

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writing and shall be effective when either served by personal delivery, or five (5) days after deposited, postage prepaid, by first class or registered or certified mail, to the addressed parties at their respective addresses herein set forth, or to such other address or addresses as either party may later specify by written notice to the other.

11. Limitation of Liability and Warranty. VENDOR MAKES NO REPRESENTATIONS OR

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WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NONINFRINGEMENT EXCEPT AS PROVIDED IN THIS AGREEMENT. IN NO EVENT SHALL VENDOR BE LIABLE FOR ANY LOSS OF PROFITS, LOSS OF USE OF SYSTEM, OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND, IN CONNECTION WITH OR ARISING OUT OF THE SERVICES PROVIDED FOR IN THIS AGREEMENT EVEN IF VENDOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH LOSS OR DAMAGE.

No obligations or liability shall arise from or flow out of Vendor's rendering technical or other advice in connection with the System or services provided hereunder. Vendor's maximum

liability, if any, regardless of the form of action taken, shall in no event exceed the maintenance charges actually paid to Vendor hereunder. Vendor shall not be liable to Customer or any other third party for any injury to any person or property arising out of Customer's use or application of the System, except for injuries arising out of Vendor's intentional wrong-doing or gross negligence. Customer shall indemnify and hold Vendor harmless from and against any and all damages unless occasioned by such gross negligence or intentional wrong-doing of Vendor. Customer's remedies in this Agreement are exclusive.

12. Acts of God. Vendor shall not be liable for damages for any delay or failure

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to deliver arising out of causes beyond its reasonable control and without its fault or gross negligence, including, but not limited to, acts of civil or military authority, fires, riots, wars, catastrophes, embargoes, revolutions, insurrections, rebellions, national emergencies, strikes, floods, acts of God, earthquakes, explosions, storms, epidemics, quarantine restrictions, labor disputes, transportation embargoes or delays in transportation, or inability to obtain Hardware or parts due to delays from or backlog of suppliers.

13. General

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This Agreement (the "VOD Purchase Agreement"), including all referenced attachments or exhibits to this Agreement or the VOD Purchase Agreement, constitute the entire agreement between the parties relative to the subject matter hereof, and supersede all proposals, written or oral, and all other communications between the parties relating to the subject matter of this Agreement.

The Initial Maintenance Term (Warranty) and Subsequent Maintenance Terms are non-transferable.

No waiver, amendment, modification or cancellation of this Agreement or provisions hereof shall be effective unless it is in writing and signed by the parties hereto. Either party's failure at any time to require performance by the other party of any provision hereof shall not affect in any way the right of the party who waived enforcement of a performance obligation to require such performance at any time thereafter.

The invalidity, illegality or unenforceability of any provision of this Agreement shall in no way affect the validity, legality or enforceability of any other provision.

Titles or captions in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provisions hereof.

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs and assigns.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the internal laws of the Commonwealth of Massachusetts, without regard to

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its conflict of laws provisions. IN WITNESS WHEREOF, the parties have executed this Agreement are duly authorized as of the date first above written.

VENDOR: SeaChange International Inc.  
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By: \_\_\_\_\_

Printed  
Name:  
Title:

CUSTOMER: Comcast Cable Communications of  
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Pennsylvania, Inc.

By: \_\_\_\_\_

Printed  
Name: \_\_\_\_\_

Title: \_\_\_\_\_

Exhibit A

Hardware and Software as described in Attachment D.

Exhibit B

Initial Maintenance Term (Warranty)  
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\*  
Subsequent Maintenance Term  
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The Subsequent Maintenance Term shall commence \_\_\_\_\_. The service charges for subsequent maintenance services are payable annually in advance.

Attachment D  
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SeaChange Product Description

SEACHANGE ITV SYSTEM PRODUCT DESCRIPTION  
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The SeaChange ITV system is a comprehensive hardware, software and service solution that enables cable operators the ability to deliver a complete, cost-

effective interactive product offering to their subscribers. It is a true end-to-end solution that includes partnerships and integration with your digital headend set-top box and middleware providers.

The SeaChange solution is comprised of the ITV Command Center Management System and sets of Video Servers and/or MediaClusters to support the streams required for many thousands of subscribers. The unique ITV Command Center enables video serving to be distributed across multiple locations, including headends and hubs, yet the system is designed to be managed centrally. The solution scales from small to extremely large number of streams, files stored (video and non-video), and interactive applications.

The figure below depicts all of the steps required in a Video on Demand (example used is Movies on Demand) deployment and the corresponding system components required. Each of these is addressed by the SeaChange ITV solution.

Textual description of graphic: The diagram is a series of boxes with arrows pointing from one item to the immediately following item. Item 1 is titled "Obtain Contract for Content." Item 2 is titled "Content Encoding." Item 3 is titled "(opt) Automated Satellite Delivery." Item 4 is titled "Content Management and asset info storage (flexible metadata, extensible for many types of ITV applications)." Item 5 is titled "Automatic Content Loading, Distribution and Mgmt based on Usage, Time, Day, etc." Item 6 is titled "Mgmt of Applications, User Interface, EPG, Middle-ware Integration." Item 7 is titled "Content Availability Mgmt based on Contract Dates." Item 8 is titled "Support of on Demand, Requests, FF, RW, Pause." Item 9 is titled "Fault tolerance & Mgmt of Network Infrastructure, Tie in to Conditional Access, System Resource Mgmt." Item 10 is titled "Interface to Subscriber Billing System." Item 11 is titled "Troubleshooting, System Usage Reports, Auto-Paging, Usage Tracking." Item 12 is titled "Automatic content deletion, System Archival of Activity." Item 13 is titled "Support of Scaling to Large Deployments Fault Tolerance of Streams and SW Central or Distributed."

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The thirteen steps of a video lifecycle requirement are handled by various SeaChange offerings as follows:

1. Obtain Contract for Content	SeaChange Asset Management System SeaChange Content Acquisition Services (optional) Various Content Acquisition Partners
2. Content Encoding	SeaChange Encoding Hardware (optional) SeaChange MPAA Encoding Facility (opt.) Various Content Encoding Partners
3. Automated Satellite Delivery	SeaChange Pitcher and Catcher System (optional)
4. Content Management	SeaChange Asset Management System SeaChange Directory Service
5. Automatic Content Loading, Distribution	SeaChange Asset Management System SeaChange Propagation System
6. Application and UI Management	SeaChange Application Clients (optional) Various Set-Top, Internet, and App Partners
7. Automated Content Availability	SeaChange Asset Management System SeaChange Directory Service
8. Support of On Demand Requests	SeaChange Application Clients (optional) SeaChange Connection Manager SeaChange Streaming Service
9. Fault Tolerance, Resource and Network Service Management, CAS Manager	SeaChange Directory Service SeaChange Connection Manager SeaChange Streaming Service SeaChange Propagation System SeaChange MediaClusters
10. Interface to Subscriber Billing	SeaChange Application Server (opt.)
11. Troubleshooting, Usage, Monitoring, Auto-Paging	SeaChange Auto-Paging SeaChange System Monitor SeaChange ITV System Logs SeaChange SeaView
12. Automatic Deletion and System Activity Archive	SeaChange Asset Manager SeaChange Propagation Service

- |                                                          |                                                                                        |
|----------------------------------------------------------|----------------------------------------------------------------------------------------|
| 13. Scaling support to large, fault tolerant Deployments | SeaChange MediaClusters<br>SeaChange Connection Manager<br>SeaChange Streaming Service |
|----------------------------------------------------------|----------------------------------------------------------------------------------------|

The SeaChange ITV system has been designed to support centralized and/or distributed distribution networks. Configurations are optimized to make the best use of network bandwidth and concentrations of subscriber populations. Multiple distribution network types are supported. An extraordinarily high degree of automation is built into the system to ensure that it will be easy to use and manage, with minimal operational staff. This capability is proven in our current video products installed throughout the world. The system offers standard APIs for the cable operator's choice of interactive applications (written either by SeaChange or third party developers). It supports full VCR functionality, including fast-forward, rewind, pause/resume.

A unique differentiation of the SeaChange system design is its high degree of fault tolerance. Its goal is 100% service availability to the subscriber. Fault tolerance has been built into the video servers, via the MediaCluster technology. It is also possible to configure the entire system - ITV Command Center included - to withstand failures in the network.

The SeaChange ITV system is extremely scalable. It can be expanded to increase support for interactive set-top boxes or streams in increments of 2,000. The system can scale up to handle a nearly unlimited number of streams from either a centralized headend or distributed across multiple headends and hubs. It is designed to be able to manage tens of thousands of assets, including both MPEG and non-MPEG content. This system is not designed just for movies on demand - but for many interactive applications, all of which use the same set of core services provided by the ITV Command Center.

Scalability spans the following equipment and software:

1. MediaClusters - MediaClusters can scale from very small to very large sets of servers. The largest size of a MediaCluster should tend to reflect the maximum storage requirements for the deployment, since one MediaCluster requires only a single copy of a movie.
2. Connection Management - As simultaneous connections grow, the connection software must also be highly scalable in order to support the demand. The SeaChange Connection Manager has been designed to scale upward endlessly in increments of 2,000 streams.
3. Streaming Services - Video Servers alone are not enough to warrant scaling. As more streams are requested throughout the system, it is also necessary increasing numbers of streams that will be placing more and more demand on system as it

grows. The SeaChange Streaming Service has been designed to scale upward endlessly in increments of 2,000 streams.

4. Disk Storage - SeaChange supports storage upgrades while the system is live, without losing access to current movies stored.

Each of the components and services in the SeaChange ITV system will be described below, including those features of the system which are unique, namely its fault tolerance, configuration flexibility, content management, network management and scalability.

Description and Detailed Listing of Hardware Components:

There are three main server components included with the SeaChange ITV System:

- . SeaChange IMC 4000, which can be configured either as standalone or in a MediaCluster;
- . SeaChange ITV Command Center Servers, which are clustered in pairs for fault tolerance, and include:
  - Directory Server, two-server cluster
  - Propagation Service, two-server cluster
  - Connection Manager/Streaming Server, two-server cluster
  - Application Server, two-server cluster

- . Asset Manager, which is available as either a rack mount or tower PC.

#### ITV MEDIACLUSTER(IMC4000)

The ITV MediaCluster 4000(IMC4000) Video Server is an integral part of SeaChange's ITV system. This compact video server is designed for stand-alone operation or as part of a MediaCluster, with up to hundreds of IMC4000's forming a single virtual server providing fault-resilience with SeaChange's patented single-copy advantages.

The SeaChange IMC4000 -- the newest generation of our Server System -- leaps forward in delivering a greater number of simultaneous video streams and video assets in a more compact rack system. With the capability of packaging up to ten IMC4000 servers in a single rack, the ITV System

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enables cable operators to offer VOD programming to 20,000 subscribers from a selection of over 1,000 feature-length movies -- from a single rack.

The unsurpassed capacity and scalability of the ITV System is derived from its patented MediaCluster technology and Command Center Software with propagation services. The MediaCluster permits the addition of servers to a rack and the addition of racks to a system. The patented MediaCluster enables a single copy of video - movie, commercial, TV program - to support thousands of simultaneous viewers thereby reducing the stream cost for a large video library.

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#### Processor/Operating System:

- . SeaChange V-Stream System Software

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- . SeaChange Service Disk Software for system snapshots, rebuild and status

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#### Configurations:

- . Single node or server clusters (minimum size - 3 servers)
- . Up to 10 IMC4000 installed in  
a standard 19" rack
- . UL Certified

#### Power Requirements:

- . 115 VAC or International 220 VAC
- . 50/60 Hz over an operational
- . Range of 100-240 VAC
- . 48 Volt DC Capable
- . 400 Watts per server

#### Dimensions:

- . \*
- . \*
- . \*
- . \*
- . \*

#### Environmental:

- . Temperature: 10(degrees) to 30(degrees) C (operational)
- . Humidity: 20% to 80% RH, non-condensing 2000 meters altitude Max

The MediaCluster  
- - - - -

One of the key strengths of SeaChange International is the development of a fault-tolerant video server cluster. The term fault-tolerance is used loosely in the industry and thus should be carefully investigated by operators. However, the patented RAID /2/ /(TM)/ technology inherent in the SeaChange MediaCluster, described below, delivers complete server-level fault tolerance. This fault tolerance is available without the need for a 'backup' server, and without the need or expense of content replication, such as mirroring. The MediaCluster is the only clustering

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solution available that offers two levels of RAID5 - at both the server and the cluster levels. Besides fault tolerance, the SeaChange MediaCluster provides a unique mechanism for load balancing of both disks and server bandwidth, which is an absolute necessity to be able to effectively scale automatically to hundreds of thousands of streams and tens of thousands of titles.

MediaClusters are composed of several individual video servers that are connected together over a high-speed ethernet network, acting like a single server. Each video or asset is striped across all servers in the MediaCluster. By sharing assets among all servers, fault tolerance is guaranteed in the case of hardware component failure as well as in the case of a complete server failure. This method of RAID /2/ /(TM)/ striping eliminates the expensive option of mirrored or backup servers. MediaClustering allows a collection of SeaChange Video Servers to scale gracefully, share resources, and provide an unprecedented level of resilience to faults. Additional servers can be added as a new member to an existing MediaCluster without having to bring down the MediaCluster. The content residing in the MediaCluster will automatically be distributed to the new member. Multiple MediaClusters can be configured together to form a Video Store, enabling many thousands of streams from a single site or a single system, distributed across many sites.

The IMC 4000 members of a MediaCluster act as a single computing system, reading and writing data objects. A single view is provided of all data objects to each of the servers in the MediaCluster. The SeaChange MediaCluster architecture provides access to videos as data objects in the same way a file server provides "files" to network clients. Since the MediaCluster members manage their own file systems and export access only to the data objects, each MediaCluster member can read, write or delete files from its local file system without disrupting the other servers in the MediaCluster. Data objects are fragmented and written to the members of a MediaCluster using RAID5 striping and parity techniques for maximum fault resilience.

Textual Description of Graphic: Pentagon with a picture labeled "VS 100 40GB" at each corner of the pentagon, arrows connecting each of the points to the others, and a label on one of the arrows stating "High-speed internal digital video interconnects."

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MediaCluster members are connected by a private full-duplex 100Mb/second Fast Ethernet network links, using the highest-speed industry-standard ethernet connection hardware, coupled with SeaChange device drivers and networking protocols, for fullest network bandwidth utilization.

This network design enables the delivery of high-resolution MPEG-2 video streams in real-time, with predictable response times, sub-second error recovery and excellent price/performance. Sharing of video data resources across the entire MediaCluster without replication is a vital feature. All members of the MediaCluster have access to the video files stored on each of the other MediaCluster members. This provides disk load balancing as well as bandwidth load balancing.

The workload requests of streams will automatically be balanced and shared among the members. The impact of automated load balancing is evident in several areas. There is no need to manually move files from one disk to another or one server to another, or even one MediaCluster to another for the purpose of eliminating hot spots. Another benefit of a perfectly balanced system is linear improvements in performance as streams and servers are added to a MediaCluster.

