AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 18, 1996

REGISTRATION NO. 333-

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SEACHANGE INTERNATIONAL, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

124 ACTON STREET
MAYNARD, MASSACHUSETTS 01754
(508) 897-0100
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

DELAWARE	3663	04-3197974
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

WILLIAM C. STYSLINGER, III
SEACHANGE INTERNATIONAL, INC.
124 ACTON STREET
MAYNARD, MASSACHUSETTS 01754
(508) 897-0100
(NAME AND ADDRESS OF AGENT FOR SERVICE)

COPIES TO:

WILLIAM B. SIMMONS, JR., ESQ.	KEITH F. HIGGINS, ESQ.
TESTA, HURWITZ & THIBEAULT, LLP	ROPES & GRAY
HIGH STREET TOWER--125 HIGH STREET	ONE INTERNATIONAL PLACE
BOSTON, MASSACHUSETTS 02110	BOSTON, MASSACHUSETTS 02110
(617) 248-7563	(617) 951-7000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [_]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

CALCULATION OF REGISTRATION FEE

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TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>
Common Stock, $.01 par value.....	$25,000,000	$8,621

</TABLE>

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(1) Estimated solely for purposes of determining the registration fee pursuant

to Rule 457(a).

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A +
+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE +
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT +
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR +
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE +
+SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE +
+UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +
+ANY SUCH STATE. +
++

PROSPECTUS (Subject to Completion)
Issued September 18, 1996

Shares

[LOGO]
COMMON STOCK

OF THE SHARES OF COMMON STOCK BEING OFFERED HEREBY, SHARES ARE BEING SOLD BY THE COMPANY AND SHARES ARE BEING SOLD BY THE SELLING STOCKHOLDERS. SEE "PRINCIPAL AND SELLING STOCKHOLDERS." THE COMPANY WILL NOT RECEIVE ANY OF THE PROCEEDS FROM THE SALE OF SHARES BY THE SELLING STOCKHOLDERS. PRIOR TO THIS OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK OF THE COMPANY. IT IS CURRENTLY ESTIMATED THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN $ AND $ PER SHARE. SEE "UNDERWRITERS" FOR A DISCUSSION OF THE FACTORS TO BE CONSIDERED IN DETERMINING THE INITIAL PUBLIC OFFERING PRICE.

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 4 HEREOF.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE $ A SHARE

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	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY(2)	PROCEEDS TO SELLING STOCKHOLDERS
<S>	<C>	<C>	<C>	<C>
Per Share.....	$	$	$	$
Total(3).....	$	$	$	$

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(1) The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

(2) Before deducting expenses payable by the Company estimated at $.

(3) The Company and the Selling Stockholders have granted to the Underwriters an option, exercisable within 30 days of the date hereof, to purchase up to an aggregate of additional Shares at the price to public less underwriting discounts and commissions for the purpose of covering over-allotments, if any. If the Underwriters exercise such option in full, the total price to public, underwriting discounts and commissions, proceeds to Company and proceeds to Selling Stockholders will be $, $, $ and $, respectively. See "Underwriters."

The Shares are offered, subject to prior sale, when, as and if accepted by the Underwriters named herein and subject to approval of certain legal matters by Ropes & Gray, counsel for the Underwriters. It is expected that delivery of the Shares will be made on or about , 1996 at the office of Morgan Stanley & Co. Incorporated, New York, New York, against payment therefor in immediately available funds.

MORGAN STANLEY & CO.
Incorporated

ALEX. BROWN & SONS
Incorporated

MONTGOMERY SECURITIES

, 1996

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, ANY SELLING STOCKHOLDER OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES OTHER THAN THE REGISTERED SECURITIES TO WHICH IT RELATES OR AN OFFER TO, OR A SOLICITATION OF, ANY PERSON IN ANY JURISDICTION WHERE SUCH AN OFFER OR SOLICITATION WOULD BE UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

UNTIL , 1996 (25 DAYS AFTER THE COMMENCEMENT OF THIS OFFERING), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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The Company intends to furnish its stockholders with annual reports containing audited consolidated financial statements and an opinion thereon expressed by an independent public accounting firm and with quarterly reports for the first three quarters of each year containing unaudited consolidated interim financial information.

SeaChange(TM), SeaChange SPOT System(TM) and MediaCluster(TM) are trademarks of the Company. This Prospectus also includes trademarks and tradenames of companies other than SeaChange International, Inc.

Except as set forth in the financial statements or as otherwise indicated herein, all information in this Prospectus (i) assumes no exercise of the Underwriters' over-allotment option; (ii) reflects the filing, prior to the consummation of this offering, of the Amendment to the Certificate of Incorporation of the Company increasing the authorized shares of Common Stock; (iii) reflects the filing upon the closing of this offering of the Amended and Restated Certificate of Incorporation of the Company; (iv) reflects, upon the consummation of this offering, the conversion of all outstanding shares of the Company's Preferred Stock into shares of Common Stock; (v) reflects the 3-for-2 split of the Company's capital stock to be effected prior to the consummation of this offering and (vi) reflects the 100-for-1 split of the Company's capital stock effected on August 3, 1995. See "Description of Capital Stock," "Underwriters" and Note 8 of Notes to Consolidated Financial Statements.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

4/C

[INSIDE FRONT COVER]

[A GRAPHIC REPRESENTATION OF THE PROCESS FOR DIGITAL VIDEO DELIVERY APPEARS HERE]

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements and notes thereto appearing elsewhere in this Prospectus.

THE COMPANY

SeaChange is a leading provider of software-based products to manage, store and distribute digital video for cable television operators and telecommunications companies. The Company's products utilize its proprietary distributed application software and standard industry components to automate the management and distribution of short- and long-form video streams including advertisements, movies, news updates and other video programming requiring precise, accurate and continuous execution. The Company's digital video products are designed to provide higher image quality and to be more reliable, easier to use and less expensive than analog tape-based systems. In addition, SeaChange's products enable its customers to increase revenues by offering more targeted services such as geography-specific spot advertising and Video-On-Demand movies.

SeaChange's products address a number of specific markets. The SeaChange SPOT System is the leading digital advertisement and other short-form video insertion system for the multichannel television market. The SeaChange SPOT System encodes analog video forms such as commercials and news updates, stores them in remote or local digital libraries, and inserts them automatically into television network streams. The SPOT System provides high run-rate accuracy and video image quality, permits geographic and demographic specificity of advertisements and reduces operating costs. The Company has recently introduced the SeaChange Movie System, which provides long-form video storage and delivery for the Video-On-Demand market, and is developing the SeaChange Programming System, a long-form video storage and delivery product for cable television operators and telecommunications companies. The SeaChange Media Management

Software operates in conjunction with the SeaChange SPOT System to automate and simplify complex sales, scheduling and billing processes for the multichannel television market. The Company also sells its Video Server 100, which is designed to store and distribute video streams of various lengths, and MediaCluster, SeaChange's proprietary software technology that enables multiple Video Server 100s to operate together as an integrated server, to systems integrators and value added resellers.

The Company's products are installed in over 100 geographic markets in the United States and 10 internationally. The Company's customers include Comcast Corporation, Continental Cablevision, NYNEX Video Services Operations Company, Pacific Telesis Video Services, Tele-Communications, Inc., TELEWEST Communications Group plc, Time Warner, Inc. and U S WEST, Inc.

THE OFFERING

Common Stock offered.....	shares, including shares by the Company and shares by the Selling Stockholders
Common Stock to be outstanding after this offering.....	shares(1)
Use of proceeds.....	For general corporate purposes, including working capital, product development and capital expenditures. See "Use of Proceeds."
Proposed Nasdaq National Market symbol.....	SEAC

SUMMARY CONSOLIDATED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

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	PERIOD FROM JULY 9, 1993 (INCEPTION) THROUGH DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1995	SIX MONTHS ENDED JUNE 30, 1996
<S>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENT OF INCOME DATA:					
Revenues.....	$ 213	$ 5,690	$ 23,202	$ 11,577	$ 24,354
Income (loss) from operations.....	(17)	203	1,810	1,747	3,350
Net income (loss).....	(18)	155	1,211	1,129	2,122
Net income (loss) per share(2).....	(.01)	.02	.11	.10	.18
Weighted average common shares and equivalent common shares outstanding(2).....	2,632,400	9,331,940	11,507,420	11,833,660	11,514,850

</TABLE>

<TABLE>
<CAPTION>

	JUNE 30, 1996	
	ACTUAL	AS ADJUSTED(3)
<S>	<C>	<C>
CONSOLIDATED BALANCE SHEET DATA:		
Working capital.....	$ 1,369	
Total assets.....	23,857	
Long-term liabilities.....	--	
Redeemable convertible preferred stock.....	4,008	
Total stockholders' equity.....	1,373	

</TABLE>

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(1) Based on shares of Common Stock outstanding as of August 31, 1996. Excludes (i) 681,414 shares of Common Stock issuable upon exercise of options outstanding as of August 31, 1996, of which options to purchase 41,102 shares were then exercisable and (ii) 1,591,973 shares of Common Stock reserved for future issuance under the Company's stock plans. See "Management--Stock Plans" and Note 9 of Notes to Consolidated Financial Statements.

(2) For an explanation of the determination of the number of shares used in computing net income (loss) per share, see Note 2 of Notes to Consolidated Financial Statements.

(3) Pro forma to reflect the conversion of all issued and outstanding shares of Preferred Stock into shares of Common Stock upon the closing of this offering and adjusted to reflect the sale of shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $ per share, after deducting estimated underwriting discounts and commissions and offering expenses payable by the Company, and the

application of the estimated net proceeds therefrom. See "Use of Proceeds" and "Capitalization."

RISK FACTORS

In evaluating the Company's business, prospective investors should carefully consider the following factors in addition to the other information presented in this Prospectus. This Prospectus contains certain statements of a forward-looking nature relating to future events or the future financial performance of the Company. Prospective investors are cautioned that such statements are only predictions and that actual events or results may differ materially. In evaluating such statements, prospective investors should specifically consider the various factors identified in this Prospectus, particularly the matters set forth below, which could cause actual results to differ materially from those indicated by such forward-looking statements.

Limited Operating History and Operating Results. The Company was founded in July 1993 and commenced shipment of its initial products in the third quarter of 1994. Accordingly, the Company has only a limited operating history upon which an evaluation of the Company and its prospects can be based. The Company's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets. To address these risks, the Company must, among other things, respond to competitive developments, continue to attract, retain and motivate qualified persons, and continue to upgrade its technologies and commercialize products and services incorporating such technologies. There can be no assurance that the Company will be successful in addressing such risks. Increases in operating expenses are expected to continue and may result in a decrease in operating income. There can be no assurance that the Company will continue to sustain profitability on a quarterly or annual basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Fluctuations in Quarterly Operating Results. The Company's quarterly operating results have in the past varied and in the future will be affected by factors such as: (i) the timing and recognition of revenue from significant orders, (ii) the seasonality of the placement of customer orders, (iii) the success of the Company's products, (iv) increased competition, (v) changes in the Company's pricing policies or those of its competitors, (vi) the financial stability of major customers, (vii) new product introductions or enhancements by competitors, (viii) delays in the introduction of products or product enhancements by the Company, (ix) customer order deferrals in anticipation of upgrades and new products, (x) the ability to access a sufficient supply of sole source and third party components, (xi) the quality and market acceptance of new products, (xii) the timing and nature of selling and marketing expenses (such as trade shows and other promotions), (xiii) personnel changes, and (xiv) economic conditions affecting the Company's customers. Any significant cancellation or deferral of purchases of the Company's products could have a material adverse effect on the Company's business, financial condition and results of operations in any particular quarter, and to the extent significant sales occur earlier than expected, operating results for subsequent quarters may be adversely affected. The Company's expense levels are based, in part, on its expectations as to future revenues, and the Company may be unable to adjust spending in a timely manner to compensate for any revenue shortfall. If revenues are below expectations, operating results are likely to be adversely affected and net income may be disproportionately affected because a significant portion of the Company's expenses do not vary with revenues.

Because of these factors, the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. Due to all of the foregoing factors, in some future quarter the Company's operating results may be below the expectations of public market analysts and investors. In such event, the price of the Company's Common Stock would likely be materially adversely affected. See "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Quarterly Results of Operations."

Seasonality. The Company's business has been seasonal with more orders being placed and greater revenues being recognized in the first and second quarters than in the third and fourth quarters. The Company believes that the concentration of order placements in specific quarterly periods is due to customers' buying patterns and budgeting cycles in the cable television industry. The Company anticipates that these patterns will continue in the future. As a result, the Company's results of operations have in the past and likely will in the

future vary seasonally in accordance with such purchasing activity. Due to the relatively fixed nature of certain of the Company's costs throughout each quarterly period, including personnel and facilities costs, the decline of revenues in any quarter typically results in lower profitability in that

quarter and in such event, the price of the Company's Common Stock would likely be materially adversely effected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Quarterly Results of Operations."

Management of Growth. The Company has experienced growth in revenues and expansion of its operations which have placed significant demands on the Company's management, administrative and operational resources. Following the audit of the Company's financial statements for the six months ended June 30, 1996, the Company received a management letter from its independent accountants which disclosed a reportable condition with respect to inventory controls that occurred in connection with the implementation of a new automated accounting system in May 1996. The Company has recently hired additional accounting and finance personnel, including a chief financial officer and a new controller, and is implementing additional financial and management controls, reporting systems and procedures which the Company believes will correct such reportable condition. However, the Company believes that further improvements in management and operational controls are needed, and would continue to be needed to manage any future growth. Continued growth will also require the Company to hire more technical, selling and marketing, support and administrative personnel, expand manufacturing and customer service capabilities, and update or expand management information systems. There can be no assurance that the Company will be able to attract and retain the necessary personnel to accomplish its growth strategies or that it will not experience constraints that will adversely affect its ability to satisfy customer demand in a timely fashion or to satisfactorily support its customers and operations. Also, the Company may in the future acquire complementary service or product lines, technologies or businesses, although the Company has no present understandings, commitments or agreements with respect to any such acquisitions. If the Company's management is unable to manage growth effectively or integrate any acquisition into the Company's operations successfully, the Company's business, financial condition and results of operations could be materially and adversely affected. See "Business--Employees," "Management--Executive Officers and Directors" and "Use of Proceeds."

Product Concentration. Sales of the SeaChange SPOT System have accounted for substantially all of the Company's revenues to date, and this product and related enhancements are expected to continue to account for a majority of the Company's revenues at least through 1997. The Company's success depends in part on continued sales of the SeaChange SPOT System. A decline in demand or average selling prices for the SeaChange SPOT System product line, whether as a result of new product introductions by others, price competition, technological change, inability to enhance the products in a timely fashion, or otherwise, would have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Products."

Highly Competitive Market. The market for digital video products is highly competitive. The Company currently competes against suppliers of both analog tape-based and digital systems in the advertisement insertion market and against both computer companies offering video server platforms and more traditional movie application providers in the movie system market. When the Company introduces products in the television broadcast market, the Company expects to compete in that market against various computer companies offering video server platforms and television equipment manufacturers. Due to the rapidly evolving markets in which the Company competes, additional competitors with significant market presence and financial resources, including computer hardware and software companies and television equipment manufacturers, may enter those markets, thereby further intensifying competition. Increased competition could result in price reductions and loss of market share which would adversely affect the Company's business, financial condition and results of operations. Many of the Company's current and potential competitors have greater financial, selling and marketing, technical and other resources than the Company. Moreover, the Company's competitors may also foresee the course of market developments more accurately than the Company. Although the Company believes it has certain technological and other advantages over its competitors, realizing and maintaining such advantages will require a continued high level of investment by the Company in research and product development,

marketing and customer service and support. There can be no assurance that the Company will have sufficient resources to continue to make such investments or that the Company will be able to make the technological advances necessary to compete successfully with its existing competitors or with new competitors. See "Business--Competition."

Dependence on Emerging Digital Video Market. Cable television operators and television broadcasters have historically relied on traditional analog technology for video management, storage and distribution. Digital video technology is still a relatively new technology and requires a significant initial investment of capital. The Company's future growth will depend both on the rate at which television operators convert to digital video systems and the rate at which digital video technology expands to additional market

segments. There can be no assurance that the use of digital video technology will expand among television operators or into additional markets. Any failure by the market to accept digital video technology will have a material adverse affect on the Company's business, financial condition and results of operations. See "Business--Industry Background."

Risks Associated with Expansion into New Markets. To date the Company's products have been purchased primarily by cable television operators and telecommunications companies. The Company's success depends in part on the penetration of new markets. In particular, the Company plans to introduce several products for use by television broadcasters. These broadcast products will be directed toward a market that the Company has not previously addressed. There can be no assurance that the Company will be successful in marketing and selling these new products to customers in the broadcast television market. Any inability of the Company to penetrate this new market would have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Products."

Risk of New Product Introductions. The Company's future success requires that it develop and market additional products that achieve significant market acceptance and enhance its current products. The Company has recently introduced a new product which enables television operators to provide Video-On-Demand and scheduled playback services to hotels and apartments. The success of this product may depend in part on relationships with movie content providers. There can be no assurance that the Company will not experience difficulties that could delay or prevent the successful development, introduction and marketing of this and other new products and enhancements, or that its new products and enhancements will adequately meet the requirements of the marketplace and achieve market acceptance. Announcements of currently planned or other new product offerings may cause customers to defer purchasing existing Company products. Moreover, there can be no assurance that, despite testing by the Company, and by current and potential customers, errors or failures will not be found in the Company's products, or, if discovered, successfully corrected in a timely manner. Such errors or failures could cause delays in product introductions and shipments, or require design modifications that could adversely affect the Company's competitive position. The Company's inability to develop on a timely basis new products, enhancements to existing products or error corrections, or the failure of such new products or enhancements to achieve market acceptance could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Products" and "--Research and Product Development."

Rapid Technological Change. The markets for the Company's products are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions and enhancements. Future technological advances in the television and video industries may result in the availability of new products or services that could compete with the software-based solutions provided by the Company or reduce the cost of existing products or services, any of which could enable the Company's existing or potential customers to fulfill their video needs better and more cost efficiently than with the Company's products. The Company's future success will depend on its ability to enhance its existing digital video products, including the development of new applications for its technology and to develop and introduce new products to meet and adapt to changing customer requirements and emerging technologies. There can be no assurance that the Company will be successful in enhancing its digital video products or developing, manufacturing and marketing new products which satisfy customer needs or achieve market acceptance. In addition, there can be no assurance that services, products or technologies developed by others will not render the Company's products or technologies

uncompetitive, unmarketable or obsolete, or that announcements of currently planned or other new product offerings by either the Company or its competitors will not cause customers to defer or fail to purchase existing Company solutions. The failure of the Company to respond to rapidly changing technologies related to digital video could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Products" and "--Research and Product Development."

Significant Concentration of Customers. The Company's customer base is highly concentrated among a limited number of large customers, primarily due to the fact that the cable television and telecommunications industries in the United States are dominated by a limited number of large companies. A fairly limited number of customers account for a significant percentage of the Company's revenues in any year. In 1994 and 1995 and the six months ended June 30, 1996, revenues from the Company's five largest customers represented approximately 94.7%, 90.9% and 75.1%, respectively, of the Company's total revenues. In each of 1994, 1995 and the six months ended June 30, 1996, four customers each accounted for more than 10% of the Company's revenues, one of which accounted for more than 10% of the Company's revenues in each such period. The Company's sales to specific customers tend to vary significantly from year to year depending upon such customers' budgets for capital expenditures and new product introductions. In addition, the Company derives a

substantial portion of its revenues from products that have a selling price in excess of $200,000. The Company believes that revenue derived from current and future large customers will continue to represent a significant proportion of its total revenues. The loss of, or reduced demand for products or related services from, any of the Company's major customers could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Customers."

Dependence on Sole Source Suppliers and Third Party Manufacturers. Certain key components of the Company's products are currently purchased from a sole supplier, including a computer chassis manufactured by Trimm Technologic Inc., a disk controller manufactured by Mylex Corporation, an MPEG-2 decoder card manufactured by Vela Research, Inc. and an MPEG-2 encoder manufactured by Optivision, Inc. The Company has in the past and may in the future experience quality control problems and delays in the receipt of such components. The inability to obtain sufficient key components as required, or to develop alternative sources if and as required in the future, could result in delays or reductions in product shipments which, in turn, could have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, the Company relies on a limited number of third parties who manufacture certain components used in the Company's products. While to date there has been suitable third party manufacturing capacity readily available at acceptable quality levels, there can be no assurance that such manufacturers will be able to meet the Company's future volume or quality requirements or that such services will continue to be available to the Company at favorable prices. Any financial, operational, production or quality assurance difficulties experienced by such third party manufacturers that result in a reduction or interruption in supply to the Company could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Manufacturing."

Regulation of Telecommunications and Television Industries. The telecommunications and television industries are subject to extensive regulation in the United States and other countries. The Company's business is dependent upon the continued growth of such industries in the United States and internationally. Although recent legislation has lowered the legal barriers to entry for telecommunications companies into the United States multichannel television market, there can be no assurance that such telecommunications companies will successfully enter this or related markets. Moreover, the growth of the Company's business internationally is dependent in part on similar deregulation of the telecommunications industry abroad and there can be no assurance that such deregulation will occur. Television operators are also subject to extensive government regulation by the Federal Communications Commission ("FCC") and other federal and state regulatory agencies. These regulations could have the effect of limiting capital expenditures by television operators and thus could have a material adverse effect on the Company's business, financial condition and results of operations. The enactment by federal, state or international governments of new laws or regulations, changes in the interpretation of existing regulations or a reversal of the trend toward deregulation in these industries could adversely affect the Company's customers, and thereby materially adversely affect the Company's business, financial condition and results of operations. See "Business--Industry Background."

Lengthy Sales Cycle. Digital video products are relatively complex and their purchase generally involves a significant commitment of capital, with attendant delays frequently associated with large capital expenditures and implementation procedures within an organization. Moreover, the purchase of such products typically requires coordination and agreement among a potential customer's corporate headquarters and its regional and local operations. For these and other reasons, the sales cycle associated with the purchase of the Company's digital video products is typically lengthy and subject to a number of significant risks, including customers' budgetary constraints and internal acceptance reviews, over which the Company has little or no control. Based upon all of the foregoing, the Company believes that the Company's quarterly revenues, expenses and operating results are likely to vary significantly in the future, that period-to-period comparisons of its results of operations are not necessarily meaningful and that, in any event, such comparisons should not be relied upon as indications of future performance. See "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Quarterly Results of Operations."

Dependence on Key Personnel and Hiring of Additional Personnel. The Company's success depends to a significant degree upon the continued contributions of its key management, engineering, selling and marketing and manufacturing personnel, many of whom would be difficult to replace. The Company does not have employment contracts with its key personnel. The Company believes its future success will also depend in large part upon its ability to attract and retain highly skilled managerial, engineering, selling and marketing, finance and manufacturing personnel. Competition for such personnel is intense, and there can be no assurance that the Company will be successful in attracting and retaining such personnel. The loss of the services of any of

the key personnel, the inability to attract or retain qualified personnel in the future or delays in hiring required personnel, particularly software engineers and sales personnel, could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Employees" and "Management--Executive Officers and Directors."

Dependence on Proprietary Technology. The Company's success and its ability to compete is dependent, in part, upon its proprietary technology. The Company relies primarily on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality procedures and contractual provisions to protect its proprietary rights. There can be no assurance that such measures will be adequate to protect the Company's proprietary technology. The Company attempts to ensure that its products and technology do not infringe the proprietary rights of third parties. The Company received a letter in January 1996 stating that the Company's video insertion system may be utilizing technology patented by a third party. The Company did not respond to such letter and has received no further communication from the holder of these patents. There can be no assurance that the holder of these patents or other third parties will not assert infringement claims against the Company in the future or that any such claim will not be successful. See "Business--Proprietary Rights."

Risks Associated with International Sales. Prior to 1996, the Company derived no significant revenues from international operations. International sales accounted for approximately 7% of the Company's revenues in the first six months of 1996, and the Company expects that international sales will account for a significant portion of the Company's business in the future. However, there can be no assurance that the Company will be able to maintain or increase international sales of its products. International sales are subject to a variety of risks, including difficulties in establishing and managing international distribution channels, in servicing and supporting overseas products and in translating products into foreign languages. International operations are subject to difficulties in collecting accounts receivable, staffing and managing personnel and enforcing intellectual property rights. Other factors that can also adversely affect international operations include fluctuations in the value of foreign currencies and currency exchange rates, changes in import/export duties and quotas, introduction of tariff or non-tariff barriers and economic or political changes in international markets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Selling and Marketing."

Concentration of Ownership. Following this offering, the Company's officers, directors and their affiliated entities, and other holders of 5% or more of the Company's outstanding capital stock (prior to this offering), together will beneficially own approximately % of the outstanding shares of Common Stock of the Company. As a result, such persons will have the ability to elect the Company's directors and to determine the outcome of corporate actions requiring stockholder approval, irrespective of how other stockholders of the Company may

vote. This concentration of ownership may have the effect of delaying or preventing a change in control of the Company which may be favored by a majority of the remaining stockholders, or cause a change of control not favored by the Company's other stockholders. See "Management" and "Principal and Selling Stockholders."