Each individual video asset is striped across all servers of the MediaCluster using SeaChange RAID/2/ technology. Each MediaCluster server supports multiple slices of the ITV system; thus, a single copy of a video on a single MediaCluster can be used as a source to multiple slices of the system. This greatly reduces the number of replicas that must be created for each video asset in order to make the video available to multiple slices, and reduces the amount

of video propagation that must be managed. Since the video is striped across all disks in the MediaCluster, the total service bandwidth of the MediaCluster can be applied to a single video.

#### Integrated QAM Support

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Integrated upconverters are not part of the first release of the product, but is being planned for a later release. External QAMs from Motorola, Harmonic or others can also be used if desired.

#### ITV Command Center Servers

The SeaChange ITV system includes database server hardware that houses the software elements of the ITV Command Center, namely, the Directory Services, Asset Propagation Service, Connection Manager, Streaming Service, and Application Service. These database servers are one RU high and configured for extensive fault tolerance and scalability through the utilization of NT-based clustering. In each system configuration, you will find one instance of a fault-tolerant pair of servers housing the Directory Service, a 2<sup>nd</sup>/ fault-tolerant pair of servers housing

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the Propagation Service. Then for every 2,000 incremental streams, an additional pair of servers is included to house the Connection Manager/Streaming Service, and a final pair of servers containing the Application Service. In this manner, the ITV Command Servers are designed to scale upward to handle an unlimited number of streams, assets and applications

#### The Asset Manager

The final server in the system, of which there is typically a single instance, is the Asset Manager. This server is available in either a rackmount or pedestal/desktop offering, depending upon the operations requirement of the customer. It is the primary interface for the customer to manage content.

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#### Description and Detailed Listing of Software Components:

##### ITV Software Architecture

The SeaChange ITV Management System provides all of the required software to deliver Asset Management, Connection Management, Streaming Services, User Interface, and Propagation Services to automate the management of streams and movement of videos across various delivery networks. All of these services are designed to be fault tolerant, with multiple levels of redundancy implemented at both the hardware and software levels to maximize subscriber service availability.

In order to obtain an end-to-end video on demand system, the software to control and manage all the aspects of video server integration into the digital broadcast network is mandatory. The figure below shows the various components, both hardware and software needed to offer a complete end-to-end solution for video on demand. The shaded boxes represent the software functions, developed by SeaChange, that are necessary to ensure a complete, working and manageable ITV system. Descriptions of each of these software components that form the SeaChange ITV Command Center follows:

##### SeaChange ITV System

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##### Media, Attribute, and Location Management - - - - -

As television content offerings change and new content becomes available or old content is discontinued, there must be an automated method of scheduling and managing the physical content file and database manipulation. It cannot be

expected in a large-scale deployment that video files be copied manually for each lineup modification. The SeaChange ITV content management system includes the Asset Management system (to monitor media objects and ensure their timely installation, modification, and deletion), the Directory Service (to store extensible metadata about media objects), and the Propagation Service (to perform intelligent asset replication automatically).

The SeaChange Asset Manager controls the management of assets such as MPEG2 video/audio, configuration files, data, etc., throughout their entire lifecycle. The Asset Manager allows for manual or automated asset control throughout various stages of an asset's life, including compression, delivery (tape or automated transfer), loading, validation, subscriber availability, disabling, and deletion. The Asset Manager also allows for easy viewing, history, and auditing of server content.

The Asset Manager provides a consistent method of managing MPEG and non-MPEG content including video, audio, text, font, graphic files, etc. - all of the content and data that belongs to the widest variety of interactive applications. It is designed to minimize operational tasks associated with content management throughout its lifecycle by automation of those tasks from media readiness to deletion. It automates content lifecycle state changes by date and time and it allows advance scheduling of asset lifecycle. It provides a real-time interface to manage the addition, deletion and modification of content onto MediaClusters. The Asset Manager provides various methods for input, from an easy-to-use graphical user interface to automated file downloads (future release). It is the tool that can be used from a central location to remotely manage a single or multiple sites, even a national network of systems. It also drives content manipulation and distribution processes such as the Propagation Service (see description below).

The SeaChange Directory Service is the underlying database for the system. It provides high-speed access to the system for content attributes and stores all content location and those attributes such as metadata, prioritization, application links, groups, and locations. It is responsible for maintaining the hierarchical namespace of videos, and for maintaining system object information and attributes associated with those objects.

The Directory Service stores and maintains the integrity of these system objects:

- . Atomic Elements

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- . Assets
- . Applications
- . Folders and Entries
- . Sites

The Directory Service delivers performance scalability, achieved via effective database and service design, SQL Server tuning, and a high-performance master database system with multiple read-only systems, with even distribution of the load between them. A second design goal of the Directory service includes high availability, which is achieved via running the Master Directory Service on an NT Cluster and by providing multiple read-only replicas. The underlying metadata is customizable by application, and completely extensible, which is made possible by effective database and API design.

Physical placement and control of content is handled by the SeaChange Propagation Service which performs high speed content placement and manipulation to allow for proper automated prioritization of content based on configurable parameters for the system or media types. The Propagation Service loads content into and deletes content from the ITV Filestore on request from the Asset Manager. It creates and deletes additional replicas of MPEG assets to meet anticipated user demand. Only a single copy of a video is required per MediaCluster, therefore minimizing the cost of disks.

The Propagation Service automatically manages replication across a network from one MediaCluster to another MediaCluster. It insures that a playable copy of an asset exists when requested by a subscriber, and it accomplishes this task economically, by taking account of priorities and values of assets and usage statistics of assets.

Through these automation techniques, the Propagation Service:

- . Optimizes use of bandwidth and storage
- . Moves files as needed between servers (including remote/distributed servers)
- . Tracks subscriber streaming and plans activities accordingly
- . Anticipates asset life-cycle and ensures content is available
- . Maintains priorities based on operator business rules
- . Prioritizes based on localized viewing trends

Operational staff requirements are minimized because replica management across the network is completely automated. The Propagation Service supports the

delivery network model defined by the Connection Manager (see details below) in particular of segmented networks where not all MediaClusters are accessible to all optical transmitter groups.

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#### Propagation Service Illustration

Textual Description of Graphic: Square with arrows connecting adjacent corners and labeled "Fiber Ring." The corners of the square are labeled "5-server cluster," "Headend," "Hub," and the fourth is unlabeled but contains a series of rectangles.

#### Session and Bandwidth Management and Client/Server Communication

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In addition to digital broadcast session management, SeaChange provides interactive session and bandwidth management through the SeaChange Connection Manager. The Connection Manager maintains control of all network and server bandwidth. It also manages failover of components in reassigning a new network path to continue streaming video or other assets.

The three key functions of the Connection Manager are to:

- . Allocate and manage network bandwidth
- . Perform scaling for large deployments
- . Communicate network traffic with set-top clients and network controllers

The Connection Manager presents a highly available "server" interface to the delivery network and set-top to request the streaming of video and to control the streaming process. It present a logically abstracted, delivery network independent interface to the Interactive TV platform. Qualified interactive requests are communicated to the ITV system via the Connection Manager, and the best video server output port to deliver the requested stream is then automatically decided. The Connection Manager selects the best delivery network path to stream the video to the set-top, and directs the set up of the necessary network resources to connect the set-top to the stream. It provides a proxy interface for the set-top to the Streaming Service for stream control, and a highly available "server" interface to the delivery network and set-top to request the streaming of video and to control the streaming process. The Connection Manager then chooses the best server output port to deliver the requested stream.

Client/Server communication is provided through the SeaChange Streaming Service, which monitors and manages all MPEG2 streams through the network and supports flexible business parameters, that allows to optimize bandwidth use and de-allocation. It provides for client requests such as play, pause, fast forward, rewind, and skip forward/back.

The Streaming Service provides application-independent stream management, and interfaces with the Connection Manager and application servers. It is the core service that drives the delivery of video from the MediaClusters, and abstracts all aspects of the video servers and the delivery network from the interactive applications. The Streaming Service is involved in stream creation/tear-down as well as in driving stream content. As with all the other SeaChange ITV software, it runs in a fault-tolerant configuration on NT Clusters, and is scalable to support an arbitrarily large MediaCluster and set-top population, with automatic load balancing. The Streaming Service also supports the concept of persistent streams. With stream persistency, whenever a fault occurs in a software component involved in streaming, all software components "above" the stream will fail over and the underlying streams will not be lost.

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The VOD Server uses the underlying video delivery platform to allow viewers to purchase movies and other on-demand videos from the variety of ITV applications available. The VOD Server talks to your billing system to charge the user for videos watched. The VOD server also monitors the progress of viewing, including preview and VCR control. The VOD Server contains viewing/billing mechanics that minimize denials. It is easily adapted to different billing and credit systems. The VOD server maintains viewing states in persistent storage, re-attaches to streams on startup. Its parameters are operator-configurable, and are entered through configuration interface. The performance is closely associated by available bandwidth to the client, delivery network and credit system latencies.

SeaChange will supply the VOD client for the Scientific Atlanta environment. Liberate will supply the Movies-on-Demand Client for the Motorola environment and it will be integrated with the SeaChange system. SeaChange or other middleware and IPG vendors can also provide solutions for the Movies-On-Demand Client for the Motorola environment.

The Movies on Demand application allows subscribers to purchase movies for viewing on their television. It allows viewers to find and select videos, and it

uses the ITV system to play videos to the set-top. It provides a flexible user interface and a fast, easy, and effective navigation interface into the system. It has been designed to use minimum bandwidth and to work well with different levels of available bandwidth.

The SeaChange MOD Application presents the subscriber with choices of movies to watch. The available movies are determined by the currently available assets as managed by the Content Management Components and filtered by the Movies on Demand Application. Once a movie is selected, the Movies on Demand Application supports a point to point model, where there is a single subscriber who owns the video stream. The subscriber is given VCR functionality over the video stream; that is, the subscriber can pause, fast-forward, rewind, or resume the video at any point in time. If a video is "paused" for a configurable amount of time, then it is "suspended" so resources can be reclaimed. The MOD Application ensures that the video purchaser has the necessary credit and posts a charge to the billing system if so. A notion of "grace" or "preview" period is supported. If the subscriber requests a video, but then stops watching the video before the preview period is complete, the Movies on Demand Application will tear down the video stream without billing the subscriber. The Movies on Demand Application enforces a "play window" (i.e., a duration exceeding the duration of the actual video by some configurable amount) for which the subscriber owns the video stream. The Movies on Demand Application allows subscribers to control blocking of videos by movie rating. This blocking is controlled through PINs.

#### ITV Command Center Servers

The SeaChange ITV system includes database server hardware that houses the asset management, directory services, asset propagation service, connection management, streaming control, and application services management. All database servers and services are built for extensive fault tolerance and scalability (either by number of simultaneous streams or number of

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titles). The components of the SeaChange ITV system platform and the Movies-on-Demand application are all designed to be tolerant of faults: software, as well as hardware. The end result is that these services are highly available. Recovery from such errors occurs with minimal to no impact on service delivery.

The SeaChange ITV Command Center also does load balancing across its video servers, delivery networks, system services and application services in order to ensure an effective use of resources. Based on topology, load, and state information that the ITV system acquires from the MediaClusters and delivery network, the ITV Connection Manager selects the desired stream for a video to be delivered to a set-top. If a path is not available to deliver the requested video to the subscriber, the ITV Connection Manager generates an event for the cable operator, and the requesting set-top application is provided a standard error message. When the operator is notified of a resource shortage, they can add additional resources of which the Connection Manager will automatically become aware. Furthermore, the ITV system balances the load across instances of its services and instances of the ITV application. In other words, as new sessions are established from set-top applications, they are routed to the least loaded instance of the ITV Connection Manager and ITV Application. This scheme ensures that each new session is serviced as quickly as possible.

#### Detailed Listing of Software Components:

- . Asset Manager Software
- . Primary Directory Service Software with Database Licenses
- . Secondary Directory Service Software with Database Licenses
- . Primary Propagation Service Software
- . Secondary Propagation Service Software
- . Primary Streaming and Connection Software
- . Secondary Streaming and Connection Software, Scaling Option Access Database for Report Generation
- . Primary Movies on Demand Application Headend Software
- . Secondary MOD Application Headend Software, Scaling Option
- . Billing Interface
- . Movies-on-Demand Integrated Set-top Box Client Application
- . Microsoft SQL Server
- . Windows NT Server and Client
- . PC Anywhere

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CONFIDENTIAL MATERIAL OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION. ASTERISKS DENOTE OMISSIONS.

Itemized Bill of Materials (Quantities will vary depending upon System Sizing)

SeaChange reserves the right to replace the itemized list of material as new more cost-effective technologies become available.

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Header A

[\*\*\*]

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\* Racks included for SeaChange equipment, quantities dependent upon system specifications.

\*\* Network equipment to connect SeaChange equipment to Local Area Network. Connections to customer LAN/WAN

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Attachment E  
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THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW. NO TRANSFER OF THIS WARRANT SHALL BE VALID OR EFFECTIVE UNLESS SUCH TRANSFER IS MADE (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (B) IN A TRANSACTION THAT

QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS AND FOR WHICH, SUBJECT TO LIMITED EXCEPTIONS, AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY TO SUCH EFFECT HAS BEEN PROVIDED.

Warrant No. S-\_\_

Date: [\_\_\_\_], 2000

WARRANT TO PURCHASE COMMON STOCK  
OF  
SEACHANGE INTERNATIONAL, INC.

Void after 5:00 P.M. (United States Eastern Time)  
on [\_\_\_\_], 2005, as provided herein.

This certifies that, for value received, receipt and sufficiency of which are hereby acknowledged, Comcast SC Investment, Inc., or its registered assigns (the "Holder"), is entitled, subject to the terms and conditions set forth below, to purchase from SeaChange International, Inc., a Delaware corporation (the "Company"), One Hundred Thousand (100,000) (the "Warrant Number") validly issued, fully paid and nonassessable shares (the "Warrant Shares") of Common Stock of the Company, par value \$0.01 per share (the "Common Stock"), subject to adjustment as provided herein, at a purchase price equal to \$21.4475 per share (the "Exercise Price").

The term "Warrant" as used herein shall mean this Warrant, and any warrants delivered in substitution or exchange therefor as provided herein.