No Prior Trading Market; Potential Volatility of Stock Price. Prior to this offering, there has been no public market for the Company's Common Stock, and there can be no assurance that an active trading market will develop or be sustained after this offering or that the market price of the Common Stock will not decline below the initial public offering price. The initial public offering price will be determined solely by negotiations between the Company and the Representatives of the Underwriters and therefore may not be indicative of prices that will prevail in the trading market after this offering. The market price of the Company's Common Stock could be subject to wide fluctuations in response to, and may be adversely affected by, variations in quarterly operating results, changes in earnings estimates by analysts, adverse earnings or other financial announcements of the Company's customers and market conditions in the industry, as well as general economic conditions. In addition, the stock market has experienced extreme price and volume fluctuations that have particularly affected the market prices for many companies' stock and that often has been unrelated to the operating performance of such companies. These market fluctuations may adversely affect the market price of the Company's Common Stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations." See "Underwriters" for a discussion of the factors to be considered in determining the initial public offering price.

Shares Eligible for Future Sale. Sales of substantial amounts of shares of the Company's Common Stock in the public market following this offering could adversely affect the market price of the Common Stock. On the date of this Prospectus, in addition to the shares offered hereby, approximately

shares of Common Stock, which are not subject to 180-day lock-up agreements (the "Lock-Up Agreements") with the representatives of the Underwriters, will be eligible for sale in the public market in accordance with Rule 144 or Rule 701 under the Securities Act of 1933, as amended (the "Securities Act") beginning 90 days after the date of this Prospectus. Upon expiration of the Lock-Up Agreements, 180 days after the date of this Prospectus, approximately additional shares of Common Stock will be available for sale in the public market, subject to the provisions of Rule 144 under the Securities Act. At August 31, 1996, shares of Common Stock were issued or issuable pursuant to vested options under the Company's stock plans (including shares of Common Stock to be sold in this offering pursuant to the exercise of outstanding options by Selling Stockholders). Shares issued or issuable upon exercise of options under these plans generally will be eligible for sale in the public market, subject, in the case of shares, to the Lock-Up Agreements. In addition, the holders of approximately shares of Common Stock will have certain rights to registration of their shares under the Securities Act. See "Shares Eligible for Future Sale," and "Underwriters."

Immediate and Substantial Dilution. Purchasers of shares of Common Stock offered hereby will suffer an immediate and substantial dilution in the net tangible book value per share of the Common Stock from the initial public offering price. See "Dilution."

Potential Adverse Effects of Anti-Takeover Provisions; Availability of Preferred Stock for Issuance. The Company's Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws, contain provisions that may make it more difficult for a third party to acquire, or discourage acquisition bids for, the Company, including provisions that allow the Board of Directors to take into account a number of non-economic factors, such as the social, legal and other effects upon employees, suppliers, customers and creditors, when evaluating offers for acquisitions of the Company. Such provisions could limit the price that certain investors might be willing to pay in the future for shares of the Company's Common Stock. In addition, shares of the Company's Preferred Stock may be issued in the future without further stockholder approval and upon such terms and conditions, and having such rights, privileges and preferences, as the Board of Directors may determine. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of any holders of Preferred Stock that may be issued in the future. The issuance of Preferred Stock or of rights to purchase Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or discouraging a third party from acquiring, a majority of the outstanding voting stock of the Company. The Company has no present plans to issue any shares of Preferred Stock. See "Description of Capital Stock--Delaware Law and Certain Charter and By-Law Provisions; Anti-Takeover Effects" and "--Preferred Stock."

THE COMPANY

The Company was incorporated in Delaware in July 1993 under the name SeaView Technology, Inc. and changed its name to SeaChange Technology, Inc. in September 1993 and to SeaChange International, Inc. in March 1996. The Company's principal executive offices are located at 124 Acton Street, Maynard, Massachusetts, 01754 and its telephone number is (508) 897-0100. As used in this Prospectus, the "Company" and "SeaChange" refer to SeaChange International, Inc. and its Delaware subsidiary SeaChange Systems, Inc.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the shares of Common Stock offered by the Company hereby are estimated to be approximately $ ($ if the Underwriters' over-allotment option is exercised in full) assuming an initial public offering price of $ per share and after deducting estimated underwriting discounts and commissions and offering expenses. The Company expects to use the net proceeds for general corporate purposes, including working capital, product development and capital expenditures. A portion of the net proceeds may also be used for the acquisition of businesses, services, products and technologies that are complementary to those of the Company, although no such acquisitions are being negotiated or planned as of the date of this Prospectus, and no portion of the net proceeds has been allocated for any specific acquisition. Pending such uses, the net proceeds of this offering will be invested in investment grade, interest-bearing securities.

The Company will not receive any proceeds from the sale of shares of Common Stock by the Selling Stockholders.

DIVIDEND POLICY

The Company has never paid any cash dividends on its capital stock and does not anticipate paying any cash dividends in the foreseeable future. The Company currently intends to retain all of its future earnings for use in the operation and expansion of the business. In addition, the Company expects that

the credit agreement it is currently negotiating with a bank will contain restrictions on the payment of cash dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

CAPITALIZATION

The following table sets forth the capitalization of the Company at June 30, 1996 (i) on an actual basis, (ii) on a pro forma basis to give effect to the conversion of all outstanding shares of Preferred Stock into Common Stock, and (iii) as adjusted to give effect to the sale of shares of Common Stock offered by the Company hereby, at an assumed initial public offering price of $ per share, after deducting the estimated underwriting discounts and commissions and offering expenses payable by the Company, and the application of the estimated net proceeds therefrom.

<TABLE>
<CAPTION>

	JUNE 30, 1996		
	ACTUAL	PRO FORMA	AS ADJUSTED
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
<S>	<C>	<C>	<C>
Series B redeemable convertible preferred stock, $.01 par value; 1,000,000 shares of preferred stock authorized; 650,487 shares designated, issued and outstanding at June 30, 1996; none issued and outstanding pro forma and as adjusted	$ 4,008	--	--
Stockholders' equity:(1)			
Series A convertible preferred stock, $.01 par value; 1,000,000 shares of preferred stock authorized; 30,000 shares designated, 11,808 shares issued and 10,522 shares outstanding at June 30, 1996; none issued and outstanding pro forma and as adjusted.....	0	--	--
Common Stock, $.01 par value, 15,000,000 shares authorized, 9,631,418 shares issued and 8,775,218 shares outstanding actual; 50,000,000 shares authorized, 11,892,274 shares issued and 11,036,074 shares outstanding pro forma; 50,000,000 shares authorized, shares issued and outstanding as adjusted(2)....	96	$ 119	$
Additional paid-in capital.....	414	4,399	
Retained earnings.....	3,394	3,394	
Treasury stock, 856,200 shares of common and 1,286 shares of Series A convertible preferred at June 30, 1996 actual, pro forma and as adjusted.....	(2,531)	(2,531)	(2,531)
Total stockholders' equity...	1,373	5,381	
Total capitalization.....	$ 5,381	$ 5,381	$

</TABLE>

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(1) Gives effect to the Amendment to the Certificate of Incorporation of the Company to be filed prior to the consummation of this offering and the Amended and Restated Certificate of Incorporation of the Company to be filed upon the consummation of this offering.

(2) Excludes 681,414 shares of Common Stock issuable upon exercise of stock options outstanding as of August 31, 1996, of which options to purchase 41,102 shares were then exercisable. Also excludes an additional 1,591,973 shares of Common Stock reserved for future issuance under the Company's stock plans. See "Management--Stock Plans" and Note 9 of Notes to Consolidated Financial Statements.

DILUTION

The pro forma net tangible book value of the Company as of June 30, 1996 was approximately $4,758,200, or $.43 per share of Common Stock. Pro forma net tangible book value per share is determined by dividing the net tangible book value of the Company (total tangible assets less total liabilities) by the total number of shares of Common Stock outstanding, assuming the automatic conversion of the outstanding shares of Preferred Stock into Common Stock. After giving effect to the sale of the shares of Common Stock offered by the Company hereby (at an assumed initial public offering price of $ per share and after deducting estimated underwriting discounts and commissions and offering expenses), the pro forma net tangible book value of the Company as of June 30, 1996 would have been $, or $ per share. This represents an immediate increase in the pro forma net tangible book value of $ per share to existing stockholders and an immediate dilution of $ per share to new investors. The following table illustrates the per share dilution:

<TABLE>

<S>	<C>	<C>
Assumed initial public offering price per share.....		$
Pro forma net tangible book value per share before the offering.....	$	
Increase in pro forma net tangible book value per share attributable to new investors.....		
Pro forma net tangible book value per share after the offering.....		
Dilution per share to new investors.....		$

</TABLE>

The following table summarizes on a pro forma basis as of August 31, 1996, the difference between the number of shares of Common Stock purchased from the Company, the total consideration paid to the Company, and the average price per share paid by the existing stockholders and by the new investors (at an assumed initial public offering price of $ per share before deduction of estimated underwriting discounts and commissions and estimated offering expenses), assuming the conversion of the outstanding shares of Preferred Stock into Common Stock:

<TABLE>
<CAPTION>

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
<S>	<C>	<C>	<C>	<C>	<C>
Existing stockholders(1)(2).....	11,037,012	%	$ 1,957,105	%	$.18
New investors.....					
Total.....		100.0%	$	100.0%	

</TABLE>

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(1) Sales by the Selling Stockholders in this offering will reduce the number of shares of Common Stock held by existing stockholders to , or approximately %, and will increase the number of shares held by the new investors to , or approximately % of the total number of shares of Common Stock outstanding after this offering. See "Principal and Selling Stockholders."

(2) The total consideration paid to the Company reflects the repurchase of Treasury Stock totaling $2,531,200.

The foregoing table assumes no exercise of the Underwriters' over-allotment option and no exercise of stock options outstanding at August 31, 1996. As of August 31, 1996, there were options outstanding to purchase 681,414 shares of Common Stock at a weighted average exercise price of $4.16 per share and 1,591,973 shares reserved for future issuance under the Company's stock plans. To the extent any of these options are exercised, there will be further dilution to new investors. See "Management--Stock Plans" and Note 9 of Notes to Consolidated Financial Statements.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the Company's Consolidated Financial Statements and related Notes thereto, and with Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this Prospectus. The consolidated statement of income data set forth below for the period ended December 31, 1993, for the years ended December 31, 1994 and 1995 and for the six months ended June 30, 1996 and the consolidated balance sheet data at December 31, 1994 and 1995 and at June 30, 1996 are derived from, and are qualified by reference to, the Company's audited consolidated financial statements, included elsewhere in this Prospectus, which have been audited by

Price Waterhouse LLP, independent accountants. The consolidated balance sheet data at December 31, 1993 are derived from the Company's audited consolidated financial statements not included in this Prospectus. The consolidated statement of income data for the six months ended June 30, 1995 are derived from, and are qualified by reference to, the Company's unaudited consolidated financial statements included elsewhere in this Prospectus. The unaudited consolidated financial statements have been prepared by the Company on a basis consistent with the Company's audited financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations for such period. The operating results for the six months ended June 30, 1996 are not necessarily indicative of the results to be expected for any other interim period or any other future fiscal year.

<TABLE>
<CAPTION>

	PERIOD FROM JULY 9, 1993 (INCEPTION) THROUGH DECEMBER 31,	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1993	1994	1995	1995	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENT OF INCOME DATA:					
Revenues:					
Systems	--	$ 5,037	$ 21,999	$ 11,015	$ 22,906
Services	--	116	1,203	562	1,448
Software development contract	$ 213	537	--	--	--
Total revenues	213	5,690	23,202	11,577	24,354
Costs of revenues:					
Systems	--	3,406	14,917	7,052	14,430
Services	--	176	1,641	549	1,816
Software development contract	112	304	--	--	--
Total costs of revenues	112	3,886	16,558	7,601	16,246
Gross profit	101	1,804	6,644	3,976	8,108
Operating expenses:					
Research and development	43	885	2,367	1,047	1,986
Selling and marketing	16	443	1,609	781	1,910
General and administrative	59	273	858	401	862
Total operating expenses	118	1,601	4,834	2,229	4,758
Income (loss) from operations	(17)	203	1,810	1,747	3,350
Interest income (expense), net	(1)	7	114	47	100
Income (loss) before income taxes	(18)	210	1,924	1,794	3,450
Provision for income taxes	--	55	713	665	1,328
Net income (loss)	$ (18)	$ 155	$ 1,211	$ 1,129	$ 2,122
Net income (loss) per share (1)	$ (.01)	$ .02	$ .11	$ .10	$ .18
Weighted average common shares and equivalent common shares outstanding (1)	2,632,400	9,331,940	11,507,420	11,833,660	11,514,850

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31,			JUNE 30,
	1993	1994	1995	1996

	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
CONSOLIDATED BALANCE SHEET DATA:				
Working capital	$ 90	$ 154	$ 3,493	$ 1,369
Total assets	228	3,494	13,595	23,857
Long-term liabilities	125	--	--	--
Deferred revenue	72	152	767	1,835
Total liabilities	246	2,977	8,644	18,476
Redeemable convertible preferred stock	--	--	4,008	4,008
Total stockholders' equity (deficit)	(18)	517	943	1,373

</TABLE>

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(1) For an explanation of the determination of the number of shares used in computing net income (loss) per share see Note 2 of Notes to Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto included elsewhere in this Prospectus. The following discussion contains certain trend analysis and other statements of a forward-looking nature relating to future events or the future financial performance of the Company. Prospective investors are cautioned that such statements are only predictions and that actual results or events may differ materially. In evaluating such statements, prospective investors should specifically consider the risk factors set forth below and identified elsewhere in this Prospectus, particularly the matters set forth under the caption "Risk Factors," which could cause actual results to differ materially from those indicated by such forward-looking statements.

OVERVIEW

The Company shipped its first digital video insertion product, the SeaChange SPOT System, in the third quarter of 1994. Through June 30, 1996, substantially all of the Company's revenues were derived from the sale of SeaChange SPOT Systems and related services to cable television operators and telecommunications companies in the United States. Revenues from the sale of systems is recognized upon shipment provided that there are no uncertainties regarding customer acceptance and collection of the related receivable is probable. If uncertainties exist, such as performance criteria beyond the Company's standard terms and conditions, revenue is recognized upon customer acceptance. Installation and training revenue is deferred and recognized as these services are performed. Revenue from technical support and maintenance contracts is deferred and recognized ratably over the period of the related agreements, generally twelve months. Customers are billed for installation, training and maintenance at the time of the product sale and to date, the Company typically receives at least 50% of the total product and services sales price at the time of the placement of the purchase order.

The Company's business has been seasonal with more product orders being placed and greater revenues being generated in the first and second quarters than in the third and fourth quarters. The Company believes that this concentration of order placements in specific quarterly periods is due to customers' buying patterns and budgeting cycles in the cable television industry. Many television operators want new video insertion systems to be operational in the third and fourth calendar quarters in order to be able to respond to higher seasonal advertising demand from their customers in these periods. The Company expects that these patterns will continue and that, at least in the near future, the Company's revenues and results of operations will reflect these seasonal variations.

The Company first achieved profitability in the fourth quarter of 1994. The Company's profitability is significantly influenced by a number of factors, including the Company's pricing, the costs of materials used in the Company's products and the expansion of the Company's operations. The Company prices its products and services based on its costs as well as the prices of competitive products and services in the marketplace. Although the Company historically has not offered discounts or promotional prices for its products and services, in the third quarter of 1995, the Company decreased the selling price of its first generation digital video insertion system in anticipation of the introduction of the second generation system in January 1996. The price decrease had a negative effect on the Company's gross margin in the last six months of 1995 and the first six months of 1996. The costs of the Company's products primarily consist of the costs of components and subassemblies. The costs of such materials have generally declined over time. As a result of the expansion of the Company's operations, operating expenses of the Company have increased in the areas of research and development, selling and marketing, and customer service and support and related infrastructure. The Company anticipates the addition of personnel and related infrastructure as it seeks to increase revenue, develop new products, enter new markets and expand internationally.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the percentage of total revenues represented by certain items reflected in the Company's Consolidated Statement of Income. Gross profit shown for systems and services revenues at the bottom of the table is stated as a percentage of related revenues.

<TABLE>
<CAPTION>

	PERIOD FROM JULY 9, 1993 (INCEPTION) THROUGH DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1995	SIX MONTHS ENDED JUNE 30, 1996
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Systems	--	88.5 %	94.8 %	95.1 %	94.1%
Services	--	2.0	5.2	4.9	5.9
Software development contract	100.0 %	9.5	--	--	--
Total revenues	100.0	100.0	100.0	100.0	100.0
Cost of revenues:					
Systems	--	59.9	64.3	61.0	59.2
Services	--	3.1	7.1	4.7	7.5
Software development contract	52.4	5.3	--	--	--
Total costs of revenues	52.4	68.3	71.4	65.7	66.7
Gross profit	47.6	31.7	28.6	34.3	33.3
Operating expenses:					
Research and development	20.2	15.5	10.2	9.0	8.2
Selling and marketing	7.6	7.8	6.9	6.7	7.8
General and administrative	27.7	4.8	3.7	3.5	3.5
Total operating expenses	55.5	28.1	20.8	19.2	19.5
Income (loss) from operations	(7.9)	3.6	7.8	15.1	13.8
Interest income (expense), net	(.5)	.1	.5	.4	.4
Income (loss) before income taxes	(8.4)	3.7	8.3	15.5	14.2
Provision for income taxes	--	1.0	3.1	5.7	5.5
Net income (loss)	(8.4)%	2.7 %	5.2 %	9.8 %	8.7%
Gross profit:					
Systems	--	32.4 %	32.2 %	36.0 %	37.0%
Services	--	(52.0)	(36.4)	2.4	(25.4)

</TABLE>

Revenues

Systems. The Company's systems revenues consist of sales of its digital video insertion products. The Company had no systems revenues in the period ended December 31, 1993. The Company sold its first digital video insertion systems in the third quarter of 1994. Systems revenues increased 337% from $5.0 million in 1994 to $22.0 million in 1995, and increased 108% from $11.0 million for the six months ended June 30, 1995 to $22.9 million for the six months ended June 30, 1996. The increases in systems revenues resulted from the increase in the number of the Company's digital video insertion systems sold to television operators in the United States, partially offset in 1995 and the first six months of 1996 by the price reduction on first generation systems. The increased systems revenues in the first six months of 1996 reflect the Company's introduction of the second generation of its video insertion system, which significantly expanded the scalability and performance of the Company's digital video insertion products, and the subsequent increase in the number of systems sold.

For the years ended December 31, 1994 and 1995 and for the six months ended

June 30, 1996, sales to the Company's five largest customers represented approximately 94.7%, 90.9% and 75.1%, respectively, of the Company's total revenues. In each of 1994, 1995 and the six months ended June 30, 1996, four customers each

accounted for more than 10% of systems revenues, one of which accounted for more than 10% of the Company's revenues in each such period. The Company believes that revenues derived from current and future large customers will continue to represent a significant proportion of total revenues. See "Risk Factors--Significant Concentration of Customers" and "Business--Customers."

Services. The Company's services revenues consist of fees for installation, training, product maintenance and technical support services. The Company had no services revenues in the period ended December 31, 1993. Services revenues increased 936% from $116,000 in 1994 to $1.2 million in 1995, and increased 157% from $562,000 for the six months ended June 30, 1995 to $1.4 million for the six months ended June 30, 1996. These increases in services revenues primarily resulted from the increase in product sales and renewals of maintenance and support contracts related to the growing installed base of systems.

Software Development Contract. The Company's software development contract revenues consisted of revenues related to a software development contract between the Company and a computer hardware company. Such revenue was recognized pursuant to the related agreement as work was performed and defined milestones were attained. The Company recognized revenue of $213,000 and $537,000 for the period ended December 31, 1993 and for the year ended December 31, 1994, respectively. The costs associated with this contract during the period ended December 31, 1993 and the year ended December 31, 1994 were $112,000 and $304,000, respectively. The Company substantially completed its contract obligations in 1994.

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, testing and quality control of complete systems and related expenses. Costs of systems revenues increased 338% from $3.4 million in 1994 to $14.9 million in 1995, and 105% from $7.1 million for the six months ended June 30, 1995 to $14.4 million for the six months ended June 30, 1996. The increases in costs of systems revenues primarily reflect the overall growth in systems sales, partially offset by the change in product mix upon the introduction of the second generation video insertion product in January 1996 and the decreasing costs of components and subassemblies.

Systems gross margins were 32.4% of systems revenues in 1994 and 32.2% of systems revenues in 1995 and increased from 36.0% of systems revenues in the six months ended June 30, 1995, to 37.0% of systems revenues in the six months ended June 30, 1996. While the annual systems gross margins for 1994 and 1995 were fairly consistent, quarterly systems gross margins during 1995 fluctuated significantly. Systems gross margins for the first and second quarters were favorably impacted as a result of improved product design and of the Company achieving certain manufacturing efficiencies associated with the increased sales volume. Systems gross margins for the third and fourth quarters of 1995 were negatively impacted by the price reduction described above and thus were lower than the first two quarters of 1995. The increase in systems gross margins from the six months ended June 30, 1995 to the six months ended June 30, 1996 reflects design improvements in the second generation video insertion product as well as lower costs of certain purchased components and subassemblies.

Services. Costs of services revenues consist primarily of the costs of labor, materials and overhead relating to the installation, training, product maintenance and technical support services provided by the Company. Costs of services revenues increased 830% from $176,000 in 1994 to $1.6 million in 1995, and 231% from $549,000 for the six months ended June 30, 1995 to $1.8 million for the six months ended June 30, 1996. For the years ended December 31, 1994 and 1995 and the six month periods ended June 30, 1995 and 1996 costs of services revenues exceeded or approximately equalled services revenues, primarily as a result of the costs associated with the Company building a service organization to support the installed base of systems.

Operating Expenses

Research and Development. Research and development expenses consist primarily of compensation of development personnel, depreciation of equipment, and an allocation of related facility expenses. Research and development expenses increased from $43,000 for the period ended December 31, 1993 to $885,000 for 1994, 168% to $2.4 million in 1995, and 90% from $1.0 million for the six months ended June 30, 1995 to $2.0 million for the six months ended June 30, 1996. These increases were primarily attributable to the hiring of

additional development personnel. The Company anticipates that it will continue to devote substantial resources to its research and development efforts and that research and development expenses will increase in dollar amount for the remainder of 1996 and in 1997.

Selling and Marketing. Selling and marketing expenses consist primarily of compensation expenses, including sales commissions and travel expenses, and certain promotional expenses. Selling and marketing expenses increased from $16,000 for the period ended December 31, 1993 to $443,000 in 1994, 263% to $1.6 million in 1995, and 145% from $781,000 for the six months ended June 30, 1995 to $1.9 million for the six months ended June 30, 1996. These increases reflect the hiring of additional selling and marketing personnel, expanded promotional activities, and increased commissions relating to increased revenues. The Company expects that selling and marketing expenses will continue to increase in dollar amount as the Company hires additional personnel and expands selling and marketing activities for the remainder of 1996 and in 1997.

General and Administrative. General and administrative expenses consist primarily of compensation of executive, finance, human resource and administrative personnel, legal and accounting services as well as an allocation of related facility expenses. General and administrative expenses increased from $59,000 for the period ended December 31, 1993 to $273,000 for 1994, 214% to $858,000 in 1995, and 115% from $401,000 for the six months ended June 30, 1995 to $862,000 for the six months ended June 30, 1996. These increases were primarily due to increased staffing and associated expenses necessary to manage and support the expansion of the Company's operations. The Company believes that its general and administrative expenses will increase in dollar amount for the remainder of 1996 and in 1997 as a result of an expansion of the Company's administrative staff to support its growing operations and as a result of expenses associated with being a public company.

Provision for Income Taxes

The Company incurred a net loss and consequently recorded no federal or state income tax expenses for the period ended December 31, 1993. Net operating loss carryforwards resulting from this net loss were fully utilized in 1994 and, together with the effects of the research and development tax credit, resulted in an effective tax rate for 1994 of 26.2%. In 1995 and for the six months ended June 30, 1995, the Company recorded a tax provision for federal and state income taxes at an effective rate of 37.1%. In the period ended June 30, 1996, the Company recorded a provision for income taxes at an effective rate of 38.5%.

QUARTERLY RESULTS OF OPERATIONS

The following table presents certain unaudited quarterly information for the six quarters ended June 30, 1996 in dollars and as a percentage of the Company's revenues. Gross profit shown for systems and services revenues at the bottom of the table is stated as a percentage of related revenues. This information is derived from unaudited financial statements and has been prepared on the same basis as the Company's audited financial statements which appear elsewhere in this Prospectus. In the opinion of the Company's management, this data reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the information when read in conjunction with the Company's Consolidated Financial Statements and Notes thereto. The results for any quarter are not necessarily indicative of future quarterly results of operations, and the Company believes that period-to-period comparisons should not be relied upon as an indication of future performance.

<TABLE>
<CAPTION>

	QUARTER ENDED					
	MARCH 31, 1995	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995	MARCH 31, 1996	JUNE 30, 1996
	(IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED STATEMENT OF INCOME DATA:						
Revenues:						
Systems	$4,544	$6,471	$5,340	$5,644	$ 9,684	$13,222
Services	262	300	281	360	545	903
Total revenues	4,806	6,771	5,621	6,004	10,229	14,125
Costs of revenues:						
Systems	2,994	4,058	3,598	4,267	6,342	8,088
Services	213	336	480	612	729	1,087
Total costs of						

revenues.....	3,207	4,394	4,078	4,879	7,071	9,175
Gross profit.....	1,599	2,377	1,543	1,125	3,158	4,950
Operating expenses:						
Research and development.....	484	563	626	694	992	994
Selling and marketing..	295	486	356	472	755	1,155
General and administrative.....	208	193	234	223	294	568
Total operating expenses.....	987	1,242	1,216	1,389	2,041	2,717
Income (loss) from operations.....	612	1,135	327	(264)	1,117	2,233
Interest income (expense), net.....	29	18	11	56	48	52
Income (loss) before income taxes.....	641	1,153	338	(208)	1,165	2,285
Provision (benefit) for income taxes.....	237	428	125	(77)	446	882
Net income (loss).....	$ 404	$ 725	$ 213	$ (131)	$ 719	$ 1,403

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	AS A PERCENTAGE OF REVENUES					
	MARCH 31, 1995	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995	MARCH 31, 1996	JUNE 30, 1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues:						
Systems.....	94.5 %	95.6 %	95.0 %	94.0 %	94.7 %	93.6%
Services.....	5.5	4.4	5.0	6.0	5.3	6.4
Total revenues.....	100.0	100.0	100.0	100.0	100.0	100.0
Costs of revenues:						
Systems.....	62.3	59.9	64.0	71.1	62.0	57.3
Services.....	4.4	5.0	8.5	10.2	7.1	7.7
Total costs of revenues.....	66.7	64.9	72.5	81.3	69.1	65.0
Gross profit.....	33.3	35.1	27.5	18.7	30.9	35.0
Operating expenses:						
Research and development.....	10.1	8.3	11.2	11.5	9.7	7.0
Selling and marketing..	6.2	7.2	6.3	7.9	7.4	8.2
General and administrative.....	4.3	2.9	4.2	3.7	2.9	4.0
Total operating expenses.....	20.6	18.4	21.7	23.1	20.0	19.2
Income (loss) from operations.....	12.7	16.7	5.8	(4.4)	10.9	15.8
Interest income (expense), net.....	.6	.3	.2	.9	.5	.4
Income (loss) before income taxes.....	13.3	17.0	6.0	(3.5)	11.4	16.2
Provision (benefit) for income taxes.....	4.9	6.3	2.2	(1.3)	4.4	6.2
Net income (loss).....	8.4 %	10.7 %	3.8 %	(2.2)%	7.0 %	10.0%
Gross profit:						
Systems.....	34.1 %	37.3 %	32.6 %	24.4 %	34.5 %	38.8%
Services.....	18.8	(11.9)	(71.1)	(70.0)	(33.7)	(20.5)

</TABLE>

The Company has experienced significant variations in revenues, expenses and operating results from quarter to quarter and such variations are likely to continue. A significant portion of the Company's revenues have been generated from a limited number of customers and it is difficult to predict the timing of future orders and shipments to these and other customers. Customers can cancel or reschedule shipments, and development or production difficulties could delay shipments. See "Business--Customers."

The Company has also experienced significant variations in its quarterly gross margins. In the third quarter of 1995, the Company decreased the selling price of its first generation SeaChange SPOT digital video insertion system in anticipation of the introduction of the second generation system in January 1996. This price reduction had a negative impact on the Company's systems gross margins in the last two quarters of 1995 and the first quarter of 1996. Quarterly services gross margins have historically fluctuated significantly since services revenue is recognized upon the completion of installation and training services, the timing of which may vary, while the related costs are incurred and recognized ratably.

Operating expenses also vary with the number, timing and significance of new product and product enhancement introductions by the Company and its competitors, increased competition, changes in pricing policies by the Company or its competitors, the gain or loss of significant customers, the hiring of new personnel and general economic conditions. All of the above factors are difficult for the Company to forecast, and these or other factors may materially adversely effect the Company's business, financial condition and results of operations for one quarter or a series of quarters. Only a small portion of the Company's expenses vary with revenues in the short-term and there would likely be a material adverse effect on the operating results of the Company if revenues are lower than expectations.

Based upon all of the foregoing, the Company believes that quarterly revenues and operating results are likely to vary significantly in the future and that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. See "Risk Factors--Fluctuations in Quarterly Operating Results" and "--Seasonality."

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company has funded its operations primarily through cash provided by operations and the private sale of equity securities.

Net cash provided by operating activities was $90,000, $618,000, and $2.8 million for the period ended December 31, 1993, and the years ended December 31, 1994 and 1995, respectively. The increase in 1994 was primarily the result of an increase in customer deposits, which represent advance payments from customers. Cash flows related to customer deposits are dependent upon the timing, volume and size of customer orders. The increase in 1995 was primarily attributable to the increased profitability of the Company's operations, and increases in accounts payable and accrued expenses, partially offset by increases in accounts receivable, related to the increase in overall product revenues, and increased inventory procurement, in anticipation of the introduction of the Company's second generation digital video insertion system in early 1996. Net cash provided by operating activities for the six month periods ended June 30, 1995 and 1996 increased from $265,000 to $905,000. The increase is primarily the result of the increased profitability of the Company's operations together with an increase in accounts payable and customer deposits partially offset by increases in accounts receivable and inventories.

The Company's investing activities used net cash of $14,000, $207,000 and $659,000 in the period ended December 31, 1993, and the years ended December 31, 1994 and 1995, respectively, and $245,000 and $1.1 million for the six months ended June 30, 1995 and 1996, respectively. The principal uses of cash have been for capital expenditures related to the acquisition of computer equipment, office furniture and other capital equipment required to support the expansion and growth of the business. In addition, in June 1996 the Company paid $450,000 for a software license related to software to be sublicensed to customers.

The Company's financing activities provided net cash of $133,000, $251,000 and $3.2 million in the period ended December 31, 1993, and the years ended December 31, 1994 and 1995, respectively, primarily through proceeds from the private sale of equity securities. In 1995, the cash provided by financing activities included $4.0 million received in connection with the issuance of the Series B Convertible Preferred Stock, partially offset by a $795,000 cash outlay related to loans to stockholders. For the six months ended June 30, 1996, cash used in financing activities totaled $1.7 million consisting of the repurchase of shares of the Company's Common Stock and Series A Convertible Preferred Stock from certain employees and directors of the Company, net of the repayment of loans to stockholders.

The Company's future capital requirements will depend on many factors, including revenue growth, the timing and extent of spending to support development efforts, the timing of new product introductions and enhancements to existing products, and market acceptance of the Company's products. There can be no assurance that additional equity or debt financing, if required, will be available at acceptable terms, or at all.

At June 30, 1996 the Company's principal sources of liquidity included $4.2

million of cash and cash equivalents and working capital of approximately $1.4 million. The Company believes that the net proceeds of this offering, together with available funds and cash generated from operations will be sufficient to meet the Company's cash requirements for at least the next twelve months. The Company has signed a commitment letter and is negotiating definitive documents in connection with a $6.0 million revolving line of credit and a $1.5 million equipment line of credit.

BUSINESS

SeaChange is a leading provider of software-based products to manage, store and distribute digital video for cable television operators and telecommunications companies. The Company's products utilize its proprietary distributed application software and standard industry components to automate the management and distribution of short- and long-form video streams including advertisements, movies, news updates and other video programming requiring precise, accurate and continuous execution. The Company's digital video products are designed to provide higher image quality and to be more reliable, easier to use and less expensive than analog tape-based systems. In addition, SeaChange's products enable its customers to increase revenues by offering more targeted services such as geography-specific spot advertising and Video-On-Demand movies.

SeaChange's products address a number of specific markets. The SeaChange SPOT System is the leading digital advertisement and other short-form video insertion system for the multichannel television market. The SeaChange SPOT System encodes analog video forms such as commercials and news updates, stores them in remote or local digital libraries, and inserts them automatically into television network streams. The SPOT System provides high run-rate accuracy and video image quality, permits geographic and demographic specificity of advertisements and reduces operating costs. The Company has recently introduced the SeaChange Movie System, which provides long-form video storage and delivery for the Video-On-Demand market and is developing the SeaChange Programming System, a long-form video storage and delivery product for cable television operators and telecommunications companies. The SeaChange Media Management Software operates in conjunction with the SeaChange SPOT System to automate and simplify complex sales, scheduling and billing processes for the multichannel television market. The Company also sells its Video Server 100, which is designed to store and distribute video streams of various lengths, and MediaCluster, SeaChange's proprietary software technology that enables multiple Video Server 100s to operate together as an integrated video server, to systems integrators and value added resellers ("VARs"). In addition, the Company is developing digital play-to-air systems for the broadcast television industry.

The Company's products are installed in over 100 geographic markets in the United States and 10 internationally. The Company's customers include Comcast Corporation, Continental Cablevision, NYNEX Video Services Operations Company, Pacific Telesis Video Services, Tele-Communications, Inc., TELEWEST Communications Group plc, Time Warner, Inc. and U S WEST, Inc.

INDUSTRY BACKGROUND

Television operators, the largest users of professional quality video, historically have relied on analog technology for the storage and distribution of video streams. Analog systems, which use video tapes as the primary mechanism for the storage and distribution of video, have substantial limitations. Analog tapes and their associated playback mechanisms are subject to mechanical failure and generational loss of video quality. Analog tape-based systems also require significant manual intervention, which makes them expensive and cumbersome to operate and also limits their flexibility for programming changes. Finally, analog tapes are bulky and have limited storage capacity.

Over the past decade, the limitations of analog tape-based systems have become increasingly apparent. Changes in government regulation and increased competition have forced television operators to seek new revenue sources and reduce costs. In addition, television operators are increasingly seeking to offer new and enhanced video services while simultaneously improving the efficiency of their operations. While analog tape-based systems are sufficient for some traditional applications, they do not meet the performance and cost requirements of these new, targeted applications.

Cable Television Operators & Telecommunications Companies

According to industry sources, there are over 11,000 cable systems currently in the United States, serving approximately 64 million households. In 1995, 57.3% of all cable systems provided between 30 and 53 channels

of programming as compared to 35.9% in 1985. Because cable television programming is sent over broadband lines, operators can segment and target

their programming to viewers in selected geographies. In addition, the continuing growth in cable television's multiple specialized programming networks, such as CNN, MTV and ESPN and newer networks such as Black Entertainment Television, the Discovery Channel and Nickelodeon, allow advertisers to target viewers in selected demographic profiles.

Despite this advantage over television broadcasters, cable television operators historically have not realized advertising revenues in proportion to their share of television viewers. According to industry sources, in 1995, 36% of all television viewers were watching cable networks, yet cable television advertising revenue accounted for only 16% of the total television advertising revenue. In addition, advertising represents the major source of revenue for television broadcasters, while most cable television operators derive less than 5% of their gross revenue from advertising. The limitations of analog tape-based technology are a major factor which has prevented cable television operators from historically exploiting their advantages over television broadcasters. Analog systems are difficult to manage in multichannel and multi-zone environments, resulting in relatively poor video insertion accuracy and high operating costs.

Video-On-Demand represents another new opportunity for cable television operators. Industry sources project that the Video-On-Demand market will generate approximately $1.8 billion in revenues for cable television operators in 1999. Increased channel capacity through the installation of fiber optic cables is providing many cable television operators with the capacity to offer Video-On-Demand programming capability to hotels and apartments. However, these complex applications which demand reliable, rapid and cost-effective management and operation are not as practical or feasible with existing analog technology.

The recent deregulation of the United States telecommunications industry has lowered the legal barriers to entry for telecommunications companies to enter the multichannel video delivery market. Telecommunications companies are attempting to capitalize on the new growth opportunities by acquiring existing cable television operators and by leveraging their existing telephony networks to establish new multichannel video delivery operations. Industry sources estimate that to date, telecommunications companies have invested approximately $3 billion in non-telephony video applications. However, telecommunications companies face the same limitations as cable television operators in cost-effectively offering targeted, value-added services with analog tape-based systems.

Increased demand for video and audio content over the Internet will require a substantial increase in storage capacity and bandwidth over time. The Company believes that cable television operators and telecommunications companies will play an integral role in providing these broadband Internet applications. The Company also believes that in order to offer high quality video applications over the Internet, cable television operators and telecommunications companies will need storage and distribution products capable of complex management and scheduling of video data streams.

Television Broadcasters

The more than 1,500 broadcast stations in the United States, including network affiliates and independent stations, face many of the same technological issues as cable television operators. Additionally, television broadcasters rely on advertising for nearly all of their revenue and require high advertisement run-rate reliability and image quality. To date, television broadcasters have utilized tape-based systems with robotic libraries, which are cumbersome and require high levels of maintenance and manual intervention to ensure that the needed performance requirements are met. Also, the video tapes in these systems need to be replaced frequently due to repeated use.

In addition, many broadcasters are contemplating the use of the cable infrastructure for the delivery of geography-specific advertising. These broadcasters will insert targeted advertising into their television signals and distribute them directly, often via microwave, to cable operators' distribution sites. If this application develops, television operators will require video storage and delivery systems that can effectively manage and deliver multiple television signals to targeted markets.

Initial Digital Video Products

Over the past five years, several companies have introduced digital video products aimed at addressing the limitations of analog tape-based systems. These products generally have been expensive, not scalable, difficult to program and have poor video quality. In addition, many initial digital video products have required users to integrate several components from different vendors to create a complete solution, which is time consuming, technologically difficult and often results in poor system performance.

THE SEACHANGE SOLUTION

SeaChange develops, markets and supports software-based digital video solutions designed to enhance its customers' ability to store, retrieve, manage and distribute short- and long-form video streams, including advertisements, movies, news updates and other video programming requiring precise, accurate and continuous execution. The Company's solutions are based on five core areas of functionality: (i) real-time conversion of analog video into digital video format; (ii) storage and retrieval of video content to and from digital libraries; (iii) scheduled distribution of video streams between digital libraries via local and wide area data networks; (iv) delivery of video streams over single and multiple channels; and (v) management of video sales, scheduling, billing and execution of related business transactions.

SeaChange uses these core capabilities to provide solutions to a number of commercial markets. The Company's products are designed to provide a consistent set of features and benefits, including:

Viewer Targeting. The Company's digital video products enable television operators to efficiently target viewers in specific demographic or geographic groups. The ability to target selected viewers enables television operators to increase revenues by offering more targeted services. The SeaChange SPOT System offers this capability to television operators, while the SeaChange Movie System makes it possible for television operators to offer Video-On-Demand movies to individual hotel rooms or apartments.

Cost Reduction. The Company's products are designed to provide its customers operating cost reductions as compared to analog tape-based systems due to, among other things, the elimination of video tapes and their storage and lower operating personnel requirements. The Company is also able to price its products on a competitive basis by using standard operating systems and components. The Company believes that the combination of competitive pricing of its products and reductions in the operating costs of its customers results in attractive pay-back periods on customers' initial capital outlay for the Company's products.

Scalability. The Company's products are scalable to the needs of a particular cable television operator or television broadcaster whether operating in a single channel system concentrated in one specific zone or a system with hundreds of channels serving multiple zones and markets. Moreover, the Company's proprietary storage technology enables the scalability of storage of digital video from a few minutes to hundreds of hours of video.

Reliability. The Company's products eliminate the need for traditional mechanical tape-based systems, thereby reducing the likelihood of breakdowns. Furthermore, through the use of redundant components and proprietary storage technology and application software, SeaChange's products are designed to be fault resilient, providing the high reliability required for television operations.

Scheduling Flexibility. The digitizing and storage of video streams allows advertisements, news updates and movies to be inserted on channels in local communities and allows cable television operators to insert or delete video content rapidly. This flexibility enables the provision of services such as Video-On-Demand movies and provides advertisers and television broadcasters the opportunity to insert new video content on short notice.

Video Image Quality. Because digital video streams do not degrade with playback, image content and quality remain at the original professional level even after multiple airings.

Ease of Use. The Company's products are simple to learn, require less maintenance, and are less personnel intensive than analog systems. Due to their innovative architecture, the Company's products offer a number of features that simplify their use, including remote monitoring and service and automated short- and long-form video distribution.

STRATEGY

SeaChange's objective is to be a leader in the emerging market for the storage, management and distribution of professional quality digital video. The key elements of the Company's strategy are to:

Develop Long-Term Customer Relationships. The Company is focusing its product development, marketing and direct sales efforts on developing long-term customer relationships with cable television operators, telecommunications companies and television broadcasters in the United States and, more recently, internationally. The Company has formed its customer relationships by providing software- based digital video solutions to address customers' immediate problems, such as advertisement and other short-form video insertion. The Company intends to continue to leverage its customer relationships to offer new, compatible products to meet evolving market needs, such as Video-On-Demand programming. The Company believes

that the fundamental shift from analog to digital video and the growing emphasis on interactive technologies will continue to present opportunities for the Company to develop, market and support its products to both its existing customer base and to customers in additional markets.

Offer Complete Solutions. SeaChange's customers operate complex networks that require the delivery and management of video programming across multiple channels and target zones. SeaChange believes television operators desire complete solutions that integrate all steps of digital video delivery from scheduling to post-air verification and billing. To address these needs, SeaChange provides integrated applications and support services which are more valuable to customers than individual functional products not specifically designed to work together. The Company believes that providing complete solutions has been a significant factor in its success and will be an increasingly important competitive advantage.

Establish and Maintain Technological Leadership Through Software. SeaChange believes its competitive position is dependent in large part on the features and performance of its application and network and storage software. As a result, the Company focuses a majority of its research and development efforts on introducing new software applications and improving its current software. The Company seeks to use standard hardware components wherever possible to maintain its focus on software development.

Provide Superior Customer Service and Support. The Company's products operate in environments where continuous operation is critical. As a result, the Company believes that providing a high level of service and support gives it a competitive advantage and is a differentiating factor in developing key customer relationships. The Company's in-depth industry and application knowledge allows it to better understand the service needs of its customers. As of June 30, 1996, more than 25% of the Company's employees were dedicated to customer service and support, including project design and implementation, installation and training. In addition, using remote diagnostic and communications features embedded in the Company's products, the service organization has the ability to monitor the performance of customer installations and, in most cases, rectify problems remotely. Customers have access to service personnel via 24-hour, seven-day a week telephone support.

PRODUCTS

SeaChange develops digital video products and related applications for the television industry. Its products are marketed to cable television operators, telecommunication companies, television broadcasters, systems integrators and VARs.

SeaChange SPOT System

The SeaChange SPOT System automates the complex process of advertisement and other video insertion across multiple channels and geographic zones for cable television operators and telecommunications companies. Through its proprietary software, the SeaChange SPOT System allows cable television operators to insert local and regional advertisements and other short-form video streams into the time allocated for these video streams by cable television networks such as CNN, MTV, ESPN, Black Entertainment Television, the Discovery Channel and Nickelodeon.

The SeaChange SPOT System is an integrated solution composed of software applications, hardware platforms, data networks and easy to use graphical interfaces. The SeaChange SPOT System is designed to be installed at local cable transmission sites, known as headends, and advertising sales business offices. The SeaChange video insertion process consists of six steps:

Encoding: The process begins with the SeaChange Encoding Station, which is based on SeaChange's proprietary encoding software, where analog-based short- and long-form video is digitized and compressed in real-time using standard MPEG-2 hardware.

Storage: Digital video is then stored in a disk-based video library, capable of storing thousands of spots, where the SeaChange SPOT System organizes, manages and stores these video streams.

Scheduling: SeaChange's scheduling and management software coordinates with the traffic and billing application to determine the designated time slot, channel and geographic zone for each video stream.

Distribution: SeaChange's strategic digital video software then copies the video streams from the master video library and distributes them over the operator's data network to headends, where they are stored in video servers for future play.

Insertion: Following a network cue, the SeaChange video switch module

automatically initiates the conversion of video streams to analog and inserts them into the network feed, where they are then seen by television viewers.

Verification:
After the video streams run, SeaChange's proprietary software and hardware verifies the content, accuracy, timing and placement of such video streams to facilitate proper customer billing.

[A GRAPHIC REPRESENTATION OF THE SEACHANGE SPOT SYSTEM VIDEO INSERTION PROCESS APPEARS HERE]

SeaChange has developed two additional product offerings, the SeaChange Small Market Self-Contained System and the SeaChange Small Market Remote System, that are based on the SPOT System and target smaller cable television markets. The SeaChange Small Market Self-Contained System is ideal for small markets operating out of a single headend. The SeaChange Small Market Remote System best suits customers who serve markets where a number of small remote headends will be served from a single advertising sales operation. As the needs of Small Market Systems customers change, the systems can be upgraded to full SeaChange SPOT Systems.

The SeaChange SPOT System and Small Market Systems permit cable television operators to monitor and control the entire advertisement delivery process, regardless of the number of advertisements, network channels or distributed geographic locations. Additionally, SeaChange has designed its systems with remote management and diagnostic capabilities that allow problems, in most cases, to be diagnosed and rectified using data networks without having to travel to the customer's location. The selling price for a base SeaChange SPOT System is approximately $250,000; to date, the largest single sale of a SeaChange SPOT System was $2.5 million. To date, the Company has sold the SeaChange Small Market Self-Contained System to one customer at a sales price of $228,000. The Company introduced the SeaChange Small Market Remote System in June 1996 and to date, the Company has not sold any such systems.

SeaChange Media Management Software

The SeaChange Media Management Software is based on software the Company has licensed from a third party and is designed to permit television operators to manage advertising sales, scheduling, packaging and billing operations. This product provides advertising sales executives with: (i) management performance reports; (ii) inventory tracking; and (iii) order entry, billing and accounts receivable management. Media Management Software can be integrated with the SeaChange SPOT System and is also compatible with many other advertisement insertion systems currently in use. The Company introduced the SeaChange Media Management Software in the second quarter of 1996 and, to date, has sold Media Management Software to one customer for use at multiple sites at a selling price of approximately $500,000.

Long-Form Video Products

SeaChange is developing and marketing two products for the management and delivery of long-form video content for cable television operators and telecommunications companies.

SeaChange Movie System. SeaChange has developed a new product, the SeaChange Movie System, which is a platform for the storage and delivery of long-form video streams, particularly movies. SeaChange has worked together with IPC Interactive ("IPC"), a provider of Video-On-Demand systems, to integrate IPC's Guestnet system and its related movie programming with the SeaChange Movie System. The integrated system is designed to permit viewers in hotels and apartments to choose particular movies on demand and also offers a variety of ancillary programming services, such as local programming and advertisements. The Company and IPC are currently negotiating joint marketing rights to the integrated system. It is anticipated that SeaChange will be marketing the SeaChange Movie System featuring the Guestnet movie programming to cable television operators, acting as a sales representative for the IPC portion of the system. IPC would also be entitled to market this product, acting as a dealer or sales representative for the SeaChange portion of the system. The cable television operators will then package full scale Video-On-Demand systems for hotels and apartments.

The integrated system will consist of user interfaces and application

hardware and software, including set- top boxes and remote control devices, provided by IPC and SeaChange's Video Server 100 technology and software architecture for the delivery and storage of movies. The video servers will be installed at the cable headend and the video will be delivered over a dedicated fiber-optic line. The integrated system is designed to provide cable television operators with a new source of revenue and a competitive advantage over the encroaching services of direct broadcast satellite companies. The integrated system is currently being installed

for one customer and the Company expects to begin marketing the SeaChange Movie System featuring the Guestnet movie programming shortly after an agreement with IPC is reached. There can be no assurance, however, that the Company and IPC will reach agreement on a joint arrangement and failure to do so would delay the Company's marketing of the SeaChange Movie System.

In addition, the SeaChange Movie System may be used by television operators to provide Near-Video-On-Demand. Near-Video-On-Demand movies are presented at regular intervals, such as every half-hour, and viewers can order and begin watching a movie at a time convenient to them. The Company has begun marketing the Seachange Movie System to television operators for Near-Video-On-Demand and has sold one system to a customer at a sales price of approximately $650,000.