1. Term of Warrant. Subject to the terms and conditions set forth

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herein, this Warrant shall be exercisable, in whole or in part, during the term commencing on [\_\_\_\_], 2000 and ending at 5:00 P.M. (United States Eastern Time) on [\_\_\_\_], 2005 (subject

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to extension as provided below, the "Exercise Period"); provided, however, that (a) in the event that the expiration date of this Warrant shall fall on a Saturday, Sunday or United States federally recognized holiday, the expiration date for this Warrant shall be extended to 5:00 P.M. (United States Eastern Time) on the Business Day (as defined in Section 6(i)) following such Saturday, Sunday or recognized holiday, (b) in the event that, on the expiration date of this Warrant, the Company is then required, pursuant to an effective demand therefor under that certain Registration Rights Agreement dated as of December 1, 2000 between the Company, the initial purchaser hereof and an affiliate of the initial purchaser (the "Registration Rights Agreement") to use its best efforts to effect, or is in the process of effecting, a registration under the Securities Act of 1933, as amended (the "Securities Act") for a public offering in which Warrant Shares are entitled to be included as provided in the Registration Rights Agreement, or if the Company is in default of any such obligations to register the sale of such Common Stock, the right to exercise this Warrant shall continue until the later of 5:00 P.M. (United States Eastern Time) on the 30th day following the date on which such registration shall have become effective or the 30th day following the date all such defaults shall have been cured, and (c) in the event that, on the expiration date of this Warrant, the Holder and the Company are in the process of complying with the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), in accordance with the provisions of Section 2(d) below, the right to exercise this Warrant shall continue until 5:00 P.M. (United States Eastern Time) on the 30th day following the date on which any waiting period under the HSR Act applicable to the exercise of the Warrant shall have expired or been terminated; provided that, in the case of (b), the Holder has requested that the Company commence the registration of Warrant Shares at least 30 days prior to the expiration date of the Exercise Period.

2. Exercise of Warrant.

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(a) This Warrant may be exercised by the Holder, in whole or in part, by (i) the surrender of this Warrant to the Company, with the Notice of Exercise annexed hereto duly completed and executed on behalf of the Holder, at the office of the Company (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company) during the Exercise Period and (ii) the delivery of payment to the Company of the Exercise Price for the number of Warrant Shares specified in the Notice of Exercise in any manner specified in subsection (c) of this Section 2.

(b) The Company agrees that such Warrant Shares shall be deemed to be issued to the Holder as the record holder of such Warrant Shares as of the

close of business on the date on which this Warrant shall have been surrendered and payment made for the Warrant Shares as aforesaid. A stock certificate or certificates for the Warrant Shares specified in the Notice of Exercise shall be delivered to the Holder as promptly as practicable, and in any event within ten days thereafter. If this Warrant shall have been exercised only in part, the Company shall, at the time of delivery of the stock certificate or certificates, deliver to the Holder a new Warrant evidencing the rights to purchase the remaining Warrant Shares, which new Warrant shall in all other respects be identical with this Warrant. No adjustments shall be made on Warrant Shares issuable on the exercise of this Warrant for any cash dividends paid or payable to

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holders of record of Common Stock prior to the date as of which the Holder shall be deemed to be the record holder of such Warrant Shares.

(c) The Exercise Price shall be payable (i) in cash or its equivalent, payable by wire transfer of immediately available funds to a bank account specified by the Company or by certified or bank cashiers' check in lawful money of the United States of America; (ii) by surrendering to the Company the right to purchase a number of Warrant Shares equal to the product obtained by multiplying the number of Warrant Shares to be purchased (including any Warrant Shares to be surrendered) by a fraction, the numerator of which is the Exercise Price and the denominator of which is the Current Market Price (as defined in Section 6(i) below) of the Common Stock on the date of exercise of the Warrant, or (iii) in any combination of (i) or (ii). In the event the Exercise Price is to be paid, in whole or in part, in accordance with the payment method described in clause (ii), and compliance with the provisions of the HSR Act is required in accordance with subsection (d) of this Section 2 prior to the consummation of such exercise, the Current Market Price of the Common Stock shall be calculated as of the date on which the Holder notifies the Company of its decision to exercise the Warrant, pending compliance with the provisions of the HSR Act, rather than the date of the consummation of such exercise.

(d) The Holder agrees that any exercise of this Warrant is, to the extent applicable, subject to compliance with the provisions of the HSR Act. The Company agrees that, in the event that the exercise of this Warrant by the Holder requires compliance with any provisions of the HSR Act, the Company shall cooperate with the Holder in connection with any such filings by (i) making all filings required to be made on the Company's part under the HSR Act and (ii) promptly furnishing, or causing to be furnished, any information that may be required by the Federal Trade Commission or the Department of Justice under the HSR Act.

3. No Fractional Shares or Scrip. No fractional shares or scrip

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representing fractional shares shall be issued upon the exercise of this Warrant. In lieu of any fractional share to which the Holder would otherwise be entitled, the Company shall make a cash payment equal to the Current Market Price multiplied by such fraction or, at the Company's option, round such fractional share to the nearest whole share.

4. Replacement of Warrant. On receipt of evidence reasonably satisfactory

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to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and substance to the Company or, in the case of mutilation, on surrender and cancellation of this Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor and amount.

5. Rights of Stockholders. Subject to the provisions of Sections 6(1) and

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8 hereof, the Holder shall not be entitled to vote or receive dividends or be deemed the holder of Common Stock or any other securities of the Company that may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the Holder, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to

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give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value, or change of stock to no par value, consolidation, merger, conveyance or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until the Warrant shall have been exercised as provided herein.

6. Antidilution Provisions. The Exercise Price and the Warrant Number

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shall be subject to adjustment from time to time as provided in this Section 6.

(a) In case the Company shall pay or make a dividend or other distribution on the Common Stock of the Company in Common Stock or any other security convertible into or exchangeable for shares of Common Stock (other than any rights, options or warrants described in subsection (b) of this Section 6), the Exercise Price in effect immediately prior to the opening of business on the next Business Day following the date fixed for determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Exercise Price by a fraction of which (i) the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and (ii) the denominator shall be the sum of (A) such number of shares referred to in clause (i) and (B) the total number of shares of Common Stock constituting such dividend or other distribution (or, in the case of a dividend or distribution of securities convertible into or exchangeable for shares of Common Stock, the total number of shares of Common Stock underlying such securities), such reduction to become effective immediately prior to the opening of business on the next Business Day following the date fixed for such determination. For the purposes of this subsection (a), the number of shares of Common Stock at any time outstanding shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock.

(b) In case the Company shall hereafter issue rights, options or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock or any other security convertible into or exchangeable for shares of Common Stock (such rights, options or warrants not being available on an equivalent basis to Holders of the Warrants upon exercise) at a price per share less than the Current Market Price of the Common Stock on the date fixed for the determination of stockholders entitled to receive such rights, options or warrants (other than pursuant to a dividend reinvestment plan), (i) the Exercise Price in effect immediately prior to the opening of business on the next Business Day following the date fixed for such determination shall be reduced by multiplying the Exercise Price in effect immediately prior to the close of business on the date fixed for the determination of holders of Common Stock entitled to receive such rights, options or warrants by a fraction of which (A) the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock that the aggregate of the offering price of the total number of shares of Common Stock so offered for subscription or purchase would purchase at such Current Market Price and (B) the denominator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase (or such number of shares of Common Stock underlying any convertible securities so offered for subscription or purchase), such reduction to become effective immediately prior to the

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opening of business on the next Business Day following the date fixed for such determination (for the purposes of this subsection (b), the number of shares of Common Stock at any time outstanding shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock), and (ii) if any such rights, options or warrants expire or terminate without having been exercised or are exercised for a consideration different from that utilized in the computation of any adjustment or adjustments on account of such rights, options or warrants, the Exercise Price with respect to any Warrant not theretofore exercised shall be readjusted such that the Exercise Price would be the same as would have resulted had such adjustment been made without regard to the issuance of such expired or terminated rights, options or warrants or based upon the actual consideration received upon exercise thereof, as the case may be, which readjustment shall become effective upon such expiration, termination or exercise, as applicable; provided, however, that all readjustments in the Exercise Price based upon any expiration, termination or exercise for a different consideration of any such right, option or warrant, in the aggregate, shall not cause the Exercise Price to exceed the Exercise Price immediately prior to the time such rights, options or warrants were initially issued (without regard to any other adjustments of such number under this subsection (b) that may have been made since the date of the issuance of such rights, options or warrants).

(c) In case the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Exercise Price in effect immediately prior to the opening of business on the next Business Day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case the outstanding shares of Common Stock shall each be combined into a smaller number of shares of Common Stock, the Exercise Price in effect immediately prior to the opening of business on the next Business Day following the day upon which such combination becomes effective shall be proportionately increased.

(d) In case the Company shall, by dividend or otherwise, distribute

to all holders of its Common Stock evidences of its indebtedness or assets (including securities, but excluding any rights, options or warrants referred to in subsection (b) of this Section 6, any dividend or distribution paid exclusively in cash and any dividend referred to in subsection (a) of this Section 6), the Exercise Price shall be adjusted so that the same shall equal the price determined by multiplying the Exercise Price in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by a fraction of which (i) the numerator shall be the Current Market Price at the close of business on the date fixed for such determination less the then fair market value of the portion of the assets or evidences of indebtedness so distributed applicable to one share of Common Stock, and (ii) the denominator shall be such Current Market Price, such adjustment to become effective immediately prior to the opening of business on the next Business Day following the date fixed for the determination of stockholders entitled to receive such distribution.

(e) The Company may make such reductions in the Exercise Price, in addition to those required by subsections (a), (b), (c) and (d) of this Section 6, as it considers to be advisable in order that any event treated for Federal income tax purposes as a dividend of stock or stock rights shall not be taxable to the recipients.

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(f) In case of any reclassification, recapitalization or other change in the outstanding securities of the class issuable upon exercise of this Warrant (including any such reclassification, recapitalization or other change upon a consolidation or merger in which the Company is the continuing corporation, but not including any transactions for which an adjustment is provided in subsection (c), (d) or (g) of this Section 6), the Company shall execute and deliver to the Holder a new warrant certificate, satisfactory in form and substance to the Holder and without payment of any additional consideration therefor, providing that the Holder shall have the right thereafter, during the period such Warrant shall be outstanding, to exercise such Warrant into the kind and amount (if any) of securities, cash and other property receivable upon such reclassification, recapitalization or other change by a holder of the number of shares of Common Stock issuable upon exercise of this Warrant had it been exercised immediately prior to such reclassification, recapitalization or other change. Such new Warrant shall provide for adjustments that, for events subsequent to the effective date of such new Warrant, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 6. The above provisions of this subsection (f) shall similarly apply to successive reclassifications, recapitalizations and other changes in the outstanding securities of the class issuable upon exercise of this Warrant.

(g) In case of any consolidation of the Company with, or merger of the Company into, any other person, any merger of another person into the Company (other than a merger that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of the Common Stock) or any sale or transfer of all or substantially all of the assets of the Company, at the election of the Holder of the Warrant represented hereby, the person formed by such consolidation or resulting from such merger or that acquires such assets, as the case may be, shall execute and deliver to the Holder a new warrant certificate, satisfactory in form and substance to the Holder and without payment of any additional consideration therefor, providing that the Holder shall have the right thereafter, during the period such Warrant shall be outstanding, to exercise such Warrant into the kind and amount (if any) of securities, cash and other property receivable upon such consolidation, merger, sale or transfer by a holder of the number of shares of Common Stock issuable upon exercise of this Warrant had it been exercised immediately prior to such consolidation, merger, sale or transfer. If the holders of the Common Stock may elect from choices the kind or amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer, then for the purpose of this Section 6 the kind and amount of securities, cash and other property receivable upon such consolidation, merger, sale or transfer shall be deemed to be the choice specified by the Holder, which specification shall be made by the Holder by the later of (i) ten Business Days after the Holder is provided with a final version of all information required by law or regulation to be furnished to holders of Common Stock concerning such choice, or, if no such information is required, ten Business Days after the Holder is provided with a final version of all information that was otherwise furnished to the holders of Common Stock concerning such choice, and (ii) the last time at which holders of Common Stock are permitted to make their specification known to the Company. If the Holder fails to make any specification, the Holder's choice shall be deemed to be whatever choice is made by a plurality of holders of Common Stock not affiliated with the Company or the other person to the merger or consolidation. Such new Warrant shall provide for adjustments that, for events subsequent to the effective date of such new Warrant, shall be as

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nearly equivalent as may be practicable to the adjustments provided for in this

Section 6. The above provisions of this subsection (g) shall similarly apply to successive consolidations, mergers, sales or transfers.

(h) Whenever there shall be any change in the Exercise Price under this Section 6, then there shall be an adjustment (to the nearest thousandth of a share) in the Warrant Number, which adjustment shall become effective at the time such change in the Exercise Price becomes effective and shall be made by multiplying the Warrant Number in effect immediately before such change in the Exercise Price by a fraction the numerator of which is the Exercise Price immediately before such change and the denominator of which is the Exercise Price immediately after such change.

(i) For the purpose of any computation under subsection (c) of Section 2, Section 3 or subsection (b) or (d) of this Section 6, the current market price per share of Common Stock (the "Current Market Price") on any day shall be deemed to be the closing price per share on the earlier of the day in question or the day before the Ex Date (as defined below) with respect to the issuance, payment or distribution. For this purpose, the term "Ex Date," when used with respect to any issuance or distribution, shall mean the first date on which the Common Stock trades regular way on the applicable securities exchange or in the applicable securities market without the right to receive such issuance or distribution. The closing price for each day shall be the reported last sale price regular way or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices regular way, in either case on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on such Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the Nasdaq National Market System or, if the Common Stock is not listed or admitted to trading on any national securities exchange or quoted on the Nasdaq National Market System, the average of the closing bid and asked prices in the over-the-counter market as furnished by any New York Stock Exchange member firm reasonably selected from time to time by the Board for that purpose. For purposes of this Warrant, the term "Business Day" shall mean any day except a Saturday, Sunday or any day on which banking institutions are authorized or required to close in the city of New York, New York.

(j) No adjustment in the Exercise Price shall be required unless such adjustment (plus any adjustments not previously made by reason of this subsection (j)) would require an increase or decrease of at least 1% in such Exercise Price; provided, however, that any adjustments that by reason of this subsection (j) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this subsection (j) shall be made to the nearest cent or to the nearest 1/100 of a share of Common Stock, as the case may be. Notwithstanding the foregoing, any adjustment required by this subsection (j) shall be made no later than the expiration of the right to exercise the Warrant or a portion thereof.

(k) Whenever the Exercise Price is adjusted as herein provided:

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(i) the Company shall compute the adjusted Exercise Price in accordance with Section 6 and shall prepare a certificate signed by the treasurer of the Company setting forth the adjusted Exercise Price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed with any transfer agent; and

(ii) a notice stating that the Exercise Price has been adjusted and setting forth the adjusted Exercise Price shall forthwith be required, and as soon as practicable after it is required, such notice (together with a copy of the certificate prepared under Section 6(k)(i) hereof) shall be mailed by the Company to the Holder of the Warrant at its last address as shall appear in the Warrant Register (as defined in Section 7(a)).

(l) In case:

(i) the Company shall declare a dividend or other distribution on its Common Stock (other than a dividend payable exclusively in cash that would not cause an adjustment to the Exercise Price to take place pursuant to Section 6 above);

(ii) the Company or any of its subsidiaries shall make a tender offer for the Common Stock;

(iii) the Company shall authorize the granting to all Holders of its Common Stock of rights, options or warrants to subscribe for or purchase any shares of capital stock of any class;

(iv) of any reclassification of the Common Stock (other than a subdivision or combination of its outstanding shares of Common Stock), or of any consolidation, merger or share exchange to which the Company is a party and for which approval of any stockholders of the Company is required, or of the sale or

transfer of all or substantially all of the assets of the Company; or

(v) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be filed with any warrant agent, and shall cause to be mailed to the Holder of this Warrant at its last address as shall appear in the Warrant Register, at least ten days prior to the effective date hereinafter specified, a notice stating (A) the date on which a record has been taken for the purpose of such dividend, distribution or grant of rights, options or warrants, or, if record is not to be taken, the date as of which the identity of the holders of Common Stock of record entitled to such dividend, distribution, rights, options or warrants is to be determined, or (B) the date on which such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding up. Neither the failure to give such notice nor any defect therein shall affect the legality or validity of the proceedings described in clauses (i) through (v) of this

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subsection (l).