SeaChange Programming System. The SeaChange Programming System, which employs the same underlying technology and basic functionality of the SeaChange SPOT System, is designed to be a platform for the delivery of long-form video streams in a multichannel environment. The SeaChange Programming System is designed to permit television operators to store, manage and distribute long-form video streams, such as movies, infomercials, and other local origination programming. The SeaChange Programming System is designed to provide for the storage of up to a terabyte of digital video (approximately 250 feature length movies on-line), which is expected to accommodate most current customer applications. Its proprietary software applications are designed to enable television operators to easily schedule and manage the automated delivery of movies, infomercials and other local programming.

The SeaChange Programming System is designed to have a number of advantages over traditional analog tape-based systems. It is designed to provide a high level of scheduling control to reduce personnel needs and improve scheduling flexibility. By sharing common functions with the SeaChange SPOT System such as encoding, scheduling, storage libraries and networks, the SeaChange Programming System is designed to leverage a customer's existing investment in SeaChange products. The Company intends to sell the SeaChange Programming System in 1997.

Broadcast Television Products

SeaChange plans to introduce two offerings to the television broadcast market in 1997.

SeaChange Extensible Disk Play-to-Air System. The SeaChange Extensible Disk Play-to-Air System is designed to provide high quality, MPEG-2 based video storage and playback for use with automation systems in broadcast television stations. This product is intended to replace on-air tape decks used to store and play back advertising from video tape cart systems and, in some cases, to replace the cart systems themselves. The SeaChange Extensible Disk Play-to-Air System is designed for customers in larger broadcast television markets which use station automation systems.

The SeaChange Extensible Disk Play-to-Air System is designed to simultaneously record, encode, store to a disk and play video content, using industry standard MPEG-2 compression. This product is designed to seamlessly integrate into television broadcasters' current tape-based operations and meet the high performance requirements of television broadcasters.

SeaChange Commercial Playback System. The SeaChange Commercial Playback System is designed to store, manage and distribute advertisements and other short-form video streams for broadcast stations where broadcast automation systems are not widely deployed. This product is designed to have the same functionality and features of the SeaChange SPOT System but is designed to be tailored for the high performance requirements of the broadcast television environment.

The SeaChange Commercial Playback System is designed to encode advertisements and other short-form video streams from video tape, interface with sales and billing systems for scheduling and verification, and store and manage large libraries of short-form video streams. The Company believes that the SeaChange Commercial Playback System will often be a first step toward automation for many television broadcasters.

OEM Products

The Company currently markets two original equipment manufacturer ("OEM") products.

Video Server 100. The Video Server 100, which is the Company's second generation video server, is designed to store and distribute video streams of various lengths. The Video Server 100 provides the base technology for all of SeaChange's digital video products and is offered to systems integrators and VARs as a platform for the storage and delivery of video in a wide range of applications. Such video applications include library content management, the training of corporate employees and satellite delivery.

The Video Server 100 provides custom power and packaging and software for use in professional video applications. It has features such as RAID and redundant power supply to ensure the continuous uninterrupted airing of video. The Video Server 100 uses industry standard components, which differentiates it from various video servers based on proprietary processors and specialized hardware components and operating systems. The OEM list price of the Video Server 100 is $32,000.

MediaCluster. The MediaCluster is SeaChange's proprietary software technology that enables multiple Video Server 100s to operate together as an integrated video server. While the Video Server 100 is the base technology for short-form video applications, the MediaCluster serves as the base technology for long-form video applications.

Through its software architecture, the MediaCluster can join multiple Video Server 100s to support large- scale applications by storing large amounts of video data and delivering multiple video streams, with no single point of failure in the system. The Company currently has a patent application pending for its MediaCluster technology. Although the MediaCluster software technology has been integrated into the SeaChange SPOT System and the SeaChange Movie System, the Company has not to date sold MediaCluster to any customer on a stand-alone basis. The Company is currently marketing the first generation of MediaCluster and plans to introduce a new version of MediaCluster in 1997.

The Company is in the process of establishing a subsidiary at its Greenville, New Hampshire location for the manufacture, development and OEM sale of the Video Server 100 and MediaCluster products. The Company expects that certain employees of the Company or the subsidiary will acquire up to a 20% interest over time in the subsidiary and that the Company will own the remaining 80%. The Company intends that the subsidiary will license the necessary technology from the Company and will manufacture these products on a contract basis for the Company. The subsidiary will have the right to sell these products to OEM customers that do not compete with the Company. The Company intends to provide administrative and management services and, at least initially, selling and marketing and support services, to the subsidiary on a negotiated fee basis. It is expected that the subsidiary will conduct research and development on video server-based products, including the Video Server 100 and MediaCluster products, and will license all developments to the Company on a royalty-free basis. It is intended that after three years, the Company will have the right, but not the obligation, to acquire the 20% interest from the employees at fair market value.

CUSTOMER SERVICE AND SUPPORT

The Company installs, maintains and supports its products in the United States and Canada. Annual maintenance contracts are generally required for the first year of a customer's use of the Company's products and customers are billed for the initial maintenance fee at the time of the placement of the purchase order. The maintenance contracts are renewable on an annual basis, and, as of August 31, 1996, all of the Company's customers have renewed such contracts annually. The Company also offers basic and advanced formal on-site training for customer employees at the time of product installation. For international customers, the Company's agents and distributors generally provide installation, maintenance and support to their customers.

The Company offers technical support to customers, agents and distributors on a 24-hour, seven-day a week basis. Support engineers are committed to providing a response to technical support calls within two hours. The Company's products are designed with remote diagnostic capabilities which permit the support engineers to immediately begin to diagnose any problems without having to travel to the customer's location, thereby reducing both response time and cost. When necessary, however, support engineers are dispatched to the customer's facility. The Company's commitment to service is evidenced by the fact that as of June 30, 1996 more than 25% of Company employees were providing customer service and support, including project design and implementation, installation and training.

CUSTOMERS

The Company currently sells its products primarily to cable television

operators and telecommunications companies. In addition, the Company is developing several products for television broadcasters. To date, the Company's customers include the following:

CABLE TELEVISION OPERATORS

- Adelphia Cable Communications
- Antietam Cable TV, Inc.
- Buckeye Cablevision, Inc.
- Cable Advertising Communications (Cable Adcom)
- Cable Advertising Network of Greater St. Louis, Inc.
- Cablevision Systems Corporation
- CAMA (Cable Advertising of Metro Atlanta)
- Central Oregon Cable Advertising, Inc.
- Charter Communications, Inc.
- Coaxial Communications
- Comcast Corporation
- Continental Cablevision
- Cox Communications, Inc.
- Dakota Cable Communications
- Indianapolis Interconnect
- Intermedia Partners
- Jones Intercable, Inc.
- Love Communications Company of Jackson
- Multimedia Cablevision, Inc.
- New York Interconnect
- Scripps-Howard Cable
- Southwest Florida Interconnect
- Tele-Communications, Inc. (TCI)
- Time Warner, Inc.
- TKR Cable Company

TELECOMMUNICATIONS COMPANIES

- Bell Atlantic Video Services
- GTE Corporation
- Lucent Technologies
- MCI Telecommunications Corporation
- NYNEX Video Services Operations Company
- Pacific Telesis Video Services
- TELEWEST Communications Group plc
- TELE-TV Systems
- U S WEST, Inc.

SYSTEMS INTEGRATORS AND VARS

- International Business Machines Corporation
- Roscor Corporation
- United Video Satellite Group

As of June 30, 1996, the Company had an installed base of more than 100 digital video insertion systems in the United States and 10 internationally. The following map illustrates installations of SeaChange SPOT Systems.

SEACHANGE SPOT SYSTEM INSTALLATIONS

[A GRAPHIC REPRESENTATION OF SEACHANGE SPOT SYSTEM INSTALLATIONS ON A MAP WITH SYMBOLS DESGINATING THE SITE OF EXISTING INSTALLED SYSTEMS APPEARS HERE]

The Company's customer base is highly concentrated among a limited number of large customers, primarily due to the fact that the cable and telecommunications industries in the United States are dominated by a limited number of large companies. A significant portion of the Company's revenues in any given fiscal period have been derived from substantial orders placed by these large organizations. In 1994 and 1995 and the first six months of 1996, revenues from the Company's five largest customers represented approximately 94.7%, 90.9% and 75.1%, respectively, of the Company's total revenues. Customers accounting for more than 10% of total revenues have consisted of Continental Cablevision, Cox Communications, Inc., Digital Equipment Corporation and Time Warner, Inc. in 1994; Continental Cablevision, Tele-Communications, Inc., Time Warner, Inc. and Cox Communications, Inc. in 1995; and Tele-Communications, Inc., Comcast Corporation, Time Warner, Inc. and U S WEST, Inc./CAMA (Cable Advertising of Metro Atlanta) in the first six months of 1996. The Company expects that it will continue to be dependent upon a limited number of customers for a significant portion of its revenues in future periods. As a result of this customer concentration, the Company's business, financial condition and results of operations could be materially adversely affected by the failure of anticipated orders to materialize and by deferrals or cancellations of orders as a result of changes in customer requirements or new product announcements or introductions. See "Risk Factors--Significant Concentration of Customers."

The Company does not believe that its backlog at any particular point in time is indicative of future revenue levels.

SELLING AND MARKETING

The Company sells and markets its products in the United States primarily through a direct field sales organization and internationally primarily through independent agents and distributors, complemented by a coordinated marketing effort of the Company's marketing group. Direct sales activities in the United States are conducted from the Company's Massachusetts headquarters and three field offices. The Company also markets certain of its products, namely the Video Server 100 and MediaCluster, to systems integrators and VARs. As of June 30, 1996, the Company's selling and marketing organization consisted of 10 people.

In light of the complexity of the Company's digital video products, the Company primarily employs a consultative direct sales process. Working closely with customers to understand and define their needs enables the Company to obtain better information regarding market requirements, enhance its expertise in its customers' industries, and more effectively and precisely convey to customers how the Company's solutions address the customer's specific needs. In addition to the direct sales process, customer references and visits by potential customers to sites where the Company's products are in place are often critical in the sales process.

The Company uses several marketing programs focused on the Company's targeted markets to support the sale and distribution of its products. The Company uses exhibitions at a limited number of prominent industry trade shows and conferences and presentations at technology seminars to promote awareness of the Company and its products. The Company also publishes technical articles in trade and technical journals and product promotional literature.

RESEARCH AND PRODUCT DEVELOPMENT

Management believes that the Company's success will depend to a substantial degree upon its ability to develop and introduce in a timely fashion new products and enhancements to its existing products that meet changing customer requirements in the Company's current and new markets. The Company has in the past made, and intends to continue to make, substantial investments in product and technological development. Through its direct sales process the Company monitors changing customer needs, changes in the marketplace and emerging industry standards, and is therefore better able to focus its research and development efforts to address such evolving industry requirements.

The Company's research and development expenditures totaled approximately $43,000, $885,000 and $2.4 million for the period ended December 31, 1993 and for the years ended December 31, 1994 and 1995, respectively, and approximately $2.0 million for the first six months of 1996. At June 30, 1996, 37 employees were engaged in research and product development. The Company believes that the experience of its product development personnel is an important factor in the Company's success. The Company performs its research and product development activities at its headquarters and in offices in Greenville, New Hampshire and Atlanta, Georgia. The Company has historically expensed its direct research and development costs as incurred.

The Company has a variety of new products being developed and tested, including long-form video products for cable television operators and telecommunications companies, digital play-to-air systems for television broadcasters and the next version of its MediaCluster software. There can be no assurance that the Company will be able to successfully develop and market such products, or to identify, develop, manufacture, market or support other new products or enhancements to its existing products successfully or on a timely basis, that new Company products will gain market acceptance, or that the Company will be able to respond effectively to product announcements by competitors or technological changes. See "Risk Factors--Risk of New Product Introductions."

MANUFACTURING

The Company's manufacturing operations are located at facilities in Acton, Massachusetts and in Greenville, New Hampshire. The manufacturing operations in Massachusetts consist primarily of component and subassembly procurement, system integration and final assembly, testing and quality control of the complete

systems. The Company's operations in New Hampshire consist primarily of component and subassembly procurement, video server integration and final assembly, testing and quality control of the video servers. The Company relies on independent contractors to manufacture components and subassemblies to the Company's specifications. Each of the Company's products undergoes testing and quality inspection at the final assembly stage.

The Company attempts to use standard parts and components available from multiple vendors. Certain components used in the Company's products, however, are currently purchased from a single source, including a computer chassis manufactured by Trimm Technologic Inc., a disk controller manufactured by Mylex Corporation, an MPEG-2 decoder card manufactured by Vela Research, Inc. and an MPEG-2 encoder manufactured by Optivision, Inc. While the Company believes that there are alternative suppliers available for the foregoing components, the Company believes that the procurement of such components from alternative suppliers would take anywhere from 45-120 days. There can be no assurance that such alternative components would be functionally equivalent or would be available on a timely basis or on similar terms. The Company purchases several other components from a single supplier, although the Company believes that alternative suppliers for such components are readily available on a timely basis. The Company generally purchases sole source or other components pursuant to purchase orders placed from time to time in the

ordinary course of business and has no written agreements or guaranteed supply arrangements with its sole source suppliers. The Company has experienced quality control problems and supply shortages for sole source components in the past and there can be no assurance that the Company will not experience significant quality control problems or supply shortages for these components in the future. The Company has begun to increase its inventory of these components. However, any interruption in the supply of such single source components could have a material adverse effect on the Company's business, financial condition and results of operations. Because of the Company's reliance on these vendors, the Company may also be subject to increases in component costs which could adversely affect the Company's business, financial condition and results of operations. See "Risk Factors--Dependence on Sole Source Suppliers and Third Party Manufacturers."

COMPETITION

The markets in which the Company competes are characterized by intense competition, with a large number of suppliers providing different types of products to different segments of the markets. The Company currently competes principally on the basis of: (i) the breadth of its products' features and benefits, including the ability to precisely target viewers in specific geographic or demographic groups, and the flexibility, scalability, professional quality, ease of use, reliability and cost effectiveness of its products; and (ii) the Company's reputation and the depth of its expertise, customer service and support. While the Company believes that it currently competes favorably overall with respect to these factors and that its ability to provide software-based solutions to manage, store and distribute digital video differentiates the Company from its competitors, there can be no assurance that the Company will be able to continue to compete successfully with respect to such factors.

In the digital advertisement insertion market, the Company generally competes with Channelmatic Inc., a subsidiary of Indenet Inc., Sony Corporation, Digital Equipment Corporation, Starnet Inc., Texscan Corporation, a subsidiary of TSX Corporation, and various suppliers of traditional analog tape-based systems. In the market for long-form video products, the Company competes against various computer companies offering video server platforms such as Hewlett-Packard Company, Digital Equipment Corporation, and Silicon Graphics, Inc., and more traditional movie application providers like The Ascent Entertainment Group, Panasonic Company, and Lodgenet Entertainment. In addition, the SeaChange Media Management Software competes against certain products of Columbine Cable Systems, Inc., Cable Computerized Management Systems, Inc., a subsidiary of Indenet Inc., CAM Systems, Inc., a subsidiary of Starnet Inc., Visiontel, Inc. and various suppliers of sales, scheduling and billing products. When the Company introduces a product for the television broadcast market, the Company expects to compete against Tektronix, Inc., BTS Inc., a division of Robert Bosch GMBH, Hewlett-Packard Company, Sony Corporation, Silicon Graphics, Inc., Sun Microsystems, Inc. and ASC Incorporated. The Company expects the competition in each of these markets to intensify.

Many of the Company's current and prospective competitors have significantly greater financial, technical, manufacturing, sales, marketing and other resources than the Company. As a result, these competitors may be able to devote greater resources to the development, promotion, sale and support of their products than the Company. Moreover, these companies may introduce additional products that are competitive with those of the Company or enter into strategic relationships to offer complete solutions, and there can be no assurance that the Company's products would compete effectively with such products.

Although the Company believes that it has certain technological and other advantages over its competitors, maintaining such advantages will require continued investment by the Company in research and development, selling and marketing and customer service and support. In addition, as the Company enters new markets, distribution channels, technical requirements and levels and bases of competition may be different than those in the Company's current markets. There can be no assurance that the Company will be able to compete successfully against either current or potential competitors in the future. See "Risk Factors--Highly Competitive Market."

PROPRIETARY RIGHTS

The Company's success and its ability to compete is dependent, in part, upon its proprietary technology. Although the Company has filed one patent application for its MediaCluster technology, it does not hold any issued patents and currently relies on a combination of contractual rights, trade secrets and copyright laws to establish and protect its proprietary rights in its products. There can be no assurance that a patent will be issued with respect to the pending application or that, if issued, the validity of such patent would be upheld. Nor can there be any assurance that the steps taken by the Company to protect its intellectual property will be adequate to prevent

misappropriation of its technology or that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technology. In addition, the laws of some foreign countries in which the Company's products are or may be distributed do not protect the Company's proprietary rights to the same extent as do the laws of the United States.

The Company is also subject to the risk of adverse claims and litigation alleging infringement of intellectual property rights of others. The Company attempts to ensure that its products do not infringe any existing proprietary rights of others. The Company received a letter in January 1996 stating that the Company's video insertion system may be utilizing technology patented by a third party. The Company did not respond to such letter and has received no further communication from the holder of these patents. The Company does not believe that its products infringe such patents. There can be no assurance that the holder of these patents or other third parties will not assert infringement claims against the Company in the future based on patents or trade secrets, or that any such claims will not be successful. The Company could incur substantial costs in defending itself and its customers against any such claims, regardless of the merits of such claims. Parties making such claims may be able to obtain injunctive or other equitable relief which could effectively block the Company's ability to sell its products in the United States and abroad, and could result in significant litigation costs and expenses or an award of substantial damages. In the event of a successful claim of infringement, the Company and its customers may be required to obtain one or more licenses from third parties or to develop alternative technologies. There can be no assurance that the Company or its customers could obtain necessary licenses from third parties at a reasonable cost or at all, or would be able to develop alternative technologies. The defense of any lawsuit could result in time consuming and expensive litigation, damages, license fees, royalty payments and restrictions on the Company's ability to sell its products, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. See "Risk Factors--Dependence on Proprietary Technology."

The SeaChange Media Management Software is based on software the Company licensed from Summit Software Systems, Inc. of Boulder, Colorado in May 1996. The Company has been granted a perpetual, nonexclusive license to such software in return for the payment of an up-front license fee and royalties for sales occurring prior to June 1998.

EMPLOYEES

As of June 30, 1996, the Company employed 95 persons, including 37 in research and development, 26 in customer service and support, 10 in selling and marketing, 13 in manufacturing and 9 in finance and administration. None of the Company's employees is represented by a collective bargaining arrangement, and the Company believes that its relations with its employees are good.

The Company's success depends to a significant degree upon the continuing contributions of its key management, sales, professional services, customer support and product development personnel. The loss of any of the key management or technical personnel could have a material adverse effect on the Company. The Company believes that its future success will depend in large part upon its ability to attract and retain highly-skilled managerial, sales, professional services, customer support and product development personnel. The Company has at times experienced and continues to experience difficulty in recruiting qualified personnel. Competition for qualified personnel in the Company's industry is intense, and there can be no assurance that the Company will be successful in attracting and retaining such personnel. Failure to attract and retain key personnel could have a material adverse effect on the Company's business, financial condition and results of operations. See "Risk Factors--Dependence on Key Personnel."

FACILITIES

The Company's corporate headquarters, which is also its principal administrative, selling and marketing, customer service and support and product development facility, is located in Maynard, Massachusetts and consists of approximately 27,000 square feet under a lease which expires on March 31, 1998, with an annual base rent for 1996 of approximately $107,000. The Company plans to lease an additional 10,000 square feet in the same building beginning in January 1997 and to move its manufacturing facility, currently located in 4,800 square feet of leased space in Acton, Massachusetts, to such space. The Company leases a facility of approximately 9,000 square feet in Greenville, New Hampshire that is used for the development and final assembly of its video servers, and a facility of approximately 1,400 square feet in Atlanta, Georgia that is used for research and development. The Company also leases a small sales and support office in Burlingame, California. The Company believes its existing and planned facilities are adequate for its current needs and that suitable additional or substitute space will be available as needed.

LEGAL PROCEEDINGS

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. The Company believes that it is not currently involved in any legal proceedings the resolution of which, individually or in the aggregate, would have a material adverse effect on the Company's business, financial condition or results of operation.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and directors of the Company are as follows:

NAME	AGE	POSITION
William C. Styslinger, III.....	50	President, Chief Executive Officer, Chairman of the Board and Director
Edward J. McGrath.....	44	Vice President, Engineering, Chief Technical Officer, Secretary and Director
Edward J. Delaney, Jr.....	36	Vice President, Sales and Marketing
Thomas Franeta.....	41	Vice President, Business Development
Alan R. Lathrop	44	Vice President, Software Engineering
Bruce E. Mann.....	48	Vice President, Network Storage Engineering
Beat Marti.....	50	Vice President, Customer Services
Joseph S. Tibbetts, Jr.	43	Vice President, Finance and Administration, Chief Financial Officer and Treasurer
Martin R. Hoffmann (1)(2).....	64	Director
Paul H. Saunders (1)(2).....	41	Director
Carmine Vona (1)(2).....	58	Director

(1) Member of the Compensation and Option Committee
(2) Member of the Audit Committee

William C. Styslinger, III, a founder of the Company, has served as the President, Chief Executive Officer and a Director since the Company's inception in July 1993 and as Chairman of the Board since January 1995. Prior to forming the Company in 1993, Mr. Styslinger was employed at Digital Equipment Corporation since March 1978, most recently as manager of the Cable Television Business Unit from October 1991 to May 1993.

Edward J. McGrath, a founder of the Company, has served as Secretary since the Company's inception in July 1993, and as Vice President, Engineering, Chief Technical Officer and a Director since August 1993. Mr. McGrath served as the Treasurer of the Company from its inception to June 1996. Prior to forming the Company in 1993, Mr. McGrath was employed in various positions at Digital Equipment Corporation since November 1976, most recently as Director of Engineering of the Cable Television Business Unit from March 1992 to May 1993, and prior to that, from March 1989 to March 1992, as Group Manager--Silicon Systems Engineering.

Edward J. Delaney, Jr. joined the Company in February 1994 as Vice President, Sales and Marketing. Prior to joining the Company, Mr. Delaney spent 12 years with Digital Equipment Corporation in a variety of positions, including Marketing and Operations Manager for Digital's Cable Television Business Unit, marketing manager of media products for the Asia/Pacific region, executive assistant to the Vice President of United States sales, and sales manager.

Thomas Franeta has served as Vice President, Business Development of the Company since June 1996. Prior to that, Mr. Franeta served as Vice President--Eastern Region Sales from March 1994 to June 1996. Before joining the Company, from November 1981 to February 1994, Mr. Franeta held several management positions at Digital Equipment Corporation, most recently as a Corporate Account Manager in the Financial Industry Business.

Alan R. Lathrop joined the Company in October 1993 as Vice President, Software Engineering. Prior to joining the Company, Mr. Lathrop served as Technical Director for Logica North America, Northeast Division, a software consulting company, from January 1993 to October 1993. Prior to that, from August 1991 to January 1993, Mr. Lathrop was a Consulting Software Engineer at Digital Equipment Corporation.

Bruce E. Mann joined the Company in September 1994 as Vice President, Network Storage Engineering. Mr. Mann has been selected to be the President of

SeaChange Systems, the subsidiary the Company is in the process of establishing to develop and manufacture video server-based products. Prior to joining the Company, Mr. Mann served as Director of Network Technology at Ungermann- Bass, Inc., a subsidiary of Tandem Computers Inc., from March 1993 to September 1994. Prior to that, from September 1976 to March 1993 Mr. Mann was an engineer at Digital Equipment Corporation, most recently as Senior Consulting Engineer.

Beat Marti joined the Company in July 1994 as Vice President, Customer Services. Prior to joining the Company, Mr. Marti held various positions at Digital Equipment Corporation from January 1973 to July 1994, most recently as an engineering manager of various software development groups.

Joseph S. Tibbetts, Jr. joined the Company in June 1996 as Vice President, Finance and Administration, Chief Financial Officer and Treasurer. Prior to joining the Company, Mr. Tibbetts was employed in various positions by Price Waterhouse LLP from July 1976 to June 1996, most recently serving as Partner from July 1986 to June 1996 and the National Director of the Software Services Group from July 1989 to June 1996.

Martin R. Hoffmann has served as Director of the Company since January 1995. Mr. Hoffmann has served as Of Counsel to Skadden, Arps, Slate, Meagher & Flom since January 1996. From April 1995 to January 1996, Mr. Hoffmann maintained a law practice and business consulting practice. He was a Visiting Senior Fellow at the Center for Policy, Industry and Industrial Development at Massachusetts Institute of Technology from May 1993 to April 1995, prior to which, from April 1989, he served as Vice President and General Counsel for Digital Equipment Corporation. Mr. Hoffmann is a member of the Board of Directors of Castle Energy Corporation, an oil and gas refining and exploration company.

Paul H. Saunders has served as a Director of the Company since July 1995. Mr. Saunders has been the Chairman and Chief Executive Officer of James River Capital Corporation, a money management firm, from January 1995 to the present. Prior to that, Mr. Saunders was Managing Director of the Managed Futures Department at Kidder Peabody & Co. Incorporated from April 1983 to January 1995. Mr. Saunders is a director of Centaur, a company involved in the development and manufacturing of veterinary diagnostic and therapeutic healthcare products.

Carmine Vona has served as a Director of the Company since January 1995. Mr. Vona has been President and Chief Executive Officer of Vona Information Systems, a consulting firm, since June 1996. Prior to that Mr. Vona was Executive Vice President and Managing Director for worldwide technology at Bankers Trust Co. from November 1969 to June 1996. From August 1986 to June 1996 Mr. Vona was Chairman of BT-FSIS, a software development company and a wholly-owned subsidiary of Bankers Trust Co.

The Company's By-laws provide for the Company's Board of Directors to be comprised of as many directors as are designated from time to time by the Board of Directors or by the stockholders of the Company. The Board is currently comprised of five members. Each director holds office until his successor is duly elected and qualified, or until his earlier death, resignation or removal. Prior to this offering, the Company's stockholders approved an amendment and restatement of the Company's By-laws, as amended, to take effect upon the consummation of this offering, that includes a provision to establish a classified Board of Directors. See "Description of Capital Stock--Delaware Law and Certain Charter and By-Law Provisions; Anti-Takeover Effects."

Executive officers of the Company are appointed by, and serve at the discretion of, the Board of Directors, and serve until their successors have been duly elected and qualified. There are no family relationships among any of the executive officers or directors of the Company.

COMMITTEES OF THE BOARD OF DIRECTORS

In January 1995 the Board of Directors established a Compensation Committee, later renamed the Compensation and Option Committee, and an Audit Committee. The Compensation and Option Committee

makes recommendations concerning the salaries and incentive compensation of management and key employees of the Company and administers the Company's stock plans. The Audit Committee is responsible for reviewing the results and scope of audits and other services provided by the Company's independent accountants and reviewing the Company's internal controls.

DIRECTOR COMPENSATION

Following the consummation of this offering, non-employee directors will receive a fee of $1,000 for each meeting of the Board of Directors that they attend in person and will be reimbursed for their reasonable out-of- pocket expenses incurred in attending such meetings. No director who is an employee of the Company will receive separate compensation for services rendered as a

director. Non-employee directors are also eligible for participation in the Company's 1996 Non-Employee Director Stock Option Plan. See "Management--Stock Plans."

In June 1995 the Company sold 11,251 shares of Common Stock of the Company to each of Mr. Hoffmann and Mr. Vona, each a director of the Company, for a price of $.023 per share. In August 1995, the Company sold 5,625 shares of Common Stock of the Company to Mr. Saunders, a director of the Company, for a purchase price of $.50 per share.

EXECUTIVE COMPENSATION

The following Summary Compensation Table sets forth certain information with respect to the compensation paid to or accrued by the Company for services rendered during the year ended December 31, 1995 by the Company's Chief Executive Officer and each of the four other most highly compensated executive officers whose annual salary and bonus for the fiscal year ended December 31, 1995 exceeded $100,000 (collectively, the "Named Executive Officers"):

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

	ANNUAL COMPENSATION(2)	LONG- TERM COMPENSATION AWARDS(3)(4)
NAME AND PRINCIPAL POSITION(1)	SALARY	SECURITIES UNDERLYING OPTIONS (#)
<S>	<C>	<C>
William C. Styslinger, III President and Chief Executive Officer.....	$145,000	27,000
Edward J. McGrath Vice President, Engineering and Chief Technology Officer.....	124,978	18,000
Bruce E. Mann Vice President, Network Storage Engineering.....	121,348	--
Alan R. Lathrop Vice President, Software Engineering.....	121,000	5,250
Edward J. Delaney, Jr. Vice President, Sales and Marketing.....	109,375	15,000

</TABLE>

(1) Joseph S. Tibbetts, Jr. joined the Company as Vice President, Finance and Administration, Chief Financial Officer and Treasurer in June 1996. Mr. Tibbetts' annual base salary will be $200,000. In addition, in June 1996 the Company granted Mr. Tibbetts options to purchase 186,825 shares of Common Stock at an exercise price of $7.33 per share.

(2) The compensation described in this table does not include medical, group life insurance or other benefits received by the Named Executive Officers which are available generally to all salaried employees of the Company and certain perquisites and other personal benefits, securities or property received by the Named Executive Officers which do not exceed the lesser of $50,000 or 10% of any such officer's salary and bonus disclosed in this table.

(3) Represents stock options granted under the Company's 1995 Stock Option Plan. The Company did not grant any restricted stock awards or stock appreciation rights or make any long-term incentive plan payouts during 1995.

(4) The Company has sold stock subject to restrictions on vesting to the Named Executive Officers at a purchase price equal to the then fair market value of such stock. The number and value of all unvested stock holdings by each of the Named Executive Officers as of the year ended December 31, 1995 are as set forth below. Since there was no public trading market for the Common Stock as of December 31, 1995, the values of the unvested shares have been calculated on the basis of the fair market value of the Company's Common Stock at the end of 1995 ($4.195 per share), as determined by the Board of Directors. Mr. Styslinger--720,000 shares, $3,020,640; Mr. McGrath--720,000 shares, $3,020,640; Mr. Mann--270,000 shares, $1,132,740; Mr. Lathrop--450,000 shares, $1,887,900; and Mr. Delaney--960,000 shares, $4,027,520.

OPTION GRANTS

The following table sets forth certain information concerning grants of stock options made during the fiscal year ended December 31, 1995 to the Named Executive Officers. The Company did not grant any stock appreciation rights ("SARs") during the fiscal year ended December 31, 1995.

OPTION GRANTS IN LAST FISCAL YEAR

<TABLE>
<CAPTION>

	INDIVIDUAL GRANTS					
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(1)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(2)	EXERCISE PRICE PER SHARE(3)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(4) 5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
William C. Styslinger, III	27,000	8.3%	$1.36	10/20/00	$ 10,145	$ 22,418
Edward J. McGrath	18,000	5.5	1.36	10/20/00	6,763	14,945
Bruce E. Mann	--	--	--	--	--	--
Alan R. Lathrop	5,250	1.6	1.23	10/20/05	4,072	10,319
Edward J. Delaney, Jr.	15,000	4.6	1.36	10/20/00	5,636	12,454

</TABLE>

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(1) Options granted become exercisable at the rate of 20% after one year and an additional 5% after each subsequent quarter.

(2) Based on an aggregate of 327,114 shares subject to options granted to employees of the Company in 1995.

(3) The exercise price per share of the option granted to Mr. Lathrop was equal to the fair market value of the Common Stock on the date of grant, as determined by the Board of Directors, and the exercise price per share of the options granted to Messrs. Styslinger, McGrath and Delaney were equal to 110% of the fair market value of the Common Stock on the date of grant, as determined by the Board of Directors.

(4) Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. These gains are based on assumed rates of stock price appreciation of 5% and 10% compounded annually from the date the respective options were granted to their expiration date, and are not intended to forecast possible future appreciation, if any, in the price of the Company's Common Stock. The gains shown are net of the option exercise price, but do not include deductions for federal or state income taxes or other expenses associated with the exercise of the options or the sale of the underlying shares. The actual gains, if any, on the stock option exercises will depend on the future performance of the Common Stock, the optionholder's continued employment through the option period and the date on which the options are exercised.

YEAR-END OPTION TABLE

The following table sets forth certain information concerning the number and value of unexercised stock options held by each of the Named Executive Officers as of December 31, 1995. No SARs or stock options were exercised during the fiscal year ended December 31, 1995 by any Named Executive Officer.

AGGREGATED FISCAL YEAR-END OPTION VALUES

<TABLE>
<CAPTION>

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END(1)	
NAME	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>
William C. Styslinger, III	--	27,000	--	$76,554
Edward J. McGrath	--	18,000	--	51,036
Bruce E. Mann	--	--	--	--
Alan R. Lathrop	--	5,250	--	15,550
Edward J. Delaney, Jr.	--	15,000	--	42,530

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(1) There was no public trading market for the Common Stock as of December 31, 1995. Accordingly, as permitted by the rules of the Securities and Exchange Commission, these values have been calculated on the basis of the fair market value of the Company's Common Stock at the end of 1995 ($4.195 per share), as determined by the Board of Directors, less the applicable exercise price.

Certain executive officers of the Company hold certain of their shares of Common Stock pursuant to Stock Restriction Agreements, which generally provide

for five year annual vesting of such shares of Common Stock and acceleration of vesting upon the death of the stockholder. Upon the termination of the stockholder's business relationship with the Company, the Company has a right to repurchase the shares owned by the stockholder.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Prior to January 1995, the Company had no separate compensation or stock option committee or other board committee performing equivalent functions, and these functions were performed by the Company's Board of Directors. No stock options were granted prior to the formation of the Compensation and Option Committee of the Board of Directors.

STOCK PLANS

1995 Stock Option Plan. The Company's 1995 Stock Option Plan was adopted by the Board in September 1995 and approved by the Company's stockholders in October 1995. An Amended and Restated 1995 Stock Option Plan was adopted by the Board in September 1996 and approved by the Company's stockholders in September 1996 (the "1995 Plan"). Under the terms of the 1995 Plan, the Company is authorized to grant incentive ("ISO") and non- qualified stock options (collectively, "Stock Options") to employees, directors and officers of and consultants to the Company. The aggregate number of shares of Common Stock which may be issued pursuant to the Plan is 1,950,000.

The 1995 Plan is administered by the Compensation and Option Committee of the Board of Directors, which currently consists of three disinterested directors, Martin R. Hoffmann, Paul H. Saunders and Carmine Vona. Subject to the provisions of the 1995 Plan, the Compensation and Option Committee has the authority to select the optionees and determine the terms of the Stock Options granted under the 1995 Plan, including: (i) the number of shares subject to each Stock Option, (ii) when the Stock Option becomes exercisable, (iii) the exercise price of the Stock Option, which in the case of an ISO cannot be less than the fair market value of the Common

Stock as of the date of grant, or not less than 110% of the fair market value in the case of ISO's granted to an employee or officer holding 10% or more of the voting stock of the Company, (iv) the duration of the Stock Option and (v) the time, manner and form of payment upon exercise of a Stock Option. A Stock Option is not transferable by the recipient except by will or by the laws of descent and distribution or in the case of non-qualified stock options only to the extent set forth in the agreement relating to such option. Generally, no ISO may be exercised more than 90 days following termination of employment. However, in the event that termination is due to death or disability, the Stock Option is exercisable for a maximum of 180 days after such termination.

As of August 31, 1996, options to purchase a total of 671,289 shares of Common Stock at exercise prices ranging from $.50 to $9.33 per share (with a weighted average exercise price of $4.11 per share) were outstanding under the 1995 Plan (of which 37,727 options were then exercisable) and options for 6,617 shares of Common Stock had been exercised.

1996 Non-Employee Director Stock Option Plan. The 1996 Non-Employee Director Stock Option Plan (the "Director Option Plan") was adopted by the Board of Directors in June 1996 and approved by the Company's stockholders in June 1996. The Director Option Plan provides for the grant of options to purchase a maximum of 30,000 shares of Common Stock of the Company to non-employee directors of the Company.

The Director Option Plan is administered by the Compensation and Option Committee of the Board of Directors. Under the Director Option Plan, each director who is not an employee of the Company will receive upon the later of (i) the date of approval of the Plan by the Stockholders of the Company, (ii) the date of his or her initial election to the Board, or (iii) the date such person first becomes a non-employee director (the "Grant Date") an option to purchase 3,375 shares of Common Stock. Options granted under the Director Option Plan will vest as to 33 1/3% of the shares underlying the option immediately upon the date of the grant, and will vest as to an additional 8 1/3% of the shares underlying the option at the end of each of the next 8 quarters, provided that the optionee remains a director at the time of vesting of the installments. Each non-employee director will also receive, on each three-year anniversary of such director's Grant Date, an additional option to purchase 3,375 shares of Common Stock, vesting in accordance with the aforementioned schedule, provided that such director continues to serve on the Board of Directors at the time of grant. All options granted under the Director Option Plan have an exercise price equal to the fair market value of the Common Stock on the date of grant and a term of ten years from the date of grant. Options may not be transferred except by will or by the laws of descent and distribution or pursuant to a domestic relations order and generally are exercisable to the extent vested only while the optionee is serving as a director or within 90 days after the optionee ceases to serve as a director of the Company. However, if an optionee ceases to serve as a director of the Company due to death or disability, all of the director's options become fully

vested and are exercisable until the scheduled expiration date of the option. All unvested options granted under the Director Option Plan shall become fully exercisable in the event of any "Change in Control" of the Company, as defined in the Plan. An aggregate of 10,125 options have been granted to date under the Director Option Plan. On June 28, 1996 options for 3,375 shares were granted pursuant to the Director Option Plan to each of Messrs. Hoffmann, Saunders and Vona at an exercise price of $7.33 per share.

1996 Employee Stock Purchase Plan. The 1996 Employee Stock Purchase Plan (the "1996 Purchase Plan") was adopted by the Board of Directors in September 1996 and approved by the Company's stockholders in September 1996. The 1996 Purchase Plan provides for the issuance of a maximum of 300,000 shares of Common Stock pursuant to the exercise of nontransferable options granted to participating employees.

The 1996 Purchase Plan is administered by the Compensation and Option Committee of the Board of Directors. All employees of the Company whose customary employment is more than 20 hours per week and for more than five months in any calendar year are eligible to participate in the 1996 Purchase Plan. Employees who would immediately after the grant own 5% or more of the total combined voting power or value of the Company's stock and directors who are not employees of the Company may not participate in the 1996 Purchase Plan. To participate in the 1996 Purchase Plan, an employee must authorize the Company to deduct an amount

(not less than one percent nor more than ten percent of a participant's total cash compensation) from his or her pay during six- month periods commencing on January 1 and July 1 of each year (each a "Plan Period"), but in no case shall an employee be entitled to purchase more than 750 shares in any Plan Period. The exercise price for the option for each Plan Period is 85% of the lesser of the market price of the Common Stock on the first or last business day of the Plan Period. If an employee is not a participant on the last day of the Plan Period, such employee is not entitled to exercise his or her option, and the amount of his or her accumulated payroll deductions will be refunded. Options granted under the 1996 Purchase Plan may not be transferred or assigned. An employee's rights under the 1996 Purchase Plan terminate upon his or her voluntary withdrawal from the plan at any time or upon termination of employment. No options have been granted to date under the 1996 Purchase Plan.

401(K) PLAN

In January 1994, the Company adopted a Section 401(k) Retirement Savings Plan (the "401(k) Plan"). The 401(k) Plan is a tax-qualified plan covering Company employees who are over 21 years of age and elect to participate in the 401(k) Plan. All Company contributions to the 401(k) Plan, if any, shall vest 20% after two years of service, and 20% for each additional year of service.

CERTAIN TRANSACTIONS

Since being established in July 1993, the Company has sold shares of Common Stock to a number of executive officers, directors and holders of more than 5% of the Company's outstanding Common Stock. In July 1993, the Company sold 1,200,000 shares of Common Stock to Mr. Styslinger and 1,200,000 shares to Mr. McGrath, in each case at a purchase price of $.00013 per share. In October 1993, the Company sold 150,000 shares of Common Stock to each of Mr. McGrath and Mark Sanders at a price per share of $.00013. In April 1994, the Company sold 1,350,000 shares of Common Stock to Mr. Delaney, 574,950 shares to Mr. Franeta, 81,450 shares to Mr. Sanders and 75,000 shares to Mr. Styslinger, in each case at a purchase price of $.00067 per share. Also in April 1994, the Company sold 750,000 shares of Common Stock to Mr. Lathrop, 600,000 shares to Mr. Sanders and 300,000 shares to Mr. Styslinger, in each case at a purchase price of $.00013. In May 1994, the Company sold 150,000 shares of Common Stock to Mr. Styslinger at a purchase price of $.00067. In November and December 1994, the Company sold 150,000 shares of Common Stock to Mr. Mann and 150,000 shares to Mr. Marti, respectively in each case at a purchase price of $.023 per share. In June 1995, the Company sold 11,250 shares of Common Stock to Mr. Hoffmann, 150,000 shares to Mr. Mann and 11,250 shares to Mr. Vona, in each case at a purchase price of $.023 per share. In August 1995, the Company sold 5,625 shares of Common Stock to Mr. Saunders at a purchase price of $.50 per share.

In June 1994, the Company sold shares of Series A Convertible Preferred Stock, at a common equivalent purchase price of $.167 per share, to investors that included the following directors and officers or their family members: Mr. Delaney's wife's IRA--150,000 shares; Mr. Hoffmann--150,000 shares; Mr. Saunders--300,000 shares; and Mr. Styslinger's IRA--150,000 shares. Also in June 1994, the Company sold shares of Series A Convertible Preferred Stock, at a common equivalent purchase price of $.233 per share, to the following directors or officers or their family members: Mr. Franeta--25,050 shares; Mr. Saunders--642,900 shares; and Mr. Vona's sons--300,000 shares. All of the above share numbers represent the number of shares of Common Stock into which

the shares of Series A Convertible Preferred Stock are convertible.

In October and November 1995, the Company sold shares of Series B Convertible Preferred Stock, at a purchase price of $6.293 per share, to investors that included the following directors and holders of more than 5% of the Company's outstanding Common Stock: Summit Investors II and affiliated entities--512,699 shares; Mr. Hoffmann--3,204 shares; and members of Mr. Vona's family--6,409 shares. The purchasers of Series B Convertible Preferred Stock have certain rights to register the shares of Common Stock issuable upon conversion of such Series B Convertible Preferred Stock. Based on the conversion price in effect as a result of this offering and as adjusted to give effect to the 3-for-2 split of the Company's Common Stock, shares of Series B Convertible Preferred Stock will convert into shares of Common Stock upon the consummation of the offering at a rate of 1.0493 shares of Common Stock for every 1 share of Series B Convertible Preferred Stock outstanding.

In January 1996, the Company repurchased shares of Common Stock and Series A Preferred Stock from stockholders at a purchase price of $4.195 and $419.50 per share, respectively, including the following executive officers, directors and holders of more than 5% of the Company's outstanding Common Stock (all of the following share numbers representing the number of shares of Common Stock repurchased or the number of shares of Common Stock into which the shares of Series A Preferred Stock repurchased are convertible): Mr. Delaney--150,000 shares; Mr. Lathrop--112,500 shares; Mr. Sanders--60,000 shares; and Mr. Saunders--192,900 shares. Also in January 1996, Messrs. Styslinger and McGrath sold an aggregate of 98,946 and 135,000 shares of Common Stock, respectively, to the holders of Series B Convertible Preferred Stock at a purchase price of $4.195 per share pursuant to the exercise of a call to a Put and Call Agreement entered into in October 1995. The purchasers included the following directors or holders of 5% of the Company's outstanding Common Stock (all of the following share numbers representing the aggregate number of shares purchased from Messrs. Styslinger and McGrath by such purchaser): Summit Investors II and related entities--184,391 shares; Mr. Hoffmann--1,155 shares; and members of Mr. Vona's family--2,305 shares.

In October 1995, the Company made loans to employees, including to the following executive officers, directors and holders of more than 5% of the Company's outstanding Common Stock in the following amounts: Mr. Lathrop--$125,000; Mr. McGrath--$200,000; Mr. Sanders--$50,000, Mr. Delaney--$160,000 and Mr. Styslinger--$90,000. All of the loans had an annual interest rate of 5.9% and were secured by a pledge of shares of Common Stock. All of such loans were repaid in January 1996.

In connection with Mr. Tibbetts joining the Company in June 1996, the Company agreed that in the event the Company terminates his employment without cause or Mr. Tibbetts terminates his employment with the Company involuntarily (including in each case, a termination by the Company's successor after the acquisition of the Company, or its business or assets) (i) at any time prior to June 30, 1997, the Company or its successor, as applicable, will pay Mr. Tibbetts severance equal to 12 months salary continuation at his then current base salary and (ii) thereafter, the Company or its successor, as applicable, will pay Mr. Tibbetts severance equal to six months salary continuation at his then current base salary, and in each case, vesting under his stock option agreements will be accelerated by 12 months or six months, under (i) and (ii) above, respectively. In addition, the Company agreed that, upon the request of Mr. Tibbetts, it would loan him up to $50,000 at any time prior to June 30, 1997 and an additional $50,000 at any time prior to June 30, 1998. Any such loan will have a five year term and will bear interest equal to the then current Applicable Federal Rate determined under Section 1274(d) of the Internal Revenue Code. No such loan has been requested or made at this time. Prior to joining the Company, Mr. Tibbetts was a partner at Price Waterhouse LLP, the Company's independent accountants since the inception of the Company and was the audit partner for the audits of the Company's 1993 and 1994 consolidated financial statements.

The Company has adopted a policy that all transactions between the Company and its officers, directors, principal stockholders and affiliates will be approved by a majority of the Board of Directors, including a majority of the independent and disinterested outside directors on the Board of Directors, and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information regarding beneficial ownership of the Company's Common Stock as of August 31, 1996 and as adjusted to reflect the sale of the shares offered hereby by (i) each person who is known by the Company to own beneficially more than 5% of the outstanding shares of Common Stock, (ii) each director and Named Executive Officer of the Company, (iii) all directors and executive officers of the Company as a group,

and (iv) each Selling Shareholder. Unless otherwise indicated below, to the knowledge of the Company, all persons listed below have sole voting and investment power with respect to their shares of Common Stock, except to the extent authority is shared by spouses under applicable law. Except as otherwise provided below, the address of each person listed below is c/o SeaChange International, Inc., 124 Acton Street, Maynard MA 01754.

<TABLE>
<CAPTION>

	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING(1)		SHARES BEING	SHARES BENEFICIALLY OWNED AFTER THE OFFERING(1)	
NAME	NUMBER	PERCENT	OFFERED	NUMBER	PERCENT
<S>	<C>	<C>	<C>	<C>	<C>
William C. Styslinger, III(2)	1,781,454	16.1%			
Edward J. Delaney, Jr.(3)	1,353,000	12.3			
Edward J. McGrath(4)	1,218,600	11.0			
Mark Sanders(5)	772,141	7.0			
Paul H. Saunders(6)	757,031	6.9			
Summit Partners(7)	722,364	6.5			
Alan R. Lathrop(8)	638,550	5.8			
Thomas Franeta(9)	600,001	5.4			
Carmine Vona(10)	319,881	2.9			
Bruce E. Mann	300,000	2.7			
Martin R. Hoffmann(11)	167,174	1.5			
Beat Marti(12)	151,050	1.4			
Joseph S. Tibbetts, Jr.(13)	30,000	*			
All executive officers and directors as a group (11 persons) (14)	7,316,741	66.0			

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*Less than 1% of the outstanding Common Stock

(1) Applicable percentage of ownership as of August 31, 1996 is based upon 8,776,156 shares of Common Stock and 2,260,856 shares of Common Stock issuable upon conversion of all outstanding shares of the Company's Preferred Stock. Applicable percentage of ownership after this offering is based upon shares of Common Stock outstanding. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting and investment power with respect to shares. Shares of Common Stock subject to options currently exercisable or exercisable within 60 days after August 31, 1996 are deemed outstanding for computing the percentage ownership of the person holding such options, but are not deemed outstanding for computing the percentage of any other person.

(2) Includes 150,000 shares of Common Stock owned by First Trust, Trustee f/b/o William C. Styslinger, III, IRA which are issuable upon the conversion of shares of Series A Preferred Stock, 64,286 shares of Common Stock owned by Thomas and Emily Franeta as Trustees of The Styslinger Family Trust, 2,142 shares of Common Stock held by Thomas Franeta as Custodian for Kimberly J. Styslinger, and 5,400 shares of Common Stock issuable upon the exercise of stock options, which options are exercisable within 60 days of August 31, 1996. Mr. Styslinger disclaims beneficial ownership of the shares held by The Styslinger Family Trust and by Thomas Franeta as Custodian for Kimberly J. Styslinger.

(3) Includes 150,000 shares of Common Stock owned by First Trust, Trustee f/b/o Kathryn H. Delaney, IRA which are issuable upon the conversion of shares of Series A Preferred Stock, and 3,000 shares of Common Stock issuable upon the exercise of stock options, which options are exercisable within 60 days of August 31, 1996. Mr. Delaney disclaims beneficial ownership of the shares held by his wife's IRA.

(4) Includes 300,000 shares of Common Stock held by The McGrath Family Limited Partnership and 3,600 shares of Common Stock issuable upon the exercise of stock options, which options are exercisable within 60 days of August 31, 1996. Mr. McGrath disclaims beneficial ownership of the shares held by The McGrath Family Limited Partnership.

(5) Includes 690 shares of Common Stock issuable upon the exercise of stock options, which options are exercisable within 60 days of August 31, 1996.