7. Transfer of Warrant.

(a) Warrant Register. The Company will maintain a register (the

"Warrant Register") containing the names and addresses of the Holder or Holders. Any Holder of this Warrant or any portion thereof may change his address as shown on the Warrant Register or transfer this Warrant in accordance with the terms of this Warrant by written notice to the Company requesting such change. Any notice or written communication required or permitted to be given to the Holder may be delivered or given by mail to such Holder as shown on the Warrant Register and at the address shown on the Warrant Register. Until receipt by the Company of written notice from the Holder requesting a change of address or the transfer of this Warrant, the Company may treat the Holder as shown on the Warrant Register as the absolute owner of this Warrant for all purposes.

(b) Warrant Agent. The Company may, by written notice to the Holder,

appoint an agent for the purpose of maintaining the Warrant Register referred to in subsection (a) of this Section 7, issuing the Common Stock or other securities then issuable upon the exercise of this Warrant, exchanging this Warrant, replacing this Warrant, or any or all of the foregoing. Thereafter, any such registration, issuance, exchange, or replacement, as the case may be, shall be made at the office of such agent.

(c) Transferability. Subject to the restrictions on transfer set forth in

subsection (d) of this Section 7, title to this Warrant may be transferred, in whole or in part, by endorsement (by the Holder executing the Assignment Form annexed hereto) and delivery in the same manner as a negotiable instrument transferred by endorsement and delivery. Upon surrender of this Warrant for transfer, properly endorsed on the Assignment Form, the Company at its expense shall issue, on the order of the Holder, a new warrant or warrants of like tenor, in such name as the Holder (on payment by the Holder of any applicable transfer taxes) may direct, for the number of shares issuable upon exercise hereof. Each holder of this Warrant, by holding it, agrees that this Warrant, when endorsed in blank, may be deemed negotiable, and that, when this Warrant shall have been so endorsed, the holder of this Warrant may be treated by the Company and all other persons dealing with this Warrant as the absolute owner of this Warrant for any purpose and as the person entitled to exercise the rights represented by this Warrant, or to the transfer of this Warrant on the books of the Company, any notice to the contrary notwithstanding.

(d) Compliance with Securities Laws.

(i) The Holder of this Warrant, by acceptance hereof, acknowledges that the transfer of this Warrant and the Warrant Shares is subject to the Holder's compliance with the provisions of the Securities Act and any applicable state securities laws in respect of any such transfer.

(ii) The certificate or certificates representing any Warrant Shares

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acquired upon exercise of this Warrant, and any Common Stock or other securities issued in respect of such Warrant Shares upon any stock split, stock dividend, recapitalization, merger, consolidation or similar event, shall be stamped or otherwise imprinted with the following legend (unless such a legend is no longer required under the Securities Act):

THE TRANSACTION IN WHICH THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ACQUIRED WAS NOT 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 SUCH TRANSFER IS MADE (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (B) IN A TRANSACTION THAT QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS AND FOR WHICH, SUBJECT TO LIMITED EXCEPTIONS, AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE COMPANY TO SUCH EFFECT HAS BEEN PROVIDED.

(iii) The Company shall not be required to register the transfer of this Warrant or the Warrant Shares on the books of the Company unless the Company shall have been provided with an opinion of counsel in form and substance reasonably satisfactory to the Company that this Warrant or the Warrant Shares, as applicable, are eligible for transfer without registration under the Securities Act; provided, however, that no such opinion of counsel shall be necessary in order to effectuate a transfer of this Warrant or any of the Warrant Shares (A) in accordance with the provisions of Rule 144(k) promulgated under the Securities Act or (B) with respect to the Warrant Shares, in accordance with the intended method of disposition set forth in the registration statement to be filed by the Company pursuant to that certain Common Stock and Warrant Purchase Agreement dated as of December 1, 2000 between the Company and the initial purchaser of this Warrant or any other registration statement filed by the Company and covering the Warrant Shares pursuant to the Registration Rights Agreement.

(iv) The conditions precedent imposed by this subsection (d) upon the transferability of this Warrant and the Warrant Shares shall cease and terminate as to this Warrant and any of the Warrant Shares (A) when such securities shall have been registered under the Securities Act and sold or otherwise disposed of in accordance with the intended method of disposition by the seller or sellers thereof set forth in the registration statement covering such securities, (B) at such time as the Company shall have been provided with an opinion of counsel in form and substance reasonably satisfactory to the Company to the effect that the restrictive legend on such securities is no longer required in order to establish compliance with the provisions of the Securities Act, or (C) when such securities are transferred pursuant to Rule 144 or become transferable in accordance with the provisions of Rule 144(k) promulgated under the Securities Act. Whenever the conditions imposed by this subsection (d) shall terminate as hereinabove provided with respect to any of the Warrant Shares, the holder of any such securities

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bearing the legend set forth in Section 7(d) (ii) shall be entitled to receive from the Company, without expense (except for the payment of any applicable transfer taxes) and as expeditiously as possible, new stock certificates not bearing such legend.

8. Covenants of the Company. The Company hereby covenants and agrees that:

(a) during the term of this Warrant, the Company will reserve a sufficient number of shares of authorized and unissued Common Stock to provide for the issuance of Common Stock, which shares shall be duly authorized, fully paid and non-assessable, upon the exercise of this Warrant and, from time to time, will take all steps necessary to amend its Certificate of Incorporation to provide sufficient reserves of shares of Common Stock issuable upon exercise of the Warrant;

(b) the Company will not, by amendment of its Certificate of Incorporation or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act, avoid or seek to avoid the observance or performance of any of the covenants, stipulations or conditions to be observed or performed hereunder by the Company;

(c) all shares that may be issued upon the exercise of this Warrant, upon exercise of this Warrant and payment of the Exercise Price, all as set forth herein, will be free from all taxes, liens and charges in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously or otherwise specified herein);

(d) issuance of this Warrant by the Company shall constitute full

authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock upon the exercise of this Warrant; and

(e) all Warrant Shares will upon issuance be listed on the Nasdaq National Market System or the principal such other securities exchange or quotation system on which the Common Stock is then listed or quoted.

9. Notices. Notices under this Warrant to the Company and the Holder

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shall be provided in the manner, and to the addresses of the Company and the Holder, set forth in the Registration Rights Agreement, or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

10. Amendments. Neither this Warrant nor any term hereof may be amended,

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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.

11. Governing Law. This Warrant shall be governed in all respects by the

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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.

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12. Successors and Assigns. This Warrant shall be binding upon the

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Company's successors and assigns and shall inure to the benefit of the Holder's successors, legal representatives and assigns.

13. Attorney's Fees. In the event of a dispute with regard to the

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interpretation of this Warrant, the prevailing party may collect the cost of reasonable attorney's fees, litigation expenses or such other expenses as may be incurred in the enforcement of the prevailing party's rights hereunder.

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IN WITNESS WHEREOF, SEACHANGE INTERNATIONAL, INC. has caused this Warrant to be executed by its authorized officer.

Dated: [\_\_\_\_\_], 2000

SEACHANGE INTERNATIONAL, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

NOTICE OF EXERCISE

To: SEACHANGE INTERNATIONAL, INC.

(1) The undersigned hereby elects to purchase \_\_\_\_\_ shares of Common Stock of SeaChange International, Inc., pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price for such shares in full.

(2) In exercising this Warrant, the undersigned hereby confirms and acknowledges that the shares of Common Stock to be issued upon exercise are being acquired solely for the account of the undersigned and not as a nominee for any other party, or for investment, and that the undersigned will not offer, sell or otherwise dispose of any such shares of Common Stock except under circumstances that will not result in a violation of the registration provisions of the Securities Act of 1933, as amended, or any applicable state securities laws.

(3) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_  
(Name)

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\_\_\_\_\_  
(Name)

(4) Please issue a new Warrant for the unexercised portion of the attached Warrant in the name of the undersigned or in such other name as is specified below:

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature)

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ASSIGNMENT FORM

FOR VALUE RECEIVED, the undersigned registered owner of this Warrant hereby sells, assigns and transfers unto the Assignee named below all of the rights of the undersigned under the within Warrant, with respect to the number of shares of Common Stock set forth below:

Name of Assignee	Address	No of Shares
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and does hereby irrevocably constitute and appoint as Attorney \_\_\_\_\_ to make such transfer on the books of SEACHANGE INTERNATIONAL, INC., maintained for the purpose, with full power of substitution in the premises.

The undersigned also represents that, by assignment hereof, the Assignee acknowledges that this Warrant and the shares of stock to be issued upon exercise hereof are being acquired for investment and that the Assignee will not offer, sell or otherwise dispose of this Warrant or any shares of stock to be issued upon exercise hereof except under circumstances that will not result in a violation of the registration provisions of the Securities Act of 1933, as amended, or any applicable state securities laws.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature of Holder

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Attachment F  
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Form of Registration Rights Agreement  
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Incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-3 filed December 6, 2000 (File No. 333-51386).

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LOAN AGREEMENT  
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LOAN AGREEMENT (this "Agreement") dated as of October 16, 2000, by and between Bank of New Hampshire, N.A., a national banking association with a place of business at 28 Main Street, Jaffrey, New Hampshire 03452 (the "Bank"), and SeaChange International, Inc., a Delaware corporation with an address of 124 Acton Street, Maynard, Massachusetts 01754 (the "Borrower").

W I T N E S S E T H:

WHEREAS, the Bank is hereby making two loans to the Borrower of even date in the respective amounts of Five Hundred Forty-four Thousand Dollars (\$544,000.00) and Six Hundred Fifty-six Thousand Dollars (\$656,000.00) for the purposes of financing the construction/renovation of real estate of the Borrower at 32 Mill Street, Greenville, Hillsborough County, New Hampshire (the "Premises"); and

WHEREAS, the parties wish to set forth in writing the terms and conditions upon which the Bank is making said loans to the Borrower;

NOW, THEREFORE, in consideration of the foregoing and of the following mutual promises, the parties confirm and agree as follows.

SECTION 1. DEFINITIONS. The following terms as used in this Agreement shall  
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have the meanings set forth below.

1.1 Architect: Any and all architects now or hereafter engaged by the Borrower for the design of the Project.

1.2 Architect's Contracts: Any and all agreements by and between the Borrower and the Architect for, among other things, the design of the Project.

1.3 Closing: The date on which the Bank makes and the Borrower takes the Loans.

1.4 Collateral Assignment: The Collateral Assignment of Contracts, Plans and Permits of even date from the Borrower to the Bank.

1.5 Construction Contract: Any and all contracts by and between the Borrower and the Contractor for, among other things, the construction of the Project.

1.6 Construction Term: The period commencing on the date of this Agreement and continuing through the Conversion Date.

1.7 Contractor: Hutter Construction Corporation.

1.8 Contracts: All contracts relating to the design and construction of the Improvements and the Project.

1.9 Conversion Date: The date upon which the \$544,000.00 Note converts to an amortizing note pursuant to Section 2.5 of this Agreement.

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1.10 Environmental Indemnity: Environmental Indemnification Agreement of even date from the Borrower to the Bank.

1.11 Financial Statements: The most recent financial statements of the Borrower heretofore delivered to the Bank.

1.12 Improvements: The improvements to be constructed on the Premises in accordance with the Plans and Specifications with the proceeds of the Loans and all personal property, fixtures and appurtenances, additions, replacements and improvements, including site improvements and landscaping, constructed on or existing on the Premises, now or at any time hereafter, including substitutions therefor and the proceeds thereof.

1.13 Leases. Any and all leases with respect to the Premises to be entered into by the Borrower as Lessor.

1.14 Lease Assignments: The Collateral Assignments of Leases and Rents of even date from the Borrower to the Bank.

1.15 Loans: One or more advances to the Borrower by the Bank for the purpose of construction financing in accordance with the terms, provisions and conditions of this Agreement, in amounts as follows: (a) an amount not exceeding Five Hundred Forty-four Thousand Dollars (\$544,000.00) ("544,000.00 Loan"), and (b) an amount not exceeding Six Hundred Fifty-six Thousand Dollars (\$656,000.00)

("\$656,000.00 Loan").

1.16 Loan Documents: This Agreement, the Notes, the Mortgages, the Collateral Assignment, the Lease Assignments, the Environmental Indemnity, and any other documents now or hereafter executed by the Borrower or any endorser, and delivered to the Bank, the purpose of which is to evidence or secure the Borrower's repayment of the Loans and the performance of its obligations under this Agreement.

1.17 Mortgages: Mortgage, Security Agreement and Fixture Filings (and related U.C.C. Financing Statements) of even date executed by the Borrower as mortgagor, for the benefit of the Bank as mortgagee, granting the Bank valid and effectual first (\$544,000.00) and second (\$656,000.00) liens upon the Premises.

1.18 Notes: The promissory notes from the Borrower to the Bank of even date in the respective face amounts of Five Hundred Forty-four Thousand Dollars (\$544,000.00) and Six Hundred Fifty-six Thousand Dollars (\$656,000.00).

1.19 Permits: All federal, state and local governmental approvals, licenses and permits, including, without limitation, all building permits, variances, special exceptions, zoning approvals, subdivision approvals and site plan approvals, and all other approvals (including, without limitation, septic system approvals, subdivision approvals, water system approvals and "site specific" approvals) granted to the Borrower to enable the Borrower to construct the Improvements upon the Premises and to operate the same.

1.20 Permanent Terms: The period commencing on the date immediately following the Conversion Date and continuing through the date that is ten (10) years from the Conversion

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Date (for the \$544,000.00 Loan and through the date that is five (5) years from the Conversion Date (for the \$656,000.00 Loan).

1.21 Plans and Specifications: The plans and specifications approved by the Bank pursuant to which the Improvements are to be constructed on the Premises.

1.22 Premises: A certain tract or parcel of land, with the buildings and improvements thereon and the appurtenances thereto, located at 32 Mill Street, Greenville, Hillsborough County, New Hampshire more particularly described in Exhibit A attached hereto and incorporated herein by reference.

1.23 Project: The Improvements as constructed on the Premises.

1.24 Schedule of Sources and Uses of Funds: The schedule of sources and uses of funds for the construction of the Project and estimated timetable for the construction of the Project.

1.25 Security Interest: The security interest in the Borrower's personal property granted to the Bank by the Borrower pursuant to the Mortgage.

## SECTION 2. THE LOANS.

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2.1 The Loans: Subject to the terms of this Agreement, the Borrower will take and the Bank will make the Loans.