(6) Includes 617,144 shares of Common Stock issuable upon the conversion of shares of Series A Preferred Stock, 64,286 shares of Common Stock owned by Richard R. Saunders, Jr. as Trustee for The Paul H. Saunders Irrevocable Trust Agreement No. 1 For The Benefit Of J. Brock Saunders, 64,286 shares of Common Stock owned by Richard R. Saunders, Jr. as Trustee for The Paul H. Saunders Irrevocable Trust Agreement No. 1 For The Benefit Of Paul H. Saunders, 2,142 shares of Common Stock owned by Craig E. Chason as Trustee for The Paul H. Saunders Irrevocable Trust Agreement No. 2 For The Benefit

Of J. Brock Saunders, 2,142 shares of Common Stock owned by Craig E. Chason as Trustee of The Paul H. Saunders Irrevocable Trust Agreement No. 2 For The Benefit Of Paul H. Saunders, and 1,406 shares of Common Stock issuable upon the exercise of stock options, which options are exercisable within 60 days of August 31, 1996. Mr. Saunders disclaims beneficial ownership of the shares held by the various trusts noted above.

(7) Includes 350,242 shares owned by Summit Ventures III, L.P., 350,242 shares owned by Summit Ventures IV, L.P. and 21,880 shares owned by Summit Investors II, L.P., in each case prior to the sale of shares in this offering, of which 260,839, 260,839 and 16,295 shares, respectively, are issuable upon the conversion of shares of Series B Preferred Stock. The respective general partners of these entities exercise sole voting and investment power with respect to the shares owned by such entities. The address of Summit Partners is 600 Atlantic Avenue, Boston, MA 02110.

(8) Includes 1,050 shares of Common Stock issuable upon the exercise of stock options, which options are exercisable within 60 days of August 31, 1996.

(9) Includes 25,050 shares of Common Stock issuable upon the conversion of shares of Series A Preferred Stock. Does not include shares held by Mr. Franeta as the trustee of various trusts for the benefit of members of the Styslinger family. See Note 2 above.

(10) Includes (i) 1,406 shares of Common Stock issuable upon the exercise of stock options, which options are exercisable within 60 days of August 31, 1996, (ii) 922 shares of Common Stock held by each of his sons Joseph C. Vona and Salvatore Vona, (iii) 150,000 shares of Common Stock issuable upon the conversion of shares of Series A Preferred Stock held by each of his two sons, and (iv) 2,690 shares of Common Stock issuable upon the conversion of shares of Series B Preferred Stock held by each of his two sons. Mr. Vona disclaims beneficial ownership of those shares held by his sons.

(11) Includes 150,000 shares of Common Stock issuable upon the conversion of shares of Series A Preferred Stock, 3,362 shares of Common Stock issuable upon the conversion of shares of Series B Preferred Stock and 1,406 shares of Common Stock issuable upon the exercise of stock options, which options are exercisable within 60 days of August 31, 1996.

(12) Includes 1,050 shares of Common Stock issuable upon the exercise of stock options, which options are exercisable within 60 days of August 31, 1996.

(13) Includes 30,000 shares of Common Stock issuable upon the exercise of stock options, which options are exercisable within 60 days of August 31, 1996.

(14) Includes 48,318 shares of Common Stock issuable upon the exercise of stock options, which options are exercisable within 60 days of August 31, 1996.

DESCRIPTION OF CAPITAL STOCK

Effective upon the closing of this offering, the authorized capital stock of the Company will consist of 50,000,000 shares of Common Stock, $.01 par value per share, and 5,000,000 shares of Preferred Stock, $.01 par value per share. Prior to this offering, there were outstanding an aggregate of 10,522 shares of Series A Preferred Stock and 650,487 shares of Series B Preferred Stock which will automatically convert into an aggregate of 1,578,300 and 682,556 shares of Common Stock, respectively, upon the closing of this offering.

The following summary description of the Company's capital stock is not intended to be complete and is qualified in its entirety by reference to the provisions of applicable law and to the Company's Amended and Restated Certificate of Incorporation (the "Charter") and Amended and Restated By-laws (the "By-laws"), filed as exhibits to the Registration Statement of which this Prospectus is a part. Such Charter and By-laws will be effective upon the closing of this offering.

COMMON STOCK

As of August 31, 1996, there were 11,037,012 shares of Common Stock outstanding held by approximately 58 stockholders of record. Based upon the number of shares outstanding as of that date and giving effect to the issuance of the shares of Common Stock offered by the Company hereby, there will be shares of Common Stock outstanding upon the closing of this offering. In addition, as of August 31, 1996, there were outstanding stock options for the purchase of a total of 681,414 shares of Common Stock.

Holders of Common Stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders, and do not have cumulative voting rights. Directors are elected by a plurality of the votes of the shares present in person or by proxy at the meeting and entitled to vote in such election. Holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available therefor, subject to any preferential dividend rights of outstanding Preferred Stock. Upon the liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to receive ratably the net assets of the Company available after the payment of all debts and other liabilities of the Company, subject to the prior rights of any outstanding Preferred Stock. Holders of the Common Stock have no preemptive, subscription, redemption or conversion rights, nor are they entitled to the benefit of any sinking fund. The outstanding shares of Common Stock are, and

the shares offered by the Company in this offering will be, when issued and paid for, validly issued, fully paid and nonassessable. The rights, powers, preferences and privileges of holders of Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of Preferred Stock which the Company may designate and issue in the future. Upon the closing of this offering, there will be no shares of Preferred Stock outstanding.

PREFERRED STOCK

The Board of Directors will be authorized, subject to any limitations prescribed by law, without further stockholder approval, to issue from time to time up to an aggregate of to 5,000,000 shares of Preferred Stock, in one or more series. Each such series of Preferred Stock shall have such number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the Board of Directors, which may include, among others, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights.

The stockholders of the Company have granted the Board of Directors authority to issue the Preferred Stock and to determine its rights and preferences in order to eliminate delays associated with a stockholder vote on specific issuances. The rights of the holders of Common Stock will be subject to the rights of holders of any Preferred Stock issued in the future. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting power or other rights of the holders of Common Stock, and could make it more difficult for a third party to acquire, or discourage a third party from attempting to acquire, a majority of the outstanding voting stock of the Company. The Company has no present plans to issue any shares of Preferred Stock.

DELAWARE LAW AND CERTAIN CHARTER AND BY-LAW PROVISIONS; ANTI-TAKEOVER EFFECTS

The Company is subject to the provisions of Section 203 of the Delaware General Corporation Law (the "DGCL"). Subject to certain exceptions, Section 203 prohibits a publicly-held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the interested stockholder attained such status with the approval of the Board of Directors or the business combination is approved in a prescribed manner, or certain other conditions are satisfied. A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years did own, 15% or more for the corporation's voting stock.

The By-laws provide for the election of directors. See "Management--Executive Officers." The By-laws provide that (i) the number of directors shall be determined from time to time by resolution adopted by a majority of the Board of Directors, (ii) vacancies on the Board of Directors may be filled by the Board unless and until filled by the stockholders, and (iii) directors may be removed only for cause by the vote of the holders of at least 75% of the shares then entitled to vote at an election of directors.

The By-laws provide for a classified Board of Directors consisting of three classes of directors having staggered terms of three years each, with each of the classes being as nearly equal as possible. A single class of directors is elected each year at the Company's annual meeting of stockholders. Subject to transition provisions, each director elected at each such meeting will serve for a term ending on the date of the third annual meeting of stockholders after his election and until his successor has been elected and duly qualified. Mr. Styslinger is serving for a term expiring on the date of the Company's 1997 Annual Meeting of Stockholders, Messrs. Hoffmann and McGrath are serving for terms expiring on the date of the Company's 1998 Annual Meeting of Stockholders and Messrs. Saunders and Vona are serving for terms expiring on the date of the Company's 1999 Annual Meeting of Stockholders.

The Company's By-laws provide that for nominations for the Board of Directors or for other business to be properly brought by a stockholder before a meeting of stockholders, the stockholder must first have given timely notice thereof in writing to the Secretary of the Company. To be timely, a notice must be delivered not less than 120 days nor more than 150 days prior to the first anniversary of the date of the proxy statement delivered to stockholders in connection with the preceding year's annual meeting, provided, however, that if either (i) the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary, or (ii) if no proxy statement was delivered to stockholders in connection with the preceding year's annual meeting, such notice must be delivered not earlier than 90 days prior to such annual meeting and not later than the later of (i) 60 days prior to the annual meeting or (ii) 10 days following the date on which public announcement of the

date of such annual meeting is first made by the Company. With respect to special meetings called by the Company for the purpose of electing directors, the stockholder's notice must generally be delivered not more than 90 days prior to such meeting and not later than the later of 60 days prior to such meeting or 10 days following the day on which public announcement of such meeting is first made by the Company. The notice must contain, among other things, certain information about the stockholder delivering the notice and, as applicable, background information about each nominee or a description of the proposed business to be brought before the meeting.

The Charter empowers the Board of Directors, when considering a tender offer or merger or acquisition proposal, to take into account any factors that the Board of Directors determines to be relevant, including, without limitation, (i) the interests of the Company's stockholders, including the possibility that these interests might be best served by the continued independence of the Company, (ii) whether the proposed transaction might violate federal or state laws, (iii) not only the consideration being offered in the proposed transaction, in relation to the then current market price for the outstanding capital stock of the Company, but also to the market price for the capital stock of the Company over a period of years, the estimated price that might be achieved in a negotiated sale of the Company as a whole or in part or through orderly liquidation, the premiums over market price for the securities of other corporations in similar transactions, current political, economic and other factors

bearing on securities prices and the Company's financial condition and future prospects, and (iv) the social, legal and economic effects upon employees, suppliers, customers, creditors and others having similar relationships with the Company, upon the communities in which the Company conducts its business and upon the economy of the state, region and nation.

The foregoing provisions could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, control of the Company.

The Charter and By-laws also provide that any action required or permitted to be taken by the stockholders of the Company may be taken only at a duly called annual or special meeting of the stockholders, and may not be taken by written consent. The Charter and By-laws provide that special meetings of stockholders may be called only by the Chairman of the Board of Directors, a majority of the Board of Directors or the President of the Company. These provisions could have the effect of delaying until the next annual stockholders meeting stockholder actions which are favored by the holders of a majority of the then outstanding voting securities of the Company. These provisions may also discourage another person or entity from making a tender offer for the Company's Common Stock, because such person or entity, even if it acquired a majority of the outstanding voting securities of the Company, would be able to take action as a stockholder (such as electing new directors or approving a merger) only at a duly called stockholders meeting, and not by written consent.

The DGCL provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or by-laws, unless a corporation's certificate of incorporation or by-laws, as the case may be, requires a greater percentage. The Charter requires the affirmative vote of the holders of at least 75% of the outstanding voting stock of the Company to amend or repeal any of the foregoing Charter provisions, and to reduce the number of authorized shares of Common Stock and Preferred Stock. A 75% vote of stockholders is required for the stockholders to adopt, amend or repeal any By-law provisions. The By-laws may also be amended or repealed by a majority vote of the Board of Directors subject to any limitations set forth in the By-laws.

LIMITATION OF LIABILITY AND INDEMNIFICATION

The Charter contains certain provisions permitted under the DGCL relating to the liability of directors. These provisions eliminate a director's personal liability for monetary damages resulting from a breach of fiduciary duty, except in certain circumstances involving certain wrongful acts, such as (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derives an improper personal benefit. These provisions do not limit or eliminate the rights of the Company or any stockholder to seek non-monetary relief, such as an injunction or recession, in the event of a breach of a director's fiduciary duty. These provisions will not alter a director's liability under federal securities laws. The Company's Charter also contains provisions indemnifying the directors and officers of the Company to the fullest extent permitted by the DGCL. The Company believes that these provisions will assist the Company in attracting and retaining qualified individuals to serve as directors.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is ChaseMellon Shareholder Services, L.L.C.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, the Company will have shares of Common Stock outstanding (assuming no exercise of outstanding options). Of these shares, the shares (shares if the over-allotment option is exercised in full) to be sold in this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended (the "Securities Act"), except that any shares purchased by "affiliates" of the Company, as that term is defined in Rule 144 ("Rule 144") under the Securities Act ("Affiliates"), may generally only be sold in compliance with the limitations of Rule 144 described below.

SALES OF RESTRICTED SHARES

The remaining shares of Common Stock outstanding upon completion of this offering are deemed "Restricted Shares" under Rule 144. Subject to the lock-up agreements described below (the "Lock-up Agreements"), approximately Restricted Shares will be eligible for sale in the public market pursuant to Rule 144 beginning 90 days after the date of this Prospectus.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated), including an Affiliate, who has beneficially owned Restricted Shares for at least two years is entitled to sell, within any three-month period, a number of such shares that does not exceed the greater of (i) one percent of the then outstanding shares of Common Stock (approximately shares immediately after this offering) or (ii) the average weekly trading volume in the Common Stock in the over-the-counter market during the four calendar weeks preceding the date on which notice of such sale is filed, provided certain requirements concerning availability of public information, manner of sale and notice of sale are satisfied. In addition, Affiliates must comply with the restrictions and requirements of Rule 144, other than the two-year holding period requirement, in order to sell shares of Common Stock which are not restricted securities. Under Rule 144(k), a person who is not an Affiliate and has not been an Affiliate for at least three months prior to the sale and who has beneficially owned Restricted Shares for at least three years may resell such shares without compliance with the foregoing requirements. In meeting the two and three year holding periods described above, a holder of Restricted Shares can include the holding periods of a prior owner who was not an Affiliate. The two and three year holding periods described above do not begin to run until the full purchase price or other consideration is paid by the person acquiring the Restricted Shares from the issuer or an Affiliate.

The Securities and Exchange Commission has proposed certain amendments to Rule 144 that would reduce by one year the holding periods required for shares subject to Rule 144 to become eligible for resale in the public market. This proposal if adopted would increase the number of shares of Common Stock eligible for resale in the public market following this offering. No assurance can be given concerning whether or when the proposal will be adopted by the Securities and Exchange Commission.

OPTIONS

Rule 701 under the Securities Act provides that the shares of Common Stock acquired on the exercise of currently outstanding options issued under the Company's stock plans may be resold by persons, other than Affiliates, beginning 90 days after the date of this Prospectus, subject only to the manner of sale provisions of Rule 144, and by Affiliates under Rule 144 without compliance with its two-year minimum holding period, subject to certain limitations. Subject to the Lock-up Agreements, approximately additional shares will be available under such provisions.

The Company intends to file one or more registration statements on Form S-8 under the Securities Act to register all shares of Common Stock subject to outstanding stock options and Common Stock otherwise issuable pursuant to the Company's various stock plans that do not qualify for an exemption under Rule 701 from the registration requirements of the Securities Act. Such registration statements are expected to become effective upon filing. Shares covered by these registration statements will thereupon be eligible for sale in the public markets to the extent applicable.

LOCK-UP AGREEMENTS

Subject to certain limited exceptions, the Company and certain of its directors, officers, and employees and the Selling Stockholders have agreed not to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock (or any security convertible into or exchangeable or exercisable

for Common Stock) without the prior written consent of Morgan Stanley & Co. Incorporated for a period of 180 days from the date of this Prospectus. In addition, for a period of 180 days from the date of this Prospectus, except as required by law, the Company has agreed that its Board of Directors will not consent to any offer for sale, sale or other disposition, or any transaction which is designed or could be expected, to result in, the disposition by any person, directly or indirectly, of any shares of Common Stock without the prior written consent of the Representatives. See "Underwriters."

REGISTRATION RIGHTS

After the completion of this offering, certain stockholders of the Company (the "Rightsholders") will be entitled to require the Company to register under the Securities Act up to a total of shares of outstanding Common Stock (the "Registrable Shares") under the terms of a certain agreement among the Company and the Rightsholders (the "Registration Agreement"). The Registration Agreement provides that in the event the Company proposes to register any of its securities under the Securities Act at any time or times, the Rightsholders, subject to certain exceptions, shall be entitled to include Registrable Shares in such registration. However, the managing underwriter of any such offering may exclude for marketing reasons some or all of such Registrable Shares from such registration. The Rightsholders have, subject to certain conditions and limitations, additional rights to require the Company to prepare and file a registration statement with respect to their Registrable Shares and the Company is required to use its best efforts to effect such registration if the aggregate offering price of such proposed offering is at least $10,000,000. Furthermore, such holders may require the Company to file additional registration statements on Form S-3 subject to certain conditions and limitations. The Company is generally required to bear the expenses of all such registrations, except underwriting discounts and commissions.

Prior to this offering, there has been no public market for the Common Stock of the Company, and no predictions can be made as to the effect, if any, that market sales of shares of Common Stock prevailing from time to time, or the availability of shares for future sale, may have on the market price for the Common Stock. Sales of substantial amounts of Common Stock, or the perception that such sales could occur, could adversely effect prevailing market prices for the Common Stock and could impair the Company's future ability to obtain capital through an offering of equity securities.

UNDERWRITERS

Under the terms and subject to the conditions contained in an Underwriting Agreement dated the date of this Prospectus, the Underwriters named below, for whom Morgan Stanley & Co. Incorporated, Alex. Brown & Sons Incorporated and Montgomery Securities are acting as Representatives (the "Underwriters"), have severally agreed to purchase, and the Company and the Selling Stockholders have agreed to sell to them, the respective number of shares of Common Stock set forth opposite their respective names below:

<TABLE>
<CAPTION>

NAME	NUMBER OF SHARES
<S>	<C>
Morgan Stanley & Co. Incorporated.....	
Alex. Brown & Sons Incorporated.....	
Montgomery Securities.....	
Total.....	

</TABLE>

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares of Common Stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are committed to take and pay for all the shares of Common Stock offered hereby (other than those covered by the over-allotment option described below) if any such shares are taken.

The Underwriters initially propose to offer part of the Common Stock directly to the public at the public offering price set forth on the cover page hereof and part to certain dealers at a price which represents a concession not in excess of $ a share under the public offering price. Any Underwriter may allow, and such dealers may reallow, a concession not in excess of $ a share to other Underwriters or to certain dealers. After the initial offering of the shares of Common Stock, this offering price and other selling terms may from time to time be varied by the Underwriters.

The Company and the Selling Stockholders have granted the Underwriters an option, exercisable for 30 days from the date of the Prospectus, to purchase

up to an additional shares of Common Stock at the public offering price set forth on the cover page hereof, less underwriting discounts and commissions. The Underwriters may exercise such option to purchase solely for the purpose of covering over-allotments, if any, made in connection with this offering. To the extent such option is exercised, each Underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares as the number set forth next to such Underwriter's name in the preceding table bears to the total number of shares of Common Stock offered by the Underwriters hereby.

Subject to certain limited exceptions, the Company and the executive officers and directors of the Company and certain other stockholders have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated, they will not (a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (whether such shares or any such securities are then owned by such person or are thereafter acquired), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transactions described in clause (a) or (b) of this paragraph is to be settled by delivery of such Common Stock or such other securities, in cash or for a period of 180 days after the date of this Prospectus.

The Representatives of the Underwriters have informed the Company that the Underwriters do not intend to confirm sales to any accounts over which they exercise discretionary authority.

The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act.

PRICING OF THE OFFERING

Prior to this offering, there has been no public market for the Common Stock. The initial public offering price for the Common Stock will be determined by negotiation between the Company and the Representatives of the Underwriters. Among the factors to be considered in determining the initial public offering price are the future prospects of the Company and its industry in general, net revenue, earnings and certain other financial and operating information of the Company in recent periods, and the price-earnings ratios, certain other ratios, and market prices of securities and certain financial operating information of companies engaged in activities similar to those of the Company.

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company by Testa, Hurwitz & Thibeault, LLP, Boston, Massachusetts. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Ropes & Gray, Boston, Massachusetts.

EXPERTS

The consolidated financial statements as of December 31, 1994 and 1995 and June 30, 1996 and for the period July 9, 1993 (inception) through December 31, 1993, for the years ended December 31, 1994 and 1995 and for the six months ended June 30, 1996 included in this Prospectus and the financial statement schedule included in the Registration Statement have been so included in reliance on the report of Price Waterhouse LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission"), a Registration Statement on Form S-1 (together with all amendments, exhibits and schedules thereto, the "Registration Statement") under the Securities Act with respect to the Common Stock offered hereby. This Prospectus, which constitutes part of the Registration Statement, does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock offered hereby, reference is made to the Registration Statement. Statements contained in this Prospectus as to the contents of any contract or other document filed as an exhibit to the Registration Statement are not necessarily complete, and in each instance reference is made to the copy of such document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. The Registration Statement may be inspected without charge at the principal office of the Commission in Washington, D.C. and copies of all or any part of which may be inspected and copied at the public reference

facilities maintained by the Commission at 450 Fifth Street, N.W., Judiciary Plaza, Room 1024, Washington, D.C. 20549, and at the Commission's regional offices located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and 7 World Trade Center, Suite 1300, New York, New York 10048. Copies of such material can also be obtained at prescribed rates by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, the Commission maintains a Web site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

SEACHANGE INTERNATIONAL, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>
<S> <C>

</TABLE>

REPORT OF INDEPENDENT ACCOUNTANTS

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

The 3-for-2 stock split described in Note 8 of the consolidated financial statements has not been consummated at September 17, 1996. When it has been consummated, we will be in the position to furnish the following report:

"In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of redeemable convertible preferred stock and stockholders' equity and of cash flows present fairly, in all material respects, the financial position of SeaChange International, Inc. and its subsidiaries at June 30, 1996 and December 31, 1995 and 1994, and the results of their operations and their cash flows for the six months ended June 30, 1996, the years ended December 31, 1995 and 1994 and the period from July 9, 1993 (inception) through December 31, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above."

Price Waterhouse LLP

Boston, Massachusetts
September 12, 1996

SEACHANGE INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 30,	PRO FORMA JUNE 30,
	1994	1995	1996	1996
</TABLE>

<S>	<C>	<C>	<C>	(UNAUDITED) <C>
ASSETS				
Current assets:				
Cash and cash equivalents..	$ 870,700	$ 6,184,100	$ 4,213,100	$ 4,213,100
Accounts receivable, net of allowance for doubtful accounts of $40,000 at December 31, 1995 and $60,000 at June 30, 1996..	1,375,200	3,335,200	8,067,700	8,067,700
Inventories.....	790,700	2,438,500	6,874,900	6,874,900
Prepaid expenses.....	28,300	27,700	352,100	352,100
Deferred income taxes.....	66,000	151,000	337,000	337,000
Total current assets.....	3,130,900	12,136,500	19,844,800	19,844,800
Property and equipment, net.....	352,900	1,433,100	3,355,500	3,355,500
Other assets.....	9,900	25,400	657,000	657,000
	$3,493,700	$13,595,000	$23,857,300	$23,857,300
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Notes payable to stockholders.....	$ 8,000	$ --	$ --	$ --
Accounts payable.....	1,070,400	3,139,700	7,405,300	7,405,300
Accrued expenses.....	242,500	1,935,500	2,027,000	2,027,000
Customer deposits.....	1,382,700	2,082,200	7,209,100	7,209,100
Deferred revenue.....	152,100	766,600	1,834,700	1,834,700
Income taxes payable.....	121,000	720,000	--	--
Total current liabilities.....	2,976,700	8,644,000	18,476,100	18,476,100
Commitments (Note 10)				
Series B redeemable convertible preferred stock, $.01 par value; 1,000,000 shares of preferred stock authorized; 650,487 shares designated, issued and outstanding at December 31, 1995 and June 30, 1996, at issuance price, net of issuance costs; none outstanding on a pro forma basis at June 30, 1996 (unaudited)..	--	4,008,100	4,008,100	--
Stockholders' Equity:				
Series A convertible preferred stock, $.01 par value; 1,000,000 shares of preferred stock authorized; 30,000 shares designated, 11,808 shares issued at December 31, 1994 and 1995 and June 30, 1996, at issuance price; none outstanding on a pro forma basis at June 30, 1996 (unaudited).....	100	100	100	--
Common stock, $.01 par value; 15,000,000 shares authorized; 9,309,615 shares, 9,625,740 shares, 9,631,418 shares and 11,892,274 shares issued at December 31, 1994 and 1995, June 30, 1996 and June 30, 1996 on a pro forma basis (unaudited), respectively.....	93,100	96,300	96,400	119,000
Additional paid-in capital.....	366,700	373,600	414,200	4,399,800
Retained earnings.....	60,700	1,271,500	3,393,600	3,393,600
Treasury stock, 424,950 shares of common at December 31, 1994 and 1995; 856,200 shares of common and 1,286 shares of Series A convertible preferred at June 30, 1996				

and on a pro forma basis at June 30, 1996 (unaudited), respectively, at cost	(3,600)	(3,600)	(2,531,200)	(2,531,200)
Notes receivable from stockholders	--	(795,000)	--	--
Total stockholders' equity	517,000	942,900	1,373,100	5,381,200
	$3,493,700	$13,595,000	$23,857,300	$23,857,300

</TABLE>

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

SEACHANGE INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF INCOME

<TABLE>
<CAPTION>

	PERIOD FROM JULY 9, 1993 (INCEPTION) THROUGH DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1995 (UNAUDITED)	SIX MONTHS ENDED JUNE 30, 1996
<S>	<C>	<C>	<C>	<C>	<C>
REVENUES:					
Systems	$ --	$5,037,000	$21,999,300	$11,014,700	$22,906,200
Services	--	116,100	1,203,300	562,700	1,448,000
Software development contract	213,100	536,900	--	--	--
	213,100	5,690,000	23,202,600	11,577,400	24,354,200
COSTS OF REVENUES:					
Systems	--	3,405,600	14,916,900	7,052,000	14,429,700
Services	--	176,500	1,641,000	549,000	1,816,400
Software development contract	111,700	303,700	--	--	--
	111,700	3,885,800	16,557,900	7,601,000	16,246,100
Gross profit	101,400	1,804,200	6,644,700	3,976,400	8,108,100
OPERATING EXPENSES:					
Research and development	43,000	884,700	2,367,300	1,047,100	1,986,600
Selling and marketing	16,200	443,700	1,608,600	780,600	1,909,900
General and administrative	59,000	273,000	858,400	401,500	862,000
	118,200	1,601,400	4,834,300	2,229,200	4,758,500
Income (loss) from operations	(16,800)	202,800	1,810,400	1,747,200	3,349,600
Interest income (expense), net	(1,100)	7,000	113,400	47,000	100,900
Income (loss) before income taxes	(17,900)	209,800	1,923,800	1,794,200	3,450,500
Provision for income taxes	--	55,000	713,000	665,100	1,328,400
Net income (loss)	$ (17,900)	$ 154,800	$ 1,210,800	$ 1,129,100	$ 2,122,100
Net income (loss) per share	$ (.01)	$ .02	$ .11	$ .10	$ .18
Weighted average common shares and equivalent common shares outstanding	2,632,400	9,331,940	11,507,420	11,833,660	11,514,850

</TABLE>

The accompanying notes are an integral part

of these consolidated financial statements.

SEACHANGE INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY

FOR THE PERIOD FROM JULY 9, 1993 (INCEPTION) THROUGH JUNE 30, 1996

<TABLE>
<CAPTION>

	SERIES B REDEEMABLE CONVERTIBLE PREFERRED STOCK	
	NUMBER OF SHARES	AMOUNT
<S>	<C>	<C>
Issuance of common stock.....	--	$ --
Net loss.....	--	--
Balance at December 31, 1993.....	--	--
Issuance of common stock.....	--	--
Conversion of notes payable to Series A preferred stock..	--	--
Issuance of Series A preferred stock..	--	--
Purchase of treasury stock...	--	--
Net income.....	--	--
Balance at December 31, 1994.....	--	--
Issuance of common stock.....	--	--
Issuance of Series B preferred stock, net of issuance costs of $85,500.....	650,487	4,008,100
Loans to stockholders.....	--	--
Net income.....	--	--
Balance at December 31, 1995.....	650,487	4,008,100
Issuance of common stock pursuant to exercise of stock options.....	--	--
Compensation expense associated with stock options....	--	--
Purchase of treasury stock...	--	--
Net income.....	--	--
Balance at June 30, 1996.....	650,487	4,008,100
Pro forma effect of conversion of preferred stock into common stock (unaudited).....	(650,487)	(4,008,100)
Pro forma balance at June 30, 1996 (unaudited).....	--	$ --

<CAPTION>

	STOCKHOLDERS' EQUITY (DEFICIT)								
	SERIES A CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL	RETAINED EARNINGS		NOTES RECEIVABLE	TOTAL STOCKHOLDERS'
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	PAR VALUE	PAID-IN CAPITAL	(ACCUMULATED DEFICIT)	TREASURY STOCK	FROM STOCKHOLDERS	EQUITY (DEFICIT)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Issuance of common stock..... 400	--	$ --	3,150,000	$ 31,500	$ --	$ (31,100)	$ --	$ --	$
Net loss..... (17,900)	--	--	--	--	--	(17,900)	--	--	
Balance at December 31, 1993..... (17,500)	--	--	3,150,000	31,500	--	(49,000)	--	--	
Issuance of common stock..... 16,500	--	--	6,159,615	61,600	--	(45,100)	--	--	
Conversion of notes payable to Series A preferred stock.. 128,500	5,000	--	--	--	128,500	--	--	--	
Issuance of Series A preferred stock.. 238,300	6,808	100	--	--	238,200	--	--	--	
Purchase of treasury stock... (3,600)	--	--	--	--	--	--	(3,600)	--	
Net income..... 154,800	--	--	--	--	--	154,800	--	--	
Balance at December 31, 1994..... 517,000	11,808	100	9,309,615	93,100	366,700	60,700	(3,600)	--	
Issuance of common stock..... 10,100	--	--	316,125	3,200	6,900	--	--	--	
Issuance of Series B preferred stock, net of issuance costs of $85,500..... --	--	--	--	--	--	--	--	--	
Loans to stockholders..... (795,000)	--	--	--	--	--	--	--	(795,000)	
Net income..... 1,210,800	--	--	--	--	--	1,210,800	--	--	
Balance at December 31, 1995..... 942,900	11,808	100	9,625,740	96,300	373,600	1,271,500	(3,600)	(795,000)	
Issuance of common stock pursuant to exercise of stock options..... 4,500	--	--	5,678	100	4,400	--	--	--	
Compensation expense associated with stock options.... 36,200	--	--	--	--	36,200	--	--	--	
Purchase of treasury stock... (1,732,600)	--	--	--	--	--	--	(2,527,600)	795,000	
Net income.....	--	--	--	--	--	2,122,100	--	--	

2,122,100

Balance at June 30, 1996.....	11,808	100	9,631,418	96,400	414,200	3,393,600	(2,531,200)	--	1,373,100
Pro forma effect of conversion of preferred stock into common stock (unaudited).....	(11,808)	(100)	2,260,856	22,600	3,985,600	--	--	--	4,008,100
Pro forma balance at June 30, 1996 (unaudited).....	--	$ --	11,892,274	$119,000	$4,399,800	$3,393,600	$(2,531,200)	$ --	$ 5,381,200

</TABLE>

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

SEACHANGE INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

<TABLE>
<CAPTION>

	PERIOD FROM JULY 9, 1993 (INCEPTION) THROUGH DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1995 (UNAUDITED)	SIX MONTHS ENDED JUNE 30, 1996
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss).....	$ (17,900)	$ 154,800	$ 1,210,800	$ 1,129,100	$ 2,122,100
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization.....	800	38,900	230,200	80,400	528,000
Compensation expense associated with stock options.....	--	--	--	--	36,200
Deferred income taxes.....	--	(66,000)	(85,000)	45,000	(186,000)
Changes in assets and liabilities:					
Accounts receivable..	--	(1,375,200)	(2,035,000)	(2,066,300)	(4,732,500)
Inventories.....	--	(962,200)	(2,223,800)	(1,237,500)	(6,161,900)
Prepaid expenses and other assets.....	(6,400)	(31,800)	(14,900)	(200)	(333,100)
Accounts payable.....	5,200	1,065,000	2,069,300	682,200	4,265,600
Accrued expenses.....	36,400	209,800	1,693,000	897,200	(108,500)
Customer deposits....	--	1,382,700	699,500	25,000	5,126,900
Deferred revenue.....	71,700	80,500	614,500	293,700	1,068,100
Income taxes payable.....	--	121,000	599,000	416,500	(720,000)
Net cash provided by operating activities.....	89,800	617,500	2,757,600	265,100	904,900
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of software..	--	--	--	--	(450,000)
Purchases of property and equipment.....	(13,900)	(207,300)	(659,400)	(244,700)	(697,800)
Net cash used in investing activities.....	(13,900)	(207,300)	(659,400)	(244,700)	(1,147,800)
CASH FLOWS FROM FINANCING ACTIVITIES					
Issuance (repayment)					

of notes payable.....	8,000	--	(8,000)	(8,000)	--
Proceeds from issuance of convertible preferred, net.....	--	238,300	4,008,100	--	--
Proceeds from issuance of convertible notes payable.....	125,000	--	--	--	--
Proceeds from issuance of common stock.....	400	16,500	10,100	7,300	4,500
Purchase of treasury stock.....	--	(3,600)	--	--	(2,022,600)
(Loans to) repayments from stockholders....	--	--	(795,000)	--	290,000
Net cash provided by (used in) financing activities.....	133,400	251,200	3,215,200	(700)	(1,728,100)
Net increase (decrease) in cash and cash equivalents.....	209,300	661,400	5,313,400	19,700	(1,971,000)
Cash and cash equivalents, beginning of period.....	--	209,300	870,700	870,700	6,184,100
Cash and cash equivalents, end of period.....	$ 209,300	$ 870,700	$ 6,184,100	$ 890,400	$ 4,213,100
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Interest paid.....	$ 1,100	$ 3,700	$ --	$ --	$ --
Income taxes paid.....	$ --	$ --	$ 180,000	$ 180,000	$ 2,562,400
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY:					
Conversion of notes payable plus accrued interest to Series A convertible preferred stock.....	--	128,500	--	--	--
Receipt of computer equipment in lieu of cash payment of accounts receivable from customer.....	--	--	75,000	--	--
Transfer of items originally classified as inventories to fixed assets.....	--	171,500	576,000	41,100	1,725,500
Purchase of treasury stock in lieu of cash payment of notes receivable from stockholders.....	--	--	--	--	505,000

</TABLE>

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

SEACHANGE INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

The Company develops software-based products to manage, store and distribute digital video. Through June 30, 1996, substantially all of the Company's revenues have been derived from sales of digital video insertion systems (the "SeaChange SPOT System") to cable television operators and telecommunications companies in the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company

and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated.

Revenue Recognition

Revenue from the sale of systems is recognized upon shipment provided that there are no uncertainties regarding customer acceptance and collection of the related receivable is probable. If uncertainties exist, such as performance criteria beyond the Company's standard terms and conditions, revenue is recognized upon customer acceptance. Installation and training revenue is deferred and recognized as these services are performed. Revenue from technical support and maintenance contracts is deferred and recognized ratably over the period of the related agreements, generally twelve months. Customer deposits represent advance payments from customers for systems.

Revenue from the software development contract was recognized pursuant to the related agreement as work was performed and defined milestones were attained. Nonrefundable payments received under the contract prior to the attainment of defined milestones were recorded as deferred revenue.

Concentration of Credit Risk and Significant Customers

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of trade accounts receivable. To minimize this risk, the Company evaluates customers' financial condition and requires advance payments from the majority of its customers. At December 31, 1995 and June 30, 1996, the Company had an allowance for doubtful accounts of $40,000 and $60,000, respectively, to provide for potential credit losses and such losses to date have not exceeded management's expectations.

For the years ended December 31, 1994 and 1995 and for the six months ended June 30, 1996, certain customers accounted for more than 10% of the Company's revenues. Individual customers accounted for 50%, 18%, 11% and 10% of revenues in 1994; 29%, 29%, 16% and 12% in 1995; and 26%, 19%, 13% and 10% in the six-month period ended June 30, 1996.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company invests its excess cash in U.S. government securities that are subject to minimal credit and market risk.

At December 31, 1995 and June 30, 1996, the Company's cash equivalents include approximately $4,700,000 and $4,200,000 of U.S. government securities, respectively. These securities are classified as held-to-maturity and are stated at amortized cost, which approximates fair market value.

Property and Equipment

Property and equipment consist of office and computer equipment, leasehold improvements, demonstration equipment and spare components and assemblies used to service the Company's installed base. Demonstration equipment consists of systems manufactured by the Company for use in the Company's marketing and selling efforts. Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the respective leases by use of the straight-line method. Maintenance and repair costs are expensed as incurred.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Inventories consist primarily of components and subassemblies and finished products held for sale. Rapid technological change and new product introductions and enhancements could result in excess or obsolete inventory. To minimize this risk, the Company evaluates inventory levels and expected usage on a periodic basis and records valuation allowances as required.

The Company is dependent upon certain vendors for the manufacture of significant components of its digital advertising insertion system. If these vendors were to become unwilling or unable to continue to manufacture these products in required volumes, the Company would have to identify and qualify acceptable alternative vendors. The inability to develop alternate sources, if required in the future, could result in delays or reductions in product shipments.

Research and Development and Software Development Costs

Costs incurred in the research and development of the Company's products are expensed as incurred, except for certain software development costs. Costs associated with the development of computer software are expensed prior to establishing technological feasibility and capitalized thereafter until the product is released for sale. Software development costs eligible for capitalization to date have not been material to the Company's financial statements. Costs associated with acquired software rights are capitalized if technological feasibility of the software has been established.

At June 30, 1996, other assets includes $623,000 of purchased software, net of amortization. The software is amortized over its estimated economic life of two years and the related amortization expense for the six months ended June 30, 1996 totaled $27,000 and is included in the cost of systems revenues.

Stock Compensation

The Company's employee stock option plans are accounted for in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." In January 1996, the Company adopted the disclosure requirements of Statement of Financial Accounting Standards No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation." (See Note 9.)

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs were $0, $34,800, $173,900 and $119,000 for the period ended December 31, 1993, the years ended December 31, 1994 and 1995 and the six months ended June 30, 1996, respectively.

Net Income (Loss) Per Share

Net income (loss) per share was determined by dividing net income (loss) by the weighted average number of common shares and common share equivalents outstanding during the period. Common share equivalents are comprised of common stock options and convertible preferred stock and have been included in the calculation to the extent their effect is dilutive, except that pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83, common share equivalents issued at prices below the anticipated initial public offering price in the twelve months preceding the anticipated initial public offering have been included in the calculation for all periods presented, including the period July 9, 1993 (inception) through December 31, 1993, in which the Company incurred a net loss.

Unaudited Pro Forma Information

The unaudited pro forma information at June 30, 1996 included in the consolidated balance sheet and the consolidated statement of redeemable convertible preferred stock and stockholders' equity reflects the automatic conversion of the Series A and Series B preferred stock into 2,260,532 shares of common stock upon the closing of the Company's anticipated initial public offering.

Interim Financial Data

The interim financial data for the six months ended June 30, 1995 is unaudited. In the opinion of management, this interim financial data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of operations for this interim period. The interim financial data for the six months ended June 30, 1996 is not necessarily indicative of the results of operations for the full year.

3. INVENTORIES

Inventories consist of the following:

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 30,
	1994	1995	1996
<S>	<C>	<C>	<C>
Components and assemblies	$546,700	$2,261,100	$4,434,900
Finished products	244,000	177,400	2,440,000
	$790,700	$2,438,500	$6,874,900

</TABLE>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<TABLE>
<CAPTION>

	ESTIMATED USEFUL LIFE (YEARS)	DECEMBER 31, 1994	DECEMBER 31, 1995	JUNE 30, 1996
<S>	<C>	<C>	<C>	<C>
Office furniture and equipment	5	$ 34,900	$ 108,300	$ 264,600
Computer equipment	3	357,700	1,156,300	1,875,800
Demonstration equipment	3	--	--	830,000
Service and spare components	5	--	350,000	1,050,400
Leasehold improvements	1-3	--	47,700	45,100
		392,600	1,662,300	4,065,900
Less--Accumulated depreciation		39,700	229,200	710,400
		$352,900	$1,433,100	$3,355,500

</TABLE>

Depreciation expense was $800, $38,900, $230,200 and $501,000 for the period ended December 31, 1993, the years ended December 31, 1994 and 1995 and the six months ended June 30, 1996, respectively.

5. ACCRUED EXPENSES

Accrued expenses consist of the following:

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 30,
	1994	1995	1996
<S>	<C>	<C>	<C>
Accrued software license fees	$164,000	$ 444,000	$ 445,900
Accrued sales and use taxes	53,100	1,247,800	614,800
Other accrued expenses	25,400	243,700	966,300
	$242,500	$1,935,500	$2,027,000

</TABLE>

6. INCOME TAXES

The components of the provision for income taxes are as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,
	1994	1995	1996
<S>	<C>	<C>	<C>
Current provision:			
Federal	$116,000	$652,000	$1,232,400
State	5,000	146,000	282,000
	121,000	798,000	1,514,400
Deferred benefit:			

Federal	(51,000)	(65,000)	(139,000)
State	(15,000)	(20,000)	(47,000)
	(66,000)	(85,000)	(186,000)
	$ 55,000	$713,000	$1,328,400

</TABLE>

The components of deferred tax assets and liabilities are as follows:

<TABLE>
<CAPTION>

	DECEMBER 31,		JUNE 30,
	1994	1995	1996
<S>	<C>	<C>	<C>
Deferred tax assets:			
Inventory basis difference	$20,000	$ 55,300	$229,000
Allowance for doubtful accounts	--	15,700	24,000
Deferred revenue	61,000	92,100	111,000
Total deferred tax assets	81,000	163,100	364,000
Deferred tax liabilities	15,000	12,100	27,000
Net deferred tax assets	$66,000	$151,000	$337,000

</TABLE>

The income tax provision computed using the federal statutory income tax rate differs from the Company's effective tax rate primarily due to the following:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,
	1994	1995	1996
<S>	<C>	<C>	<C>
Statutory U.S. federal tax rate	34.0%	34.0%	34.0%
State taxes, net of federal tax benefit	1.7	4.4	4.4
Utilization of operating loss carryforwards	(0.5)	--	--
Research and development tax credits	(10.9)	(2.8)	--
Foreign sales corporation exempt income	--	--	(0.4)
Nondeductible expenses	1.9	1.5	0.5
Other	--	--	--
	26.2%	37.1%	38.5%

</TABLE>

7. PREFERRED STOCK

Voting Rights

Stockholders of both classes of convertible preferred stock are entitled to votes equal to the number of common shares into which the shares of preferred stock are convertible.

Dividends

Cash dividends on the Series A convertible preferred stock ("Series A Stock") and the Series B redeemable convertible preferred stock ("Series B Stock") (collectively, "Convertible Preferred Stock") are payable no later than any dividends are paid on common stock and must be at least equal to the per share amount paid or set aside for the common stock. As of June 30, 1996, no dividends have been declared.

Conversion

The Convertible Preferred Stock is convertible into common stock at the option of the holder, at any time, however, the Series B Stock may not be converted prior to certain events. The Series A Stock conversion rate is one hundred and fifty shares of common stock for one share of Series A Stock. The Series B Stock conversion rate is a maximum of 2.625 shares of common stock

for one share of Series B Stock, based on a formula. The Series A Stock is automatically convertible into common stock upon the closing of an initial public offering in which net proceeds to the Company equal or exceed $5,000,000. The Series B Stock is automatically convertible

into common stock upon the closing of an initial public offering in which net proceeds to the Company equals or exceeds $15,000,000 and in which the price paid by the public for such shares are at least twice the then conversion value per share. The unaudited pro forma information at June 30, 1996, included in the consolidated financial statements, assumes the conversion of each share of Series B Stock into 1.0493 shares of Common Stock.

Redemption

If the Company has not consummated an initial public offering prior to October 31, 2000, holders of at least 30% of the Series B Stock have the right to require the Company to repurchase any or all of their shares. In addition, if such request is made the Company must offer to redeem all shares of the Series B Stock. The redemption price shall be the fair market value as of the date of redemption, as agreed upon in good faith by the Company and the stockholders. The Company may issue interest-bearing promissory notes in satisfaction of its redemption obligation, to the extent that the aggregate redemption price exceeds 50% of its working capital as of the redemption date.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the affairs of the Company, the convertible preferred stockholders are entitled to receive prior to and in preference to the common stockholders, an amount equal to the greater of (i) in the case of the Series A Stock, $35.00 per share plus declared but unpaid dividends and (ii) in the case of Series B Stock, $7.802 per share plus declared but unpaid dividends at a rate of 6% compounded annually or (iii) such amount per share as would have been payable had each share of Series A Stock or Series B Stock been converted into common stock immediately prior to such liquidation, dissolution or winding up. Any remaining assets of the Company shall be distributed ratably to all other stockholders.

Stock Authorization

Upon the closing of the Company's anticipated public offering, the Board of Directors will be authorized to issue from time to time up to an aggregate of 5,000,000 shares of preferred stock, in one or more series. Each such series of preferred stock shall have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges to be determined by the Board of Directors, including, among others, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights.

8. COMMON STOCK

Stock Splits

Effective August 3, 1995, the Company's Board of Directors approved a 100-for-1 stock split of the Company's common stock. All shares of common stock, common stock options, preferred stock conversion ratios and per share amounts included in the accompanying consolidated financial statements have been adjusted to give retroactive effect to the stock split for all periods presented.

On September 11, 1996, the Board of Directors authorized a 3-for-2 stock split of the Company's common stock. This split will become effective prior to the consummation date of the Company's initial public offering. All shares of common stock, common stock options, preferred stock conversion ratios and per share amounts included in the accompanying consolidated financial statements have been adjusted to give retroactive effect to the stock split for all periods presented.

Restriction Agreements

The holders of 7,075,800 common shares have entered into stock restriction and repurchase agreements under which the Company has the right to repurchase

unvested common shares at the original issuance price and vested common shares at fair value upon termination of a business relationship with the Company. Common shares subject to these agreements vest ratably over a five-year period and, at June 30, 1996, 4,571,430 of such shares are unvested. In addition, the Company has a right of first refusal to repurchase any vested shares offered for sale by the holder.

Stock Repurchase

During January 1996, the Company repurchased 431,250 shares of its common stock and 1,286 shares of Series A Stock from certain employees and directors of the Company. Of the common stock repurchased, 21,750 shares were held by the stockholders for less than six months from the time the shares became vested. Accordingly, compensation expense was recorded for the difference between the repurchase price and the original purchase price paid by the stockholders. Compensation expense recorded as a result of this transaction was $91,000.

Notes Receivable from Stockholders

The principal amount of the notes receivable from certain stockholders at December 31, 1995 was payable at the earlier of (i) six months from the date of issuance or (ii) the closing of any sale to a third party or redemption by the Company of pledged shares of the Company's common stock or preferred stock. Interest on the principal amount outstanding accrued at a rate of 5.9% per annum. These loans were secured by common stock held by the noteholders and, consequently, the loans are reflected as an offset to stockholders' equity at December 31, 1995. In January 1996, the notes were settled in connection with the repurchase by the Company of the common shares and Series A preferred shares noted above.

Reserved Shares

At June 30, 1996, the Company has 3,285,828 shares and 1,954,448 shares of common stock reserved for issuance upon the conversion of the convertible preferred stock and the exercise of common stock options, respectively.

9. STOCK PLANS

1995 Stock Option Plan

The Amended and Restated 1995 Stock Option Plan (the "1995 Stock Option Plan") provides for the grant of incentive stock options and nonqualified stock options for the purchase of up to an aggregate of 1,950,000 shares of the Company's common stock by officers, employees, consultants and directors of the Company. The Board of Directors is responsible for administration of the 1995 Stock Option Plan. The Board of Directors determines the term of each option, option exercise price, number of shares for which each option is granted and the rate at which each option is exercisable. Options generally vest ratably over five years. The Company may not grant an employee incentive stock options with a fair value in excess of $100,000 that is first exercisable during any one calendar year.

Incentive stock options may be granted to employees at an exercise price per share of not less than the fair value per common share on the date of the grant (not less than 110% of the fair value in the case of holders of more than 10% of the Company's voting stock). Nonqualified stock options may be granted to any officer, employee, director or consultant at an exercise price per share, as determined by the Company's Board of Directors.

Options granted under the 1995 Stock Option Plan generally expire ten years from the date of the grant (five years for incentive stock options granted to holders of more than 10% of the Company's voting stock).

Director Stock Option Plan

In June 1996, the Company's Board of Directors adopted and the stockholders approved a director stock option plan (the "Director Option Plan") which provides for the grant of options to full time directors of the Company to purchase a maximum of 30,000 shares of common stock. Under the Director Option Plan, each participating director will receive an option to purchase 3,375 shares of common stock. Options granted under the Director Option Plan will vest as to 33 1/3% of the shares underlying the option immediately upon the date of the grant, and will vest as to an additional 8 1/3% of the shares underlying the option at the end of each of the next 8 quarters, provided that the optionee remains a director. Directors will also receive, on each three-year anniversary of such director's option grant date, an additional option to purchase 3,375 shares of common stock, provided that such director continues

to serve on the Board of Directors. All options granted under the Director Option Plan have an exercise price equal to the fair value of the common stock on the date of grant and a term of ten years from the date of grant.

Employee Stock Purchase Plan

In September 1996, the Company's Board of Directors adopted and the stockholders approved an employee stock purchase plan (the "1996 Stock Purchase Plan") which provides for the issuance of a maximum of 300,000 shares of common stock to participating employees who meet eligibility requirements. Employees who would immediately after the grant own 5% or more of the total combined voting power or value of the Company's stock and directors who are not employees of the Company may not participate in the 1996 Stock Purchase Plan. The exercise price of the option is 85% of the lesser of the market price of the common stock on the first or last business day of each six-month plan period.