2.2 The Notes: To evidence its obligation to repay the Loans, the Borrower will execute and deliver the Notes to the Bank.

2.3 Security: The Borrower's obligations to repay the Loans as evidenced by the Notes and to perform its other obligations under the Loan Documents are secured by: (i) the Mortgage and the lien and Security Interest granted therein; (ii) the Collateral Assignment; (iii) the Lease Assignments, and the collateral granted to the Bank in such documents (the "Collateral").

2.4 Use of Loan Proceeds: The proceeds of the Loans shall be utilized by the Borrower only to construct the Project on the Premises in accordance with the amounts set forth in the Prologue to this Agreement and the Plans and Specifications.

2.5 Conversion to Amortizing Loan. During the Construction Term (i.e., until the Conversion Date), the Notes shall provide for monthly payments of interest only; at all times following the Conversion Date ("Permanent Term"), the Borrower shall make amortized payments of principal and interest as more specifically set forth in the Notes. The "Conversion Date" is hereby defined as the date upon which the full satisfaction of all of the "Conversion Conditions" (as hereinafter defined), occurs. The "Conversion Conditions" are defined as all of the following: (i) final lien waivers or releases from the Contractor and each and every subcontractor and supplier of materials who has supplied goods and/or services worth at least Two Thousand Dollars (\$2,000.00) with respect to the Project; (ii) final Certificate(s) of Occupancy issued by the Town of Greenville with respect to the Project and the Borrower (and

any tenants) shall have taken occupancy thereof; (iii) cash or certified funds from the Borrower to the Bank in an amount necessary to pay all accrued and outstanding interest and any other costs or charges outstanding under the Loans; (iv) the Improvements shall have been constructed upon the Premises without any mechanics' or materialmen's liens, and in strict conformity with the Plans and Specifications; and (v) no Event of Default shall have occurred or be continuing.

### SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

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In order to induce the Bank to make the Loans, the Borrower makes the following representations, warranties and promises:

3.1 The execution, delivery and performance of the Loan Documents are not in contravention of law or the terms of other documents, agreements or undertakings to which the Borrower is a party or by which such party is bound. No approval of any person, corporation, governmental body or other entity not provided herewith is a prerequisite to the execution, delivery and performance of the Loan Documents or any of the documents submitted to the Bank in connection with the Loans, or to insure the validity or enforceability thereof.

3.2 When executed by the Borrower, the Loan Documents will constitute the legally binding obligations of the Borrower, enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization or other laws affecting the enforcement of creditors' rights generally.

3.3 The construction of the Improvements upon the Premises and the use and operation of the Improvements and the Premises does and will comply with all applicable federal, state and local land use, environmental and other statutes, laws and regulations and the Project has received and will receive all necessary Permits.

3.4 Subject to any limitations stated therein or in connection therewith, the Financial Statements, all earning statements, projections, budgets and pro formas, cost certification documents, disbursement requests, invoices, loan applications, mechanics' lien affidavits, financial data and all other documents which have been or shall hereafter be furnished to the Bank to induce it to enter into this Agreement or to continue to perform and to make disbursements hereunder, do to the best of their knowledge and belief, or will, fairly represent the financial condition of the Borrower and are, or will be, accurate, true and complete in all material respects.

3.5 The Financial Statements have been prepared in accordance with generally accepted accounting principles, consistently applied, and fairly and completely set forth the financial position of the Borrower as of their respective dates. Except as previously disclosed in writing to the Bank, since the date of the Financial Statements, there has been no significant assignment of assets or material change or threatened change in the financial condition, operation or business prospects of the Borrower.

3.6 There is not now pending against the Borrower, nor is there threatened, any litigation, investigation, eminent domain or any proceedings before any court or administrative or governmental agency, the outcome of which might adversely affect the financial condition or the continued operation of the Borrower or the development or operation of the Premises and Improvements other than those listed in Schedule 3.6. There exists no unrepaired casualty with respect to the Project.

3.7 The Borrower is the owner of the Premises, in fee simple, and there are no liens or encumbrances which will be prior to the respective liens of the Mortgage and other Loan Documents, except for those acceptable to the Bank as shown on the commitment for title insurance. The liens, security interests and assignments created by the Loan Documents will, when granted, be valid, effective, properly perfected and enforceable liens, security interests and assignments.

3.8 To the Borrower's knowledge, the Premises have not been used for the generation, treatment, storage or transportation of "hazardous waste", as that term is defined under applicable federal and state law. In the event that the Borrower becomes aware of the presence of any such substance on the Premises or the Borrower becomes aware of the commencement of any state, federal, local or private environmental or land use investigation or enforcement proceeding or threat thereof, the Borrower will immediately provide written notice thereof to the Bank.

3.9 To the Borrower's knowledge, there are no underground fuel storage tanks located on the Premises.

3.10 The Premises are not located in a Flood Hazard Zone, so-called, or if they are so located, the Borrower will procure flood insurance and will deliver certificates for such insurance at closing.

3.11 All utility services necessary for the use and operation of the Project are available on or at the boundary of the Premises or by unencumbered easement and have sufficient capacity for the use and operation of the Project.

3.12 Any borrowings or payments made by the Borrower pursuant to the Loan Agreement do not and will not render the Borrower insolvent, the Borrower is not contemplating either the filing of a petition under any state or federal bankruptcy or insolvency laws or the liquidating of all or a major portion of its property, and the Borrower has no knowledge of any person contemplating the filing of any such petition against it, including the properties and assets reflected in its financial statement referred to herein.

3.13 No statement of fact made by or on behalf of the Borrower in this Agreement, or in any certificate or schedule furnished to the Bank pursuant hereto, contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein or herein not misleading. There is no fact presently known to the Borrower which has not been disclosed to the Bank which materially affects adversely, or as far as the Borrower can foresee, will materially affect adversely, the property, business, operations or condition (financial or otherwise) of the Borrower, the Premises or the Improvements.

3.14 The Borrower has filed all federal, state and local tax returns required to be filed and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments.

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3.15 The making of the Loans or the execution and delivery of the Loan Documents will not subject the Bank to any claim for a brokerage commission.

3.16 The Borrower has paid in full or has made other satisfactory arrangements for payment of all premiums for insurance policies being delivered to the Bank.

3.17 All warranties and representations heretofore made by the Borrower to the Bank in connection with efforts to obtain the Loans, including all projections, budgets and pro formas, are incorporated herein by reference and shall be deemed to be material and to have been relied upon by the Bank in making the Loans.

3.18 The Borrower is a corporation, duly authorized and validly existing under the laws of the State of Delaware, with powers adequate to own its properties, and to carry on its business as presently conducted by it (including, but not limited to, within the State of New Hampshire). The execution, delivery and performance of the Loan Documents to which the Borrower is a party are not in contravention of the Articles or By-laws of the Borrower, or of any provisions of law or the terms of any documents, agreements or undertakings to which the Borrower is a party or by which such party is bound.

#### SECTION 4. COVENANTS OF THE BORROWER

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##### A. Affirmative Covenants

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4.1 During the term of this Agreement, the Loan Documents and any extensions, replacements or renewals thereof, the Borrower will maintain insurance as follows:

- (a) The Borrower will provide and maintain insurance in full force and effect and will deposit all original policies with the Bank for the following:
  - (i) during the course of the construction of the Improvements and any additions or replacements to or for the Project, so-called "Builder's Risk" insurance with extended coverage in an amount not less than the replacement cost of all improvements upon the Premises, insuring all work accomplished on the Premises, including equipment and materials delivered to the Premises for incorporation into the Premises;
  - (ii) public liability insurance in such amount and with such coverage as is reasonably required by the Bank including, if requested by the Bank, liability insurance on vehicles owned or operated by the Borrower;
  - (iii) worker's compensation insurance as required by statute;
  - (iv) from and after the Conversion Date, fire and broad form extended coverage in an amount not less than the greater of (a) the replacement cost of all improvements upon the Premises, or (b) the entire unpaid

balance (principal, interest, outstanding costs or charges) of the Loans; and

(v) such other hazard insurance as the Bank may reasonably request including, but not limited to, flood insurance (if the Premises are located in a flood hazard zone), which flood insurance shall be in an amount not less

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than the lesser of (A) one hundred percent (100%) of the full replacement value of improvements on the Premises, (B) the outstanding balance (principal and accrued interest) of the Loan, or (C) the maximum amount of flood insurance available.

(b) All such insurance:

(i) shall be issued by companies satisfactory to the Bank and authorized to do business in the State of New Hampshire, and shall be satisfactory in all material respects to the Bank;

(ii) shall show the Borrower and the Bank as insured, as their interest may appear, or, where appropriate, showing the Bank as an additional named loss-payee and/or named insured; and

(iii) shall contain provisions providing for twenty (20) days' prior written notice to the Bank of any intended cancellation.

(c) In the event of failure to provide insurance as herein provided, the Bank may at its option, but without obligation to do so, and without waiving any of its rights hereunder, provide such insurance and charge the amount to the Borrower's Loan account.

(d) Original policies of insurance and/or insurance certificates satisfactory to the Bank and its counsel with coverage as aforesaid shall be delivered to and deposited with the Bank at Closing.

4.2 The Borrower shall notify the Bank in writing as soon as the Borrower has knowledge of any default hereunder, any casualty to the Project, in whole or in part, or of any actions, suits, eminent domain proceedings, investigations or proceedings at law, in equity or before any governmental authority, pending or threatened, against or affecting the Borrower or the security or involving the validity or enforceability of the Loan Documents or the priority of the liens created thereunder.

4.3 The Borrower agrees that, within thirty (30) days from the date real estate taxes, or any assessments, relative to the Premises must be paid without incurring a penalty, it will pay the same (except for such taxes or assessments which are either paid through the tax escrow provided for in the Mortgage or which are contested in good faith provided that adequate security is provided to the Bank to prevent injury or loss as a result of such contest), and will furnish to the Bank a receipted tax or assessment bill, as requested by the Bank.

4.4 The Borrower agrees to execute any and all documents required by the Bank to confirm the Bank's position as a first lienholder on the Premises and to faithfully comply with the terms of this Agreement and the Loan Documents.

4.5 The Borrower shall furnish the Bank:

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(i) Within ninety (90) days after the close of each fiscal year of each of the Borrower:

(A) a statement of members'/shareholders' equity and a statement of cash flow of the Borrower for such fiscal year;

(B) income statements of the Borrower for such fiscal year; and

(C) balance sheets of the Borrower as of the end of such fiscal year.

All such annual statements shall be prepared in accordance with generally accepted accounting principles, shall present fairly the financial position and results of operations of the Borrower and shall be prepared and audited by an independent certified public accountant selected by such parties and acceptable to the Bank (it being acknowledged that the Borrower's present accountant is acceptable to the Bank). The Bank shall have the right, from time to time, to discuss the affairs of the Borrower directly with such independent certified public accountants after notice to the Borrower and opportunity of the Borrower to be represented at any such discussions; and

(ii) Within ten (10) days of the filing thereof, true and complete copies of quarterly 10-Q reports of the Borrower; and

(iii) Such other financial information as the Bank shall reasonably request from time to time, including, but not limited to, evidence of compliance with all financial covenants set forth in this Agreement.

4.6 The Borrower agrees to pay all costs and reasonable expenses incidental to the Loans, the preservation of the Collateral, the collection of the Notes and the foreclosure of the Mortgages, including, but not limited to, any appraisals required or provided for hereunder, real estate transfer taxes, title examination and endorsement fees, title insurance premiums, recording fees, attorneys' fees (including those of the Bank's counsel), brokerage fees, architectural fees and site inspection fees.

4.7 The Borrower shall put and maintain the Premises and Improvements thereon in good repair, working order and condition, and from time to time shall make all needful and proper repairs, renewals and replacements.

4.8 The Borrower shall promptly pay for all labor, materials, equipment and fixtures used in connection with the construction of the Improvements and all other costs relating to the Improvements.

4.9 The Borrower shall strictly enforce the Construction Contracts to ensure that the Contractor is required to promptly and diligently perform all of its obligations thereunder and in such a manner as to preserve the Bank's security in the Premises and Improvements. No change, amendment or modification shall be made to such contract without prior written consent of the Bank.

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4.10 No materials, equipment, fixtures or any other part of the Improvements, or articles of personal property placed in the Improvements, shall be purchased or installed under any security agreement or other arrangements wherein the seller reserves or purports to reserve the right to remove or to repossess any such items or to consider them personal property after their incorporation into the Improvements.

4.11 The Borrower shall pay all bills when due, keep books and records in accordance with generally accepted accounting principals, consistently applied, and will permit a representative on behalf of the Bank to examine and audit the books of its business. The Borrower shall inform the Bank immediately of any litigation involving the Borrower, the adverse determination of which might prejudice repayment of either Loan.

4.12 After the execution of this Agreement, any and all publicity releases to newspapers of general or limited circulation or trade publications announcing any of the financing by the Bank provided for herein shall be issued by or subject to prior approval by the Bank. The Bank shall erect a sign upon the Premises indicating that the Bank is the source of the financing of the construction of the Improvements.

4.13 The Borrower shall use and operate the Project in compliance with all applicable laws.

4.14 The Borrower shall furnish the Bank with such appraisals of the Project as the Bank may reasonably request, from time to time, including without limitation, an appraisal of the Project, the Improvements and the Premises acceptable to the Bank upon completion of the Project.

4.15 The Borrower shall construct the Improvements in strict conformity with the Plans and Specifications and shall not make any change in the Project design or structure without the prior written approval of the Bank, which approval shall not be unreasonably withheld.

B. Negative Covenants.  
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4.16 The Borrower shall not transfer the Project, the Improvements or the Premises, or any interest therein, to any person without the prior written consent of the Bank, which consent shall not be unreasonably withheld.

4.17 The Borrower shall not permit any person to assume the Mortgage or any other lien described in this Agreement.

4.18 The Borrower shall not, without the prior written consent of the Bank (which shall not be unreasonably withheld), create, assume, incur or suffer to be created, assumed or incurred, any mortgage, lien, pledge, attachment or security interest or encumbrance of any kind in respect to the Premises, the Project or the Improvements during the term of either Loan, even if the same is subordinate to any lien given to the Bank to secure either Loan.

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4.19 The Borrower shall not sell or dispose of any of its assets except for reasonably equivalent consideration and in the ordinary and usual course of its business. In addition, the Borrower shall not permit the sale, transfer or

redemption of any of its membership interests without the prior, written consent of the Bank.

4.20 The Borrower shall not enter into any Lease without obtaining the Bank's prior, written approval thereof, such approval not to be unreasonably withheld, conditioned or delayed, and the Borrower shall upon execution thereof furnish a fully executed copy of each Lease entered into during the term of either Loan.

4.21 As long as either Loan remains outstanding, at the end of each fiscal year beginning with Fiscal Year 1999, the Borrower's Debt Service Coverage Ratio shall be no less than 1.5:1, calculated as follows: (A) net income, plus interest expense, plus depreciation, plus amortization expense, divided by (B) current maturity of long-term indebtedness, plus capital lease expense. The information set forth in the Borrower's financial statements and tax returns as required under this Agreement shall be conclusive in determining the Borrower's compliance with such ratio.