Transactions under the 1995 Stock Option Plan and the Director Option Plan during the year ended December 31, 1995 and the six months ended June 30, 1996 are summarized as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1995		SIX MONTHS ENDED JUNE 30, 1996	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>
Outstanding at beginning of period.....	--	--	327,120	$ .92
Granted.....	327,120	$ .92	379,360	6.36
Exercised.....	--	--	(5,680)	.79
Cancelled.....	--	--	(31,000)	1.20
Outstanding at period end.....	327,120		669,800	
Options exercisable at period end.....	--		33,710	
Weighted average fair value of options granted during the period.....	$ .32		$ 2.96	

</TABLE>

In August 1996, the Company granted 17,625 options with an exercise price of $9.33. In September 1996, 25,275 options were granted with an exercise price of $10.67.

The following table summarizes information about employee and director stock options outstanding at June 30, 1996:

<TABLE>
<CAPTION>

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT JUNE 30, 1996	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT	WEIGHTED AVERAGE
<S>	<C>	<C>	<C>		
$ .50	134,070	9.2	$ .50		
1.23-1.36	159,390	9.3	1.28		
4.19-5.00	112,440	9.6	4.44		
6.67-7.33	263,900	10.0	7.21		
	669,800				

</TABLE>

RANGE OF EXERCISE PRICES	JUNE 30, 1996	EXERCISE PRICE
<S>	<C>	<C>
$ .50	30,330	$ .50
1.23-1.36	--	--
4.19-5.00	--	--
6.67-7.33	3,380	7.33
	33,710	

</TABLE>

Fair Value Disclosures

Had compensation cost for the Company's option plans been determined based on the fair value at the grant dates, as prescribed in FAS 123, the Company's net income and net income per share would have been as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1996
<S>	<C>	<C>
Net income:		
As reported	$1,210,800	$2,122,100
Pro forma	1,207,800	2,103,500
Net income per share:		
As reported	$ .11	$ .18
Pro forma	.10	.18

</TABLE>

The fair value of each option grant is estimated on the date of grant using the minimum value method with the following assumptions used for grants during the applicable period: dividend yield of 0.0% for both periods; risk-free interest rates of 5.89% to 6.00% for options granted during the year ended December 31, 1995 and 5.36% to 6.34% for options granted during the six months ended June 30, 1996; and a weighted average expected option term of 5 years for both periods.

Because the determination of the fair value of all options granted after the Company becomes a public entity will include an expected volatility factor in addition to the factors described in the preceding paragraph and, because additional option grants are expected to be made each year, the above pro forma disclosures are not representative of pro forma effects of reported net income for future years.

10. COMMITMENTS

The Company leases its operating facilities and certain office equipment under noncancelable operating leases which expire at various dates through 1998. Rental expense under operating leases was approximately $4,600 for the period July 9, 1993 (inception) through December 31, 1993, $53,000 and $154,000 for the years ended December 31, 1994 and 1995, respectively, and $136,000 for the six months ended June 30, 1996. Future minimum lease payments as of June 30, 1996 are as follows:

<TABLE>

<S>	<C>
Six months ending December 31, 1996	$174,400
1997	409,300
1998 (and thereafter)	95,500
	$679,200

</TABLE>

11. EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) retirement savings plan. Participation in the plan is available to full-time employees who meet eligibility requirements. Eligible employees may contribute up to 15% of their salary, subject to certain limitations. Company contributions to the plan may be made at the discretion of the Board of Directors. Through June 30, 1996, the Company made no contributions.

(LOGO)

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Estimated expenses (other than underwriting discounts and commissions) payable in connection with the sale of the Common Stock offered hereby are as follows:

SEC Registration fee	$ 8,621
NASD filing fee	3,000
Nasdaq National Market listing fee	*
Printing and engraving expenses	100,000
Legal fees and expenses	250,000
Accounting fees and expenses	250,000
Blue Sky fees and expenses (including legal fees)	15,000
Transfer agent and registrar fees and expenses	*
Miscellaneous	*
Total	$ *

The Company will bear all expenses shown above.

* To be filed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company's Amended and Restated Certificate of Incorporation incorporates substantially the provisions of the Delaware General Corporation Law of the State of Delaware providing for indemnification of directors, officers, employees and agents of the Company against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that such person is or was an officer, director, employee, agent or controlling stockholder of the Company. In addition, the Company is authorized to enter into indemnification agreements with its directors and officers providing mandatory indemnification to them to the maximum extent permissible under Delaware law.

As permitted under Delaware law, the Company's Amended and Restated Certificate of Incorporation provides for the elimination of the personal liability of a director to the corporation and its stockholders for monetary damages arising from a breach of the director's fiduciary duty of care. The provision is limited to monetary damages, applies only to a director's actions while acting within his capacity as a director, and does not entitle the Company to limit director liability for any judgment resulting from (a) any breach of the director's duty of loyalty to the Company or its stockholders; (b) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law; (c) paying an illegal dividend or approving an illegal stock repurchase; or (d) any transaction from which the director derived an improper benefit. In addition, Section 145 of the Delaware General Corporation Law provides generally that a person sued as a director, officer, employee or agent of a corporation may be indemnified by the corporation for reasonable expenses, including counsel fees, if in the case of other than derivative suits, he has acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation (and in the case of a criminal proceeding, had no reasonable cause to believe that his conduct was unlawful). In the case of a derivative suit, an officer, employee or agent of the corporation who is not protected by the Certificate of Incorporation may be indemnified by the corporation for reasonable expenses, including attorneys' fees, if he has acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in the case of a derivative suit in respect of any claim as to which an officer, employee or agent has been adjudged to be liable to the corporation unless the Delaware Court of Chancery or the court in which such action or suit was brought shall determine that such person is fairly and reasonably entitled to indemnity for proper expenses. Indemnification is mandatory in the case of a director, officer, employee, agent or controlling stockholder who is successful on the merits in defense of a suit against him. The above description gives effect to the Amended and Restated Certificate of Incorporation of the Company to be filed upon the consummation of this offering.

The Underwriting Agreement provides that the Underwriters are obligated, under certain circumstances, to indemnify directors, officers and controlling persons of the Company against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). Reference is made to the form of Underwriting Agreement filed as Exhibit 1.1 hereto. In addition, certain Selling Stockholders are parties to indemnification agreements with the Company whereby such Selling Stockholders have agreed, under certain circumstances, to indemnify directors, officers and controlling persons of the Company against certain liabilities, including liabilities under the Act.

The Company maintains directors and officers liability insurance for the benefit of its directors and certain of its officers.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

The Registrant has sold and issued the following securities during the past three years:

(1) Since inception, the Company issued an aggregate of 8,543,360 shares of Common Stock to certain employees and directors of the Company at prices from $.00013 to $.50.

(2) In June 1994, the Company issued an aggregate of 11,808 shares of Series A Convertible Preferred Stock to 8 investors at a purchase price ranging from $25.00 to $35.00 per share.

(3) In October 1995, the Company issued an aggregate of 650,487 shares of Series B Convertible Preferred Stock to 12 investors at a purchase price of $6.293 per share.

(4) In August 1995, the Company's Board of Directors declared a one hundred-for-one stock split in the form of a stock dividend on the Common Stock.

(5) Effective upon the closing of this offering, the Company's 10,522 outstanding shares of Series A Preferred Stock and 650,487 shares of Series B Preferred Stock will automatically be converted into 1,578,300 and 682,556 shares of Common Stock, respectively.

(6) The Registrant from time to time has granted stock options to purchase shares of Common Stock to employees, directors and consultants, 41,102 of which are exercisable as of August 31, 1996.

No underwriters were involved in the foregoing sales of securities. Such sales were made in reliance upon an exemption from the registration provisions of the Securities Act set forth in Sections 2(3) and 4(2) thereof relative to sales by an issuer not involving any public offering or the rules and regulations thereunder, or, in the case of options to purchase Common Stock, Rule 701 of the Securities Act. All of the foregoing securities are deemed restricted securities for the purposes of the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) EXHIBITS:

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
1.1*	--Form of Underwriting Agreement.
3.1	--Certificate of Incorporation of the Company.
3.2*	--Form of Amendment to Certificate of Incorporation of the Company to be filed prior to the consummation of the public offering.
3.3*	--Form of Amended and Restated Certificate of Incorporation to be filed upon the consummation of the public offering.
3.4	--By-laws of the Company.
3.5*	--Form of Amended and Restated By-laws of the Company to be in effect upon the consummation of the public offering.
4.1*	--Specimen certificate representing the Common Stock.
4.2	--Series B Preferred Stock Purchase Agreement, dated October 26, 1995 between the Company and the persons listed on Schedule 1.1 attached thereto.
4.3	--Form of Stock Restriction Agreement.
4.4	--Form of Stock Restriction Agreement Amendment.
5.1*	--Opinion of Testa, Hurwitz & Thibeault, LLP.
10.1*	--Amended and Restated 1995 Stock Option Plan.
10.2	--1996 Non-Employee Director Stock Option Plan.
10.3	--Lease Agreement dated March 10, 1995 between Thomas B. O'Brien,

		Trustee of Jelric Realty Trust u/d/t dated 9/18/68 and the Company.
10.4	--Sublease Agreement dated March 19, 1996 between IPL Systems, Inc. and the Company.	
10.5	--Indenture of Lease dated October 1, 1995 between Alden T. Greenwood and the Company.	
10.6	--Letter Agreement dated as of June 12, 1996 between Joseph S. Tibbetts, Jr. and the Company.	
10.7	--License Agreement dated May 30, 1996 between Summit Software Systems, Inc. and the Company.	
11.1	--Statement re: computation of earnings per share.	
23.1	--Consent of Price Waterhouse LLP.	
23.2*	--Consent of Testa, Hurwitz & Thibeault, LLP (included in Exhibit 5.1).	
24.1	--Power of Attorney (see page II-6).	
27.1	--Financial Data Schedule.	

</TABLE>

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* To be filed by amendment.

(B) FINANCIAL STATEMENTS SCHEDULE:

Schedule II--Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or

proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes (1) to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser; (2) that for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; and (3) that for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and this offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS FORM S-1 TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE TOWN OF MAYNARD, MASSACHUSETTS, ON THE 18TH DAY OF SEPTEMBER, 1996.

SeaChange International, Inc.

By: /s/ William C. Styslinger, III

WILLIAM C. STYSLINGER, III
CHAIRMAN OF THE BOARD AND
DIRECTOR, PRESIDENT AND CHIEF
EXECUTIVE OFFICER

POWER OF ATTORNEY AND SIGNATURES

WE, THE UNDERSIGNED OFFICERS AND DIRECTORS OF SEACHANGE INTERNATIONAL, INC., HEREBY SEVERALLY CONSTITUTE AND APPOINT WILLIAM C. STYSLINGER, III, EDWARD J. MCGRATH AND JOSEPH S. TIBBETTS, JR., AND EACH OF THEM SINGLY, OUR TRUE AND LAWFUL ATTORNEYS WITH FULL POWER TO THEM, AND EACH OF THEM SINGLY, TO SIGN FOR US IN OUR NAMES IN THE CAPACITIES INDICATED BELOW, THE REGISTRATION STATEMENT ON FORM S-1 FILED HEREWITH AND ANY AND ALL PRE-EFFECTIVE AND POST-EFFECTIVE AMENDMENTS TO SAID REGISTRATION STATEMENT (INCLUDING ANY SUBSEQUENT REGISTRATION STATEMENT FOR THE SAME OFFERING WHICH MAY BE FILED UNDER RULE 462(B)), AND GENERALLY TO DO ALL THINGS IN OUR NAMES AND ON OUR BEHALF IN SUCH CAPACITIES TO ENABLE SEACHANGE INTERNATIONAL, INC. TO COMPLY WITH THE PROVISIONS OF THE SECURITIES ACT OF 1933, AS AMENDED AND ALL REQUIREMENTS OF THE SECURITIES AND EXCHANGE COMMISSION, HEREBY RATIFYING AND CONFORMING OUR SIGNATURES AS THEY MAY BE SIGNED BY OUR ATTORNEYS, OR ANY OF THEM, TO SAID REGISTRATION STATEMENT AND ANY AND ALL AMENDMENTS THERETO.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE(S)	DATE
/s/ William C. Styslinger, III WILLIAM C. STYSLINGER, III	President, Chief Executive Officer, Chairman of the Board and Director (Principal Executive Officer)	September 18, 1996
/s/ Joseph S. Tibbetts, Jr. JOSEPH S. TIBBETTS, JR.	Vice President, Finance and Administration and Treasurer (Principal Financial and Accounting Officer)	September 18, 1996
/s/ Martin R. Hoffmann MARTIN R. HOFFMANN	Director	September 18, 1996
/s/ Edward J. McGrath EDWARD J. MCGRATH	Director	September 18, 1996
/s/ Paul Saunders PAUL SAUNDERS	Director	September 18, 1996
/s/ Carmine Vona CARMINE VONA	Director	September 18, 1996

SCHEDULE II

SEACHANGE INTERNATIONAL, INC.

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

<TABLE>
<CAPTION>

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS AND WRITE-OFFS	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>
Allowance for doubtful accounts:				
Period from July 9, 1993 (inception) through December 31, 1993	$ --	$ --	$--	$ --
Year ended December 31, 1994	--	--	--	--
Year ended December 31, 1995	40,000	--	--	40,000
Six months ended June 30, 1996	40,000	20,000	--	60,000
Allowance for obsolete inventory:				
Period from July 9, 1993 (inception) through December 31, 1993	--	--	--	--
Year ended December 31, 1994	--	--	--	--
Year ended December 31, 1995	--	56,200	--	56,200
Six months ended June 30, 1996	56,200	413,800	--	470,000

</TABLE>

EXHIBIT INDEX

(A) EXHIBITS:

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<C>	<S>
1.1*	--Form of Underwriting Agreement.
3.1	--Certificate of Incorporation of the Company.
3.2*	--Form of Amendment to Certificate of Incorporation of the Company to be filed prior to the consummation of the public offering.
3.3*	--Form of Amended and Restated Certificate of Incorporation to be filed upon the consummation of the public offering.
3.4	--By-laws of the Company.
3.5*	--Form of Amended and Restated By-laws of the Company to be in effect upon the consummation of the public offering.
4.1*	--Specimen certificate representing the Common Stock.
4.2	--Series B Preferred Stock Purchase Agreement, dated October 26, 1995 between the Company and the persons listed on Schedule 1.1 attached thereto.
4.3	--Form of Stock Restriction Agreement.
4.4	--Form of Stock Restriction Agreement Amendment.
5.1*	--Opinion of Testa, Hurwitz & Thibeault, LLP.
10.1*	--Amended and Restated 1995 Stock Option Plan.
10.2	--1996 Non-Employee Director Stock Option Plan.
10.3	--Lease Agreement dated March 10, 1995 between Thomas B. O'Brien, Trustee of Jelric Realty Trust u/d/t dated 9/18/68 and the Company.
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10.5	--Indenture of Lease dated October 1, 1995 between Alden T. Greenwood and the Company.
10.6	--Letter Agreement dated as of June 12, 1996 between Joseph S. Tibbetts, Jr. and the Company.
10.7	--License Agreement dated May 30, 1996 between Summit Software Systems, Inc. and the Company.
11.1	--Statement re: computation of earnings per share.
23.1	--Consent of Price Waterhouse LLP.
23.2*	--Consent of Testa, Hurwitz & Thibeault, LLP (included in Exhibit 5.1).
24.1	--Power of Attorney (see page II-6).
27.1	--Financial Data Schedule.

</TABLE>

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* To be filed by amendment.

EXHIBIT 3.1

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
SEACHANGE TECHNOLOGY, INC.

SEACHANGE TECHNOLOGY, INC., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is SeaChange Technology, Inc.

2. The Corporation's original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on July 9, 1993 under the name "Seaview, Inc.".

3. The Amended and Restated Certificate of Incorporation of the Corporation in the form attached hereto as Exhibit A was duly adopted by written
----
consent of the directors and stockholders of the Corporation in accordance with the applicable provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware and written notice of such action by written consent of stockholders has been given in accordance with said Section 228.

4. The text of the Corporation's Amended and Restated Certificate of Incorporation as so adopted is set forth as Exhibit A attached hereto and is
----
incorporated herein by this reference.

IN WITNESS WHEREOF, SeaChange Technology, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by William C. Styslinger, III, its President, and attested by George W. Lloyd, its Assistant Secretary, this 20th day of May, 1994

SEACHANGE TECHNOLOGY, INC.

By: /s/ William C. Styslinger, III

President

ATTEST

By: /s/ George W. Lloyd

Assistant Secretary

Exhibit A

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
SEACHANGE TECHNOLOGY, INC.

* * * * * * * *

FIRST. The name of the corporation is SeaChange Technology, Inc.

SECOND. The address of its registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH. The total number of shares of all classes of capital stock which the corporation shall have authority to issue is 130,000, of which (i) 100,000 shares shall be Common Stock, par value $.01 per share ("Common Stock"); and (ii) 30,000 shares of undesignated preferred stock, par value $0.01 per

share (the "Preferred Stock").

The following is a statement of the designations, preferences, voting powers, qualifications, special or relative rights and privileges of the authorized capital stock of the Corporation.

I. PREFERRED STOCK

The Preferred Stock may be issued from time to time in one or more classes or series. The Board of Directors of the Corporation shall have authority to the fullest extent permitted under the Delaware General Corporation Law to adopt by resolution from time to time one or more certificates of designation providing for the designation of one or more classes or series of Preferred Stock and the voting powers, whether full, limited or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, or restrictions thereof, and to fix, alter or reduce the number of shares comprising any such class or series, subject to any requirements of the Delaware General Corporation Law and this certificate of incorporation, as amended from time to time.

The authority of the Board of Directors with respect to each such class or series shall include, without limiting the generality of the foregoing, the right to determine and fix the

following preferences and powers, which may vary as between different classes or series of Preferred Stock:

(a) the distinctive designation of such class or series and the number of shares to constitute such class or series;

(b) the rate at which dividends on the shares of such class or series shall be declared and paid, or set aside for payment, whether dividends at the rate so determined shall be cumulative or accruing, and whether the shares of such class or series shall be entitled to any participating or other dividends in addition to dividends at the rate so determined, and if so, on what terms;

(c) the right or obligation, if any, of the Corporation to redeem shares of the particular class or series of Preferred Stock and, if redeemable, the price, terms and manner of such redemption;

(d) the special and relative rights and preferences, if any, and the amount or amounts per share, which the shares of such class or series of Preferred Stock shall be entitled to receive upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

(e) the terms and conditions, if any, upon which shares of such class or series shall be convertible into, or exchangeable for, shares of capital stock of any other class or series, including the price or prices or the rate or rates of conversion or exchange and the terms of adjustment, if any;

(f) the obligation, if any, of the Corporation to retire, redeem or purchase shares of such class or series pursuant to a sinking fund or fund of a similar nature or otherwise, and the terms and conditions of such obligation;

(g) voting rights, if any, including special voting rights with respect to the election of directors and matters adversely affecting any class or series of Preferred Stock;

(h) limitations, if any, on the issuance of additional shares of such class or series or any shares of any other class or series of Preferred Stock; and

(i) such other preferences, powers, qualifications, special or relative rights and privileges thereof as the Board of Directors of the Corporation, by the action of at least a majority of the members of the Board of Directors then in office acting in accordance with this certificate of incorporation, or any certificate of designation with respect to any Preferred Stock, may deem advisable and are not inconsistent with law, the provisions of this certificate of incorporation or the provisions of any such certificate of designation.

II. COMMON STOCK

1. Priority. All preferences, voting powers, relative, participating, optional or other special rights and privileges, and qualifications, limitations or restrictions of the Common Stock are expressly made subject to and subordinate to those that may be fixed with respect to the Preferred Stock.

2. Voting Rights. Each holder of record of Common Stock shall be

entitled to one vote for each share of Common Stock standing in his name on the books of the Corporation. Except as otherwise provided by this certificate of incorporation or by law, the holders of Common Stock and the holders of Preferred Stock shall vote together as a single class on all matters as to which the Common Stock is entitled to vote.

3. Dividends. Subject to provisions of law, this certificate of incorporation and the rights of any Preferred Stock, the holders of Common Stock shall be entitled to receive dividends out of funds legally available therefor at such times and in such amounts as the Board of Directors may determine in their sole discretion.

4. Liquidation. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after the payment or provision for payment of all debts and liabilities of the Corporation and all preferential amounts to which the holders of the Preferred Stock are entitled with respect to the distribution of assets in liquidation, the holders of Common Stock shall be entitled to share ratably in the remaining assets of the Corporation available for distribution.

III. SERIES A CONVERTIBLE PREFERRED STOCK

1. Designation. The series of Preferred Stock designated and known as "Series A Convertible Preferred Stock" shall consist of 30,000 shares of the authorized Preferred Stock of the Corporation (the "Series A Convertible Preferred Stock").

2. Voting. Except as otherwise may be required by law or the provisions of this Certificate of Incorporation, the Series A Convertible Preferred Stock shall vote together with all other classes and series of stock of the Corporation as a single class on all actions to be taken by the stockholders of the Corporation. Each share of Series A Convertible Preferred Stock shall entitle the holder thereof to such number of votes per share on each such action as shall equal the number of shares of Common Stock (including fractions of a share) into which each share of Series A Convertible Preferred Stock is then convertible. For this purpose, without limiting the generality of the foregoing, the authorization or issuance of any series of Preferred Stock with preference or priority over, or on parity with, the Series A Convertible Preferred Stock or the Common Stock as to the right to receive either dividends or amounts distributable upon liquidation, dissolution or winding up of the Corporation, shall not be deemed to affect adversely the Series A Convertible Preferred Stock or Common Stock.

3. Dividends. The holders of the outstanding shares of Series A Convertible Preferred Stock shall be entitled to receive, out of funds legally available therefore, when, as and if declared by the Board of Directors, dividends at the same rate as dividends (other than

dividends paid in additional shares of Common Stock) are paid with respect to the Common Stock (treating each share of Series A Convertible Preferred Stock as being equal to the number of shares of Common Stock (including fractions of a share) into which it is then convertible).

4. Liquidation. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the shares of Series A Convertible Preferred Stock shall be entitled, before any distribution or payment is made upon any stock ranking on liquidation junior to the Series A Convertible Preferred Stock, to be paid an amount equal to the greater of (a) $35.00 per share (which amount shall be subject to equitable adjustment whenever there shall occur a stock split, combination, reclassification or other similar event involving the Series A Convertible Preferred Stock) plus all dividends declared but unpaid thereon, computed to the date payment thereof is made available and (b) such amount per share as would have been payable had each such share been converted into Common Stock immediately prior to such liquidation, dissolution or winding up. If upon such liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the assets to be distributed among the holders of Series A Convertible Preferred Stock shall be insufficient to permit payment to the holders of Series A Convertible Preferred Stock of the amount distributable as aforesaid, then the entire assets of the Corporation to be so distributed shall be distributed ratably among the holders of Series A Convertible Preferred Stock.

Upon any such liquidation, dissolution or winding up of the Corporation, after the holders of Series A Convertible Preferred Stock shall have been paid in full the amounts to which they are entitled, the remaining net assets of the Corporation may be distributed to holders of stock ranking on liquidation junior to the Series A Convertible Preferred Stock.

The consolidation or merger of the Corporation into or with any other entity or entities which results in the exchange of outstanding shares of the Corporation for securities or other consideration issued or paid or caused to be issued or paid by any such entity or affiliate thereof (other than a merger to reincorporate the Corporation in a different jurisdiction), and the sale or transfer by the Corporation of all or substantially all its assets, shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of the provisions of this paragraph 4. For purposes hereof, Common stock shall rank on liquidation junior to the Series A Convertible Preferred Stock.

5. Conversions. The holders of shares of Series A Convertible Preferred Stock shall have the following conversion rights:

5A. Right to Convert. Subject to the terms and conditions of this paragraph 5, the holder of any share or shares of Series A Convertible Preferred Stock shall have the right, at its option at any time, to convert any such shares of Series A Convertible Preferred Stock (except that upon any liquidation of the Corporation the right of conversion shall terminate at the close of business on the business day fixed for payment of the amount distributable on the Series A Convertible Preferred Stock) into one fully paid and nonassessable share of Common Stock for each share of Series A Convertible Preferred Stock. Such rights of conversion shall be exercised by the holder thereof by giving written notice that the holder elects to convert a stated

number of shares of Series A Convertible Preferred Stock into Common Stock and by surrender of a certificate or certificates for the shares so to be converted to the Corporation at its principal office (or such other office or agency of the Corporation as the Corporation may designate by notice in writing to the holders of the Series A Convertible Preferred Stock) at any time during its usual business hours on the date set forth in such notice, together with a statement of the name or names (with address) in which the certificate or certificates for shares of Common Stock shall be issued.

5B. Issuance