4.22 As long as either Loan remains outstanding, at the end of each fiscal year beginning with Fiscal Year 1999, the Borrower's Quick Ratio shall be no less than 1.0:1, calculated as follows: (A) cash on hand, plus accounts receivable not more than sixty (60) days past invoice date, divided by (B) current liabilities. The information set forth in the Borrower's financial statements and tax returns as required under this Agreement shall be conclusive in determining the Borrower's compliance with such ratio.

4.23 As long as either Loan remains outstanding, at the end of each fiscal year beginning with Fiscal Year 1999, the Borrower's Tangible Net Worth shall be no less than Thirty Million Dollars (\$30,000,000.00), calculated as follows: the Borrower's capital stock account, plus subordinated indebtedness of the Borrower, plus the Borrower's retained earnings, plus additional paid in capital, minus treasury stock, minus intangible assets. The information set forth in the Borrower's financial statements and tax returns as required under this Agreement shall be conclusive in determining the Borrower's compliance with such ratio.

#### SECTION 5. CONDITIONS PRECEDENT TO THE MAKING OF THE LOANS

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The obligation of the Bank to make the Loans is subject to the satisfaction by the Borrower or its representatives of the following conditions precedent:

5.1 The Borrower's warranties and representations as contained in Section 3 hereof shall be accurate and complete as of the date of Closing.

5.2 No Event of Default (as defined herein or in either Note or any Loan Document) shall have occurred or be continuing.

5.3 The Borrower shall have executed and delivered all of the Loan Documents to which it is a party.

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5.4 The Borrower shall have delivered all of the documents and materials listed on the Closing Agenda attached hereto as Exhibit C to the Bank, all of which must be acceptable, in both form and substance, to the Bank and its counsel, including, but not limited to, the following:

- (a) Copies of all Permits;
- (b) Copies of all Contracts;
- (c) Copies of the Plans and Specifications;
- (d) Certificates of insurance as required by Section 4.1 hereof;
- (e) Evidence that the Premises are not located in a Flood Zone, so-called, or that the Project is covered by flood insurance acceptable to the Bank;
- (f) Receipted bills for real estate taxes and other charges or assessments against the Project;
- (g) The Financial Statements;
- (h) Evidence that utilities are available to the Premises and the Improvements at the boundary of the Premises or by way of unencumbered easement with sufficient capacity including, without limitation, such evidence as the following utilities: (i) water, (ii) sewer, (iii) electricity, (iv) telephone and (v) gas;
- (i) A title insurance policy (ALTA Loan Policy-1970) written with a company acceptable to the Bank, insuring that the Bank has a valid lien of record on the Premises subject only to the Bank's prior mortgages on the Premises and those exceptions approved by the Bank and (i) having all standard exceptions, so-called, deleted and (ii) including such other affirmative

insurance and endorsements as may be requested by the Bank;

(j) An opinion of counsel to the Borrower in the form of Exhibit B attached hereto and incorporated herein by reference;

(k) Satisfactory environmental site assessments by such environmental consultants as are acceptable to the Bank regarding the presence of hazardous waste and materials on the Premises;

(l) The Schedule of Sources and Uses of Funds; and

(m) Consents by the Architects and the Contractor to the Collateral Assignment of Contracts, Plan and Permits.

5.5 The Borrower shall have paid all costs incurred in connection with the Closing of the Loans including, without limitation, attorneys' fees of Bank's counsel and title insurance premiums. To the extent that such costs are not paid at Closing, the Borrower hereby authorizes the Bank to pay the same out of the proceeds of the Loans.

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5.6 The Borrower shall furnish the Bank with such other documents, opinions, certificates, evidence and other matters as may be requested by the Bank at or prior to Closing.

SECTION 6. DISBURSEMENT OF LOAN PROCEEDS  
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6.1 The obligation of the Bank to make disbursement of proceeds of the Loans to the Borrower for purposes of construction of the Improvements (the "Construction Disbursement") is subject to satisfaction of the following conditions precedent on or before each disbursement to the Borrower:

(a) The warranties and representations of the Borrower as contained in Section 3 hereof shall be accurate and complete as of the date that the Borrower request a disbursement of Loan proceeds from the Bank (the "Requisition Date");

(b) The Borrower shall not be in default under any of the covenants contained in Section 4 hereof as of the Requisition Date;

(c) All conditions precedent to the making of the Loans as set forth in Section 5 hereof shall continue to have been satisfied and the Borrower shall have notified the Bank of any changes in the status thereof, which changes shall have been approved by the Bank;

(d) In addition, if requested by the Bank, the Borrower shall furnish the Bank with the following, all of which shall be acceptable, in both form and substance, to the Bank:

(i) plans and specifications for the portion of the Improvements to be so funded, including (but not limited to) an updated survey of the Premises showing the location of the Improvements constructed thereon as of the Requisition Date;

(ii) affidavits and lien waivers from the Contractor and subcontractors and suppliers providing goods or services with a value greater than or equal to Two Thousand Dollars (\$2,000.00) sufficient to ensure that the priority of the lien of the Mortgages will not be subject to any mechanics' or materialmen's liens held by such Contractor or subcontractors;

(iii) an endorsement to the title insurance policy theretofore delivered to the Bank insuring that the Bank has a valid first lien on the Premises up to at least the amount of Loan proceeds the Bank has then disbursed to the Borrower (including the requested disbursement) subject only to such matters and exceptions as are acceptable to the Bank;

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(iv) an inspection of the Improvements constructed on the Premises by the Bank, or its architects, engineers or other representatives, at the Borrower's reasonable expense (to occur within five (5) business days from date of requisition), indicating (a) that the Improvements are being constructed in substantial compliance with the Plans and Specifications and in a good and workmanlike manner; (b) that the amount of loan proceeds requested at the Requisition Date, together with amounts requested at earlier Requisition Dates and sums contributed by the Borrower, accurately reflect the status of the construction of the Improvements; and (c) that the undistributed proceeds of the Loans as of the Requisition Date will be sufficient to complete the construction of the Improvements;

(v) the Borrower shall furnish the Bank with such other documents, opinions, certificates, evidence and other matters as may be requested by the Bank as conditions precedent to making the requested disbursement; and

(e) The Loan Documents shall remain in full force and effect.

6.2 All requests for disbursements of Loan proceeds for purposes of construction of the Improvements shall be made on AIA Forms, or forms substantially similar to AIA forms and satisfactory to the Bank, not less than ten (10) business days prior to the date of the requested disbursement, shall be made on forms approved by the Bank, with such detail and with such supplementary information as is acceptable to the Bank, and shall not be made more frequently than once per thirty (30) day period.

6.3 The Bank will make all disbursements pursuant to this Agreement to a commercial demand deposit account in the Borrower's name at the Bank, and the Borrower agree to make all payments on account of the construction of the Improvements from such account.

6.4 Upon receipt by the Bank of a disbursement request as set forth in Section 6.2, together with satisfactory evidence that the conditions precedent set forth in Section 6.1(i) through (v) have been satisfied, the Bank shall make advances as construction progresses, in amounts equal to: (a) ninety percent (90%) of expenditures for labor performed and material supplied under the Construction Contract for construction of the Improvements in accordance with the Plans and Specifications during the period immediately preceding the advance, plus (b) one hundred percent (100%) of indirect construction costs actually paid or incurred by the Borrower that have not been covered by previous advances. Indirect construction costs shall mean those costs related to the construction of the Improvements, other than the cost of labor and materials, and include, but are not limited to, title insurance premiums, permit fees, architect and engineering fees, legal fees, loan fees, taxes and interest during construction, but do not include any profit to the Borrower or any affiliate thereof.

6.5 In the event the Bank shall reasonably determine that the actual direct and indirect costs to complete the construction of the Improvements will exceed the proceeds of the Loans available for advance, the Bank may, at its option, refuse to make or approve

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further disbursements and may require the Borrower to make a cash deposit of an amount equal to such excess with the Bank for disbursement in accordance herewith. The Bank may commingle such deposited amounts with its own funds and such deposited amounts shall, if the Borrower is not in default hereunder beyond the applicable cure period, earn interest at then market rates. No Loan proceeds shall be advanced while amounts so deposited are available for disbursement. The deposit requirements of this paragraph are in addition to the deposit or escrow requirements in the Mortgage and may be required repeatedly as the Bank reasonably determines is necessary. The Bank's waiver of this right on any occasion shall not affect its right to impose the requirement at another time.

6.6 The making of any disbursement of any part thereof by the Bank shall not be deemed an approval or acceptance by the Bank of work theretofore performed or materials theretofore furnished.

6.7 The Bank's obligation to disburse proceeds of the Loans for construction purposes shall terminate on the Conversion Date.

#### SECTION 7. GENERAL CONDITIONS; MISCELLANEOUS

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7.1 The Bank shall have the right to enter on the Premises for the purpose of inspecting the Project at all reasonable times and upon reasonable notice (with the exception of emergencies, in which event the Bank may enter at any time and without any notice). However, all inspections which may be made by the Bank or its agents are made solely to ascertain the condition of the Project and the Borrower agrees that the Bank does not thereby assume additional responsibilities, and agree that they will defend (with counsel reasonably acceptable to the Bank), indemnify and hold the Bank harmless from any liability asserted by reason of such inspections or by reason of this Agreement. The Bank may engage independent architect/engineer consultants, to aid in the inspection of the Project and to perform such other consulting responsibilities as may be required. All reasonable fees and expenses incurred by such architects or engineers shall be paid by the Borrower.

7.2 Upon discovery by the Bank of any deviation from the Plans and Specifications or of defective or unworkmanlike labor or materials being used in the construction of the Improvements, the Bank may immediately order stoppage of construction and demand that any unsatisfactory work be replaced and that the condition be corrected, whether or not any unsatisfactory work has already been incorporated into the Improvements. After issuance of such an order in writing,

the condition shall be corrected within fifteen (15) days from the date of stoppage by the Bank. No other work shall be done on the Improvements without the prior written consent of the Bank unless, and until, such condition has been fully corrected.

7.3 Except as expressly provided herein, all notices or other communications between the Borrower and the Bank shall be in writing and shall be hand delivered or given by registered or certified mail (return receipt requested) at the addresses for each given in the introductory paragraph hereof, and notices required herein shall be deemed to be given upon receipt of hand-delivered notices or upon deposit of mailed notices with the United States Post Office.

7.4 The Bank reserves the right to participate with another lending institution in the funding of the Loans, which shall be at no further cost to the Borrower.

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7.5 The Borrower shall comply with all statutory posting requirements under NHRSA 447.

7.6 This Agreement constitutes the complete understanding between the parties and may not be changed except by an agreement in writing signed by the parties. If any provision of this Agreement or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions which can be given effect without the invalid provision or application, and to this end, the provisions of this Agreement shall be severable.

7.7 The waiver of any of the terms and conditions hereof by the Bank shall not be deemed to constitute a subsequent waiver of the same or any other term or condition hereof.

7.8 At any time during construction the Bank may request (with 45 days prior written notice) the Borrower's most recent financial statements in form acceptable to the Bank.

7.9 The Borrower shall be solely responsible for any brokerage commission or fee which may be claimed or payable in connection with the making of the Loans and the Borrower shall defend (with counsel reasonably acceptable to the Bank), indemnify and hold the Bank harmless from and against all costs and expenses including reasonable attorneys' fees in connection with any such claim.

7.10 This Agreement shall be governed, construed and interpreted by, and in accordance with, the laws of the State of New Hampshire. The Borrower, to the extent that it may legally do so, hereby consents to the jurisdiction of the courts of the State of New Hampshire and the United States District Court for the State of New Hampshire, as well as to the jurisdiction of all courts from which an appeal may be taken from such courts for the purpose of any suit, action or other proceeding arising out of any of its obligations hereunder or with respect to the transactions contemplated hereby, and expressly waives any and all objections it may have to venue in any such courts.

7.11 If there is any conflict among the provisions of the Loan Documents, that provision which furnishes the Bank with the most security or protection shall apply.

7.12 The Bank alone shall be bound by the obligations imposed hereunder and under the Loan Documents on the Bank and neither the depositors, incorporators, trustees or directors nor any officer or agent of the Bank or any of its affiliates or subsidiaries shall be personally liable hereunder or thereunder and the Borrower or any other party having any rights hereunder or thereunder shall look solely to the Bank for payment of any claim under this Agreement or the Loan Documents.

7.13 It is understood by the parties hereto that the Bank's only relationship to the Borrower or to the Project is that of lender and the Bank has no obligation or responsibility for the Borrower's choices or use of contractors, subcontractors, services and/or materials. The Borrower shall indemnify and hold the Bank harmless from any claim of any third party arising out of the construction, use, occupancy or possession of the Premises and the Improvements.

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#### SECTION 8. EVENTS OF DEFAULT -----

8.1 The occurrence of any one or more of the following events shall constitute a default (an "Event of Default") under this Agreement:

(a) If any statement, representation or warranty made by the Borrower in the Loan Documents or in connection therewith or any financial statement, report, schedule, or certificate furnished by the Borrower or any of its officers or

accountants to the Bank during the term of this Agreement shall prove to have been false or misleading when made, or subsequently becomes false or misleading, in any material respect;

(b) Default by the Borrower in payment within ten (10) days of the due date of any principal or interest or other amounts called for under the Loan Documents, including the failure to make payment when due under the Notes;

(c) Default by the Borrower in the performance or observance of any of the provisions, terms, conditions, warranties or covenants of the Loan Documents;

(d) The occurrence of an event of default not cured within any applicable remedy period, under any other obligations of the Borrower to the Bank, whether created prior to, concurrent with, or subsequent to obligations arising out of the Loan Documents;

(e) The occurrence of an event of default not cured within any applicable remedy period, under any other obligation of the Borrower for borrowed money or under any lease in an aggregate amount of Fifty Thousand Dollars (\$50,000.00) or more;

(f) The dissolution or termination of existence (including, but not limited to, through merger or consolidation without the Bank's prior, written consent) of the Borrower, or a sale of all or substantially all of the assets of the Borrower out of the ordinary course of business; provided, however, that a merger or consolidation shall not constitute an Event of Default hereunder if the merged or consolidated entity meets the financial covenants hereinbefore set forth in Sections 4.21, 4.22 and 4.23 as of the date of merger/consolidation and at the end of each fiscal year thereafter;

(g) The Borrower shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator for any of its property, (ii) admit in writing its inability to pay its debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, (v) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization to take advantage of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law or (vi) offer or enter into any composition, extension or arrangement seeking relief or extension of its debts;

(h) In the event that proceedings shall be commenced or an order, judgment or decree shall be entered, without the application, approval or consent of the Borrower, in or by any court of competent jurisdiction, relating to the bankruptcy, dissolution, liquidation, reorganization or the appointment of a receiver, trustee or liquidator of the Borrower, of all or a substantial part of its assets, and such proceedings, order, judgment or decree shall continue undischarged or unstayed for a period of 60 days;

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(i) A final and unappealable judgment for the payment of money in excess of One Hundred Thousand Dollars (\$100,000.00) shall be rendered against the Borrower and the same shall remain undischarged for a period of 30 days, during which period execution shall not be effectively stayed;

(j) Any levy or execution upon, or judicial seizure of, any portion of any collateral or security for either Loan;

(k) Any attachment or garnishment of, or the existence or filing of any lien or encumbrance, other than any lien or encumbrance permitted by the Loan Documents against any portion of any collateral or security for either Loan, that is not removed or released within sixty (60) days after its creation;

(l) The institution of any legal action or proceedings to enforce any lien or encumbrance upon any portion of any collateral or security for either Loan, that is not dismissed within sixty (60) days after its institution;

(m) Title to the Premises is not satisfactory to the Bank by reason of any lien, charge, encumbrance, title condition or exception (other than exceptions permitted by the Bank to be contained in the title insurance policy to be issued to the Bank in connection with the Loans);

(n) The Premises are materially injured or destroyed by fire or otherwise which casualty is not insured, or the Premises or any portion thereof which renders the Premises unsuitable for their intended use or which has a material adverse effect upon the security for either Loan (as defined in the Loan Agreement), are taken by eminent domain; or

(o) Construction of the Project (as defined in the Loan Agreement), once commenced, shall cease for a period of sixty (60) consecutive days after a cessation caused by weather or acts of God or other event beyond the control of the Makers or, in any event, if the Project is not completed by January 31, 2001.

Upon the occurrence of any Event of Default (which, in the case of an event of default listed in paragraphs (a), (c), (d), (e) or (n) remains unremedied for a period of thirty (30) days after written notice thereof to the Borrower by the Bank), at the election of the Bank, (i) all of the obligations of the Borrower to the Bank, either under this Agreement or otherwise, will immediately become due and payable without further demand, notice or protest, all of which are hereby expressly waived; (ii) the Bank may proceed to protect and enforce its rights, at law, in equity, or otherwise, against the Borrower and any endorser or guarantor of the Borrower's obligations, either jointly or severally, and may proceed to liquidate and realize upon any of its collateral in accordance with the rights of a secured party or a mortgagee under the Uniform Commercial Code, any other applicable law, any Loan Document, any agreement between the Borrower and the Bank or any agreement between any guarantor or endorser of the Borrower's obligations to the Bank; and/or (iii) the Bank's commitment to make further loans under this Agreement or any other agreement with the Borrower will immediately cease and terminate.

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8.2 In addition to the provisions set forth above in Section 8.1, upon the occurrence of any one or more of the Events of Default enumerated in the Notes or a default of any of the Borrower's obligations hereunder, in each case beyond the applicable cure period without remedy, and at any time thereafter the Bank, at its option, may:

- (a) Exercise any or all remedies available to it under the Loan Documents including, without limitation, the Statutory Power of Sale provided in the Mortgage.
- (b) Occupy, take possession of, and use the Premises for such period of time as may be necessary to permit an orderly liquidation of the Premises or the Project or of any Collateral in and to which the Bank now has or hereafter acquires a security interest or other rights, title or interests, whether under this Agreement, any other Loan Document or any other agreement or document.
- (c) Make such alterations, additions, improvements, renovations and repairs to the Premises, in a commercially reasonable manner, as may in the Bank's opinion be reasonably necessary to (i) complete the Project and the construction of the Improvements in accordance with the Plans and Specifications, provided that the Bank shall have the right to discontinue at any time the work undertaken and shall be under no obligation to continue any work on the Project; (ii) prevent the termination of any existing lease of all, or any portion thereof; (iii) keep the same usable for the purposes for which such Premises were used by the Bank or (iv) keep the Premises in a safe condition. All sums expended hereunder shall be secured by the Loan Documents, payable on demand and, until so paid by the Borrower, bear interest at the highest rate then provided in the Notes.
- (d) Collect the rents, issues and profits arising from any part of the Premises, past due and thereafter becoming due, and apply the same in such order of priority as the Bank deems appropriate to the payment of the costs and expenses incurred by the Bank in collecting such rents and managing the Premises, the indebtedness evidenced by the Notes and any other indebtedness secured hereby. All monies advanced or expended by the Bank to collect such rents or manage the Premises shall be secured by the Loan Documents, payable on demand and, until so paid by the Borrower, bear interest at the highest rate provided for in the Notes. The taking of possession of the Premises and collection of rents by the Bank pursuant hereto shall not be construed as an affirmation of any lease of the Premises except such leases as the Bank has affirmed in writing, and the Bank or any other purchaser of the Premises at foreclosure sale may (if otherwise entitled to do so) exercise the right to terminate any such lease as though the taking of possession and collection of rents had not occurred pursuant hereto.
- (e) For the purpose of carrying out the provisions and exercising the rights, powers and privileges granted by the Notes and this Section 8.2, the Borrower hereby irrevocably constitutes and appoints the Bank its true and lawful attorney-in-fact, with full power of substitution, to execute, acknowledge and deliver any instruments and do and perform any acts which are referred to in the Notes and this

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Section 8.2 in the name and on behalf of the Borrower. The power vested in said attorney-in-fact is, and shall be deemed to be, coupled with an interest and irrevocable.

(f) Upon demand or the occurrence of any of said Events of Default, the rights, powers and privileges provided in this Section 8 and all other remedies available to the Bank under this Agreement or under any of the Loan Documents or at law or in equity shall be cumulative and may be exercised by the Bank at any time and from time to time and shall not constitute a waiver of any of the Bank's right or remedies thereunder or hereunder, whether or not the indebtedness evidenced and secured by the Notes and the Loan

Documents shall be due and payable, and whether or not the Bank shall have instituted any foreclosure proceedings or other action for the enforcement of its rights under the Notes or any of the Loan Documents.

SECTION 9. COMPLETION GUARANTEE

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9.1 If for any reason whatsoever, the Borrower (i) fails or neglects to complete construction of the Project and the Improvements contemplated by and described in this Agreement on or before January 31, 2001, (ii) fails to prosecute with diligence and continuity the construction of the Project and the Improvements in accordance with this Agreement, (iii) commits or permits to exist an Event of Default as defined in Section 8 of this Agreement, or (iv) is unable to satisfy any condition precedent to obtaining an advance of the Loans under this Agreement, then in any such event the Bank, in addition to the Bank's other rights, remedies and recourse whether existing hereunder, under any Loan Document, or otherwise, may proceed in accordance with the terms of this Section 9. Within five (5) days from the date that the Bank notifies the Borrower of the Borrower's failure to satisfy any condition enumerated in the first part of this Paragraph 9.1, the Borrower hereby binds itself, at its sole cost and expense, to commence completion of construction of the Project and the Improvements and to diligently pursue such construction in order to complete the Project and the Improvements within the time and in the manner specified in this Agreement. The Borrower shall pay all costs and expenses in connection with such construction and shall indemnify and hold harmless the Bank from any and all losses, costs, liabilities or expenses incurred in connection with such completion.

9.2 If the Borrower shall fail to commence completion of the Project and the Improvements and to diligently pursue such construction as provided in Paragraph 9.1, the Bank shall have (in addition to its other remedies under this Agreement, the Loan Documents and applicable law), the following rights and remedies:

(a) If such failure shall occur prior to a foreclosure sale of the Premises, the Bank shall have an immediate right to damages in an amount equal to the Borrower's indebtedness to the Bank arising under or in connection with the Loans, together with the right to obtain immediate judgement against the Borrower in that amount, and the Bank may exercise all remedies available under the laws of the State of New Hampshire for action on a matured contractual indebtedness;

(b) If such failure occurs after a foreclosure sale of the Premises, the Bank shall have an immediate right to damages in an amount which is equal to the sum necessary

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to complete construction of the Project and the Improvements, as such sum may be established by construction contracts, appraisals, or other competent evidence, without any necessity of completing construction, less the sum equal to the undisbursed balance of the Loans reduced by the amount of interest accruing under the Notes and all expenses incurred by the Bank in connection with the foreclosure sale and the related actions at law; and

(c) Regardless of whether such failure occurs before or after any foreclosure sale of the Premises, the Bank shall have the right, but shall have no obligation, to complete construction of the Project and the Improvements in the manner specified in this Agreement by or through any agent, contractor or subcontractor of its selection and to recover from the Borrower as damages the amount of any and all expenditures made in connection with such completion.

SECTION 10. RSA 399-B DISCLOSURE.

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Pursuant to RSA 399-B, the Bank hereby discloses to the Borrower the following finance and other charges which the Borrower will incur in connection with the Loans to be made by the Bank to the Borrower on or near even date:

(a) Interest Rate Applicable to the Loans:

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(i) \$544,000.00 Loan: During the Construction Term, interest shall accrue at a fixed rate equal to eight and seven-eighths percent (8.875%), based upon a banking year of actual/360 days. Upon the full satisfaction of the Conversion Conditions and the resultant commencement of the Permanent Term, interest shall accrue as follows: (i) for the first five (5) years of the Permanent Term, interest accrue at a fixed rate equal to eight and seven-eighths percent (8.875%), based upon a banking year of actual/360 days; and (ii) for the remaining five (5) years of the Permanent Term, interest shall accrue at an annually adjusted rate, to be set on the fifth (5th) anniversary date of the Conversion Date and on the corresponding day of each year thereafter at the "Base Rate" (as that term is hereinafter defined) in effect on such date, based upon a banking year of actual/360 days. The "Base Rate" is defined as the

interest rate per annum designated by the Bank as its "Base Rate", regardless of whether such rate is in fact the lowest rate charged to commercial customers of the Bank. In the event that the Base Rate is not available, the holder hereof will provide written notice to the Borrower of a comparable index.

(ii) \$656,000.00 Loan: Interest shall accrue at a fixed rate equal to eight and seven-eighths percent (8.875%), based upon a banking year of actual/360 days.

(b) Bank's Counsel Fees/Expenses -----	\$ 7,300.00
(c) Bank Commitment Fee -----	\$ 3,000.00
(d) Title Insurance Premium -----	\$ 2,075.00
(e) Appraisal Fee -----	\$ 3,000.00
20	
(f) Site Assessment Fee (Review) -----	\$ 175.00
(g) Construction Progress Inspections -----	\$ 425.00/visit (est.)
(h) Tax Monitoring/Flood Fee -----	\$ 21.00
(i) Recording Fees (Estimate) -----	\$ 400.00

By its signature below, the Borrower acknowledges receipt of this disclosure statement and receipt of copies of all documents prepared by the Bank in connection with the Loans.

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SECTION 11. DISBURSEMENT REQUEST.  
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The Borrower hereby requests disbursement of proceeds of the Loans as set forth on Exhibit D.

SECTION 12. CONSENT TO SECURITY INTEREST.  
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Notwithstanding anything to the contrary in any loan document, the Bank hereby consents to the blanket security interest granted by the Borrower to Silicon Valley Bank, which were partially subordinated to the lien granted by the Borrower to the Bank in the Mortgage.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed on their behalf, all as of the day and year first hereinbefore written.

SeaChange International, Inc.  
(the "Borrower")

-----  
By: /s/ William Fiedler  
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Witness William Fiedler, its duly authorized  
Chief Financial Officer

Bank of New Hampshire, N.A. (the "Bank")

-----  
By: /s/ Benjamin J. Wheeler  
-----

Witness Benjamin J. Wheeler, its duly  
authorized Vice President

22

EXHIBIT A  
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A certain tract or parcel of land, with the buildings thereon, situated in the Town of Greenville, County of Hillsborough, State of New Hampshire, being and shown on plan entitled, "Property of Granite Leather Company, Inc., Greenville,

New Hampshire, dated February 1946, Allen C. Davis, C.E., Fitchburg, Mass.," said plan being recorded in the Hillsborough County Registry of Deeds as Plan No. 713, more particularly bounded and described as follows:

Beginning at the Northwest corner of the premises at an iron pipe set in the ground, said pipe being located five (5) feet, more or less, from the bank of the Souhegan River at land now or formerly of James C. Taft; thence

1. South 73(degrees) 32' East a distance of thirty-three (33) feet, more or less, along said land now or formerly of Taft to an iron pipe set in the ground; thence
2. South 16(degrees) 47' West a distance of seven and seventy-eight hundredths (7.78) feet, more or less, to an iron pipe set in the ground; thence
3. South 60(degrees) 4' East still along said land of Taft, a distance of one hundred seventy-one and ninety-three hundredths (171.93) feet, more or less, to an iron pipe set in the ground, this point being the northeast corner of the premises herein described; thence
4. South 34(degrees) 15' West a distance of one hundred seventy-six and sixty-five hundredths (176.65) feet, more or less, to an iron pipe set in the ground at a stone wall; thence
5. North 55(degrees) 45' West along said wall a distance of thirty-two (32) feet to an iron pipe set in the ground; thence
6. South 35(degrees) 15' West a distance of one hundred eight and twenty-six hundredths (108.26) feet, more or less, to an iron pipe set in the ground on the northerly side of Mill Street; thence
7. North 58(degrees) 25' West along the northerly side of Mill Street a distance of one hundred eight (108) feet, more or less, to a drill hole in the sidewalk near the abutment of the bridge crossing the Souhegan River; thence
8. Northerly by the River and a distance of two hundred eighty-three (283) feet, more or less, to the point of beginning.

TRACT II.

A certain tract of land with the buildings thereon, situated in Greenville, in the County of Hillsborough and State of New Hampshire, bounded and described as follows:

1

Beginning at an iron pin at the southwest corner of the conveyed premises and at other land formerly of Oil Recovery Systems, Inc.; thence running

Easterly by the Northerly line of Mill Street one hundred twenty-four and one-fourth (124-1/4) feet, more or less, to an iron pin; thence

Northerly by land now or formerly of Joseph Robichaud or Blanchette and land now or formerly of Taft two hundred (200) feet, more or less, to an iron pin; thence

Westerly by land now or formerly of Taft fifty-five (55) feet, more or less, to an iron pin; thence

Southerly by land formerly of Oil Recovery Systems, Inc. one hundred sixteen (116) feet, more or less, to an iron pin; thence

Westerly again by other land formerly of Oil Recovery Systems, Inc. thirty-two (32) feet, more or less, to an iron pin; thence

Southerly by other land formerly of Oil Recovery Systems, Inc. one hundred eight (108) feet, more or less, to the point of beginning.

The following parcel is excepted from the conveyance of Tracts I and II:

A certain tract or parcel of land with the buildings thereon situated on the northerly side of Mill Street, in the Town of Greenville, County of Hillsborough and State of New Hampshire bounded and described as follows:

Beginning at the southwesterly corner of the tract herein described at a granite bound set in the ground on the northerly side line of Mill Street; thence running

North 21(degrees) 28' 51" East one hundred four and twenty-nine hundredths (104.29) feet, more or less, by land formerly of Oil Recovery Systems, Inc., to a-granite bound set in the ground; thence turning and running

North 50(degrees) 6' 8" East eighty-eight and fifty-four hundredths (88.54) feet, more or less; thence turning and running

North 29(degrees) 52' 13" East thirty-two and ninety-two hundredths (32.92) feet, more or less, to a point, the last two courses being by other land formerly of Oil Recovery Systems, Inc.; thence turning and running

South 52(degrees) 22' 47" East fifty-five (55) feet, more or less, by land now or formerly of Taft to a point; thence turning and running

2

South 21(degrees) 7' 13" West two hundred (200) feet, more or less, by land now or formerly of Taft and by land now or formerly of Blanchette to a point on the northerly side of Mill Street, said corner being the southwest corner of land now or formerly of Edward L. and Helena G. Blanchette and the southeast corner of the lot herein described; thence turning and running

North 68(degrees) 7' 28" West one hundred one and thirty-one hundredths (101.31) feet, more or less, by the northerly side line of Mill Street to the place of beginning.

Surveyed by Robert B. Todd, LLS 260, during December, 1983 and being shown as Parcel B and Lot 53 on a plat entitled "Oil Recovery Systems, Inc., Lot Line Adjustment Plat, Greenville, NH," recorded at the Hillsborough County Registry of Deeds at Plan No. 16568, Drawer 78.

TRACT III:

A certain tract or parcel of land situated on the Northerly side of Mill Street, in the Town of Greenville, County of Hillsborough and State of New Hampshire, more particularly as shown on plan entitled "Oil Recovery Systems, Inc. (and Groundwater Technology, Inc.), Property Plat, Greenville, New Hampshire, dated December 12, 1988, surveyed by DufresneHenry, Inc.," recorded in the Hillsborough County Registry of Deeds at Plan No. 22903, Drawer 95.

Beginning at the Southwesterly corner of the lot herein described at a point being the northwesterly corner of land formerly of Oil Recovery Systems, Inc. on the Easterly side of the Souhegan River; thence

Running downstream along the Easterly and Southerly side of said river approximately Eleven hundred and forty-five (1,145) feet to a point in line with the northerly extension of the westerly right-of-way limit of Baker Avenue; thence turning and running

Southerly along said Westerly limit of Baker Avenue Two hundred and twenty-nine (229) feet, more or less, to the northeasterly corner of land now or formerly of Highland Realty, Inc.; thence turning and running

North 71(degrees) 48' 50" West one Hundred ten (110) feet, more or less, by land now or formerly of Highland Realty, Inc. to the northwest corner of said property; thence turning and running

South 04(degrees) 1 1' 10" West One Hundred fifty (150) feet, more or less, to the Northwesterly corner of land now or formerly of Nolette and continuing in the same course Seventy-five (75) feet to the southwest corner of land now or formerly of Nolette; thence turning and running

South 71(degrees) 48' 50" East One Hundred ten (110) feet, more or less, by said Nolette land to a point on the westerly side of Baker Avenue; thence turning and running

South 03(degrees) 28' 34" East Twenty-one and fifty-two hundredths (21.52) feet, more or less, by said Baker Avenue to a point being the northeasterly corner of land now or formerly of Desrosier; thence turning and running

In a generally Westerly direction by the following courses and distances:

North 71(degrees) 48' 50" West One Hundred (100) feet, more or less, by land now or formerly of Desrosier and land now or formerly of Pelletier to a point

North 68(degrees) 11' 46" West Sixty-two and sixty-nine hundredths (62.69) feet, more or less, to a point

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North 71(degrees) 19' 30" West Seventy-seven and eighty-eight hundredths (77.88) feet, more or less, to a concrete monument on the Easterly line of land, now or formerly of Public Service Company of New Hampshire; the last two courses being by land, now or formerly of Pelletier; thence turning and running

North 21(degrees) 20' 00" East One hundred fifty-five and ninety-six hundredths (155.96) feet, more or less, by land now or formerly of Public Service Company of New Hampshire to a concrete monument set in the ground; thence turning and running

North 61(degrees) 15' 28" West Two hundred twenty-one and thirteen hundredths (221.13) feet, more or less, by land now or formerly of Public Service Company of New Hampshire to a concrete monument set in the ground; thence turning and running

South 40(degrees) 03' 37" West One hundred twenty and one one-hundredths (120.01) feet, more or less, to a point; thence turning and running

Southeasterly on a curve to the right a distance of One hundred (100) feet to an iron pipe set in the ground on the northwesterly corner of land now or formerly of Guay; thence turning and running

South 24(degrees) 54' 47" West One hundred twenty-three and forty hundredths (123.40) feet, more or less, to an iron pipe on the northerly side of the aforementioned Mill Street; thence turning and running

Westerly by said Mill Street approximately Thirteen and thirty-six hundredths (13.36) feet, more or less, to the southeast corner of land now or formerly of Blanchette; thence turning and running

North 24(degrees) 54' 47" East one Hundred twenty-three and forty hundredths (123.40) feet, more or less, to an iron pipe set in the ground; thence turning and running

'North 70(degrees) 48' 50" West Eighty and ten hundredths (80.10) feet, more or less, by land now or; formerly of Blanchette to an iron pin set in the ground, at land now or formerly of Crawford; thence turning and running

North 19(degrees) 18' 23" East Seventy-five and eighty hundredths (75.80) feet, more or less, by land now or formerly of Crawford to a point; thence turning and running

North 54(degrees) 11' 37" West Fifty-five (55) feet, more or less, by land of said Crawford, to a point at land formerly of Oil Recovery Systems, Inc.; thence turning and running

North 23(degrees) 05' 34" East Sixty-one and sixty-seven hundredths (61.67) feet, more or less, to a point beginning at the northeasterly corner of land formerly of Oil Recovery Systems, Inc.; thence turning and running

In a generally Westerly direction by the following courses and distances:

North 63(degrees) 48' 50" West One hundred seventy-one and ninety-three hundredths (171.93) feet, more or less, to a point

North 18(degrees) 36' 30" West Seven and seventy-eight hundredths (7.78) feet, more or less, to a point,

North 75(degrees) 21' 30" West Thirty-five (35) feet, more or less, to the place of beginning.

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EXHIBIT B  
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[To be printed or typed on letterhead  
of Counsel to the Borrower]

\_\_\_\_\_, 2000

Bank of New Hampshire, N.A.  
194 West Street  
Keene, NH 03431

Ladies/Gentlemen:

We have acted as counsel to SeaChange International, Inc., a New Hampshire corporation (the "Borrower") in connection with the loan documents of even date (the "Loan Documents") by and among the such parties and Bank of New Hampshire, N.A. (the "Bank") as set forth on the Closing Agenda attached to this opinion letter as Exhibit A.

In rendering the opinions set forth below, we have examined and relied upon (a) the statutes of the State of New Hampshire; (b) Articles of Incorporation and By-laws of the Borrower; (c) Resolutions of the Borrower of at or near even date; (d) Certificate of Existence for the Borrower of at or near even date and issued by the New Hampshire Secretary of State; and (e) the Loan Documents. In addition, we have examined such other certificates, documents and materials and have made such other investigation and inquiries as we have deemed necessary in connection with this opinion.

The opinions hereinafter expressed are qualified to the extent that the

validity or enforceability of any provisions in the Loan Documents, or of any rights granted to you pursuant thereto, may be subject to and affected by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights or creditors generally. Furthermore, no opinion is expressed as to whether any provisions thereof are specifically enforceable in equity.

Based on the foregoing, and subject to the conditions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Borrower is corporation duly organized and validly existing under the laws of the State of Delaware, with powers adequate to own its properties, and to carry on business as presently conducted by it, and is qualified to do business within the State of New Hampshire;
2. The Borrower has full power and authority to authorize the execution and delivery of the Loan Documents to which it is a party;
3. The Loan Documents to which the Borrower is a party have been duly authorized by all necessary action and, when executed and delivered by the Borrower, the Loan Documents will constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms;
4. The execution and delivery by the Borrower of the Loan Documents and the performance by such parties of their respective obligations under the Loan Documents will not constitute a default, or conflict with or violate the provisions of, the Borrower's Certificate of Formation or Operating Agreement, or to the

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best of our knowledge, any indenture, mortgage, deed of trust, contract, agreement, instrument, order of judgment to which either Represented Party or any of their respective property is now bound;

5. To the best of our knowledge, under existing law, no approval, authorization or other action by, or filing with, any federal, state, municipal or other governmental commission, board or agency, is required in connection with the execution and delivery by the Borrower of the Loan Documents, the borrowing of money pursuant to the Loan Documents, the issuance of the Note, or the performance of any other transaction contemplated by the Loan Documents to be performed by Borrower;
6. There is no action, suit, proceeding or investigation pending, or, to the best of our knowledge, threatened, against the Borrower which if adversely determined would, in any single case or in the aggregate, materially and adversely affect its properties, existence, financial condition or business or materially impair its right to carry on a its business substantially as now conducted or as contemplated to be conducted during the term of the Loan Documents;
7. Nothing has come to our attention to indicate that there is or has been, up to the date hereof, any breach of any of the presentations, warranties or agreements of the Borrower set forth in the Loan Documents or any actual alleged occurrence or situation in any way inconsistent therewith; and
8. To our knowledge, the Borrower's intended use of the "Premises" described in the Mortgage as contemplated in the Loan Documents complies with all applicable federal, state and local land use and environmental statutes, regulations and ordinances, and the Premises has deeded access to a publicly accepted roadway.

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EXHIBIT C  
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\$544,000.00 AND \$656,000.00 COMMERCIAL LOAN  
TO  
SEACHANGE INTERNATIONAL, INC. (THE "BORROWER")  
FROM  
BANK OF NEW HAMPSHIRE (THE "BANK")

October 16, 2000

- 
1. Commitment Letter dated April 25, 2000.
  2. Loan Agreement - to be executed by the Borrower and the Bank.
  3. \$544,000.00 Term Promissory Note - to be executed by the Borrower and by the Bank.
  4. \$544,000.00 Mortgage, Security Agreement and Fixture Filing (first priority) - to be executed by the Borrower (to be recorded - Hillsborough County Registry of Deeds).
  5. \$544,000.00 Collateral Assignment of Leases and Rents (first priority) - to be executed by the Borrower and the Bank (to be recorded - Hillsborough County Registry of Deeds).
  6. \$656,000.00 Term Promissory Note - to be executed by the Borrower and by the Bank.
  7. \$656,000.00 Mortgage, Security Agreement and Fixture Filing (second priority) - to be executed by the Borrower (to be recorded - Hillsborough County Registry of Deeds).
  8. \$656,000.00 Collateral Assignment of Leases and Rents (second priority) - to be executed by the Borrower and the Bank (to be recorded - Hillsborough County Registry of Deeds).
  9. Collateral Assignment of Contracts, Plans and Permits - to be executed by the Borrower and the Bank.
  10. Consents to Collateral Assignment of Contracts, Plans and Permits - to be executed by the architect and general contractor.
  11. UCC-1 Financing Statements (5) - to be executed by the Borrower and the Bank (to be filed - New Hampshire Secretary of State, Greenville Town Clerk, Delaware Secretary of State, Massachusetts Secretary of the Commonwealth and Maynard Town Clerk).
  12. Environmental Indemnification Agreement - to be executed by the Borrower.
  13. Lender's Title Insurance Policy, with standard exceptions deleted.
  14. Affidavit as to Parties in Possession and Mechanics' Liens with Indemnity, and Survey Affidavit (forms furnished by title company) - to be executed by the Borrower.
  15. For the Borrower:

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TO BE SUPPLIED BY THE BORROWER

- 
- (a) Articles of Incorporation (certified by the Delaware Secretary of State);
  - (b) Certificate of Existence (certified by the Delaware Secretary of State);
  - (c) Certificate of Qualification of Foreign Corporation (to be issued by New Hampshire Secretary of State); and
  - (d) Secretary's Certificate as to (i) By-laws (with copies thereof attached), (ii) Resolutions (with minutes thereof attached), and (iii) Incumbency of officers.
16. Hazard and Liability Insurance Certificates relating to the Mortgaged Premises (minimum \$1,000,000.00) and the assets of the Borrower naming the Bank as payee under a Lender's Loss Payable Endorsement, and Workmen's Compensation Insurance Certificates.
  - \*\* Financial Statements for the Borrower (separately transmitted to the Bank).
  17. Legal Opinion of Counsel to Borrower, including zoning and use opinion for the Mortgaged Premises (form of legal opinion supplied without specific zoning/use opinion).
  18. UCC-11 Search Reports on the Borrower (from all filing offices).

19. Copies of required licenses and permits, including permits for any underground tanks and building permits.
20. Commitment Fee (\$3,000.00).
21. Construction Documents:
  - (a) "As to be built" survey for the Premises, showing availability of utilities to the Premises (need not be to ALTA standards if title agent will delete general survey exception);
  - (b) Satisfactory contracts with general contractor and architect;
  - (c) Plans and specifications (architectural, structural, mechanical, plumbing and electrical);
  - (d) Builder's risk policy and evidence of general contractor's worker's compensation insurance;
  - (e) Cost breakdown/budget and Schedule of Sources and Uses;
  - (f) Minimum equity infusion as required by the Bank; and
  - (g) Contractor/Subcontractor list.
22. Mortgage and UCC Releases (if any).
23. Paid Tax Bills for the Mortgaged Premises.

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24. Satisfactory Environmental Site Assessment/Environmental Risk Assessment Questionnaire for the Mortgaged Premises.
25. Satisfactory evidence that the Mortgaged Premises are not located in a "Flood Zone" (or flood insurance).
26. Lien Waivers from all contractors and materialmen who have furnished goods or services to the Mortgaged Premises within the past 130 days (if any).
27. Satisfactory Appraisal of the Mortgaged Premises (separately obtained by the Bank)

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EXHIBIT D

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Disbursement List

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<S>	<C>	<C>
1.	Bank of New Hampshire	\$ 6,196.00
	-Origination fee - \$3,000.00	
	-Reimbursement of fees:	
	Environmental review - \$175.00	
	Appraisal - \$3,000.00	
	Flood cert. - \$21.00	
2.	Alfano & Baroff, P.A.	\$ 7,420.00
	-Legal fees/expenses - \$7,300.00	
	-UCC filing/search fees - \$120.00	
3.	McLane, Graf, Raulerson & Middleton	\$ 2,075.00
	-Lender's Title Premiums	
4.	SeaChange International, Inc.	\$ 389,031.00
	-Reimbursements of amounts previously paid to Hutter Construction Corp.	
5.	Hutter Construction Corp.	\$ 655,654.00
	-Progress payment on outstanding invoices	
Total		\$1,060,376.00

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Schedule 3.6

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### Schedule 3.6 Litigation

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 two named plaintiffs have 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. 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. On July 20, 2000, the Company 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 July 25, 2000, the plaintiffs filed a Motion for Costs associated with limited jurisdictional discovery against the Company. On August 7, 2000, the Company moved to dismiss one of the two named plaintiffs for lack of standing. On October 11, 2000, the United States District Court for the Eastern District of Virginia held oral argument on the Company's transfer and dismissal motions and the third parties' Motion for Costs. Rulings on the three pending motions are expected within the next several weeks.

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. After a Markman hearing, nCube admitted infringement; and on September 25, 2000, a unanimous jury found the patent valid. The case now will move forward on damages and a motion for a permanent injunction.

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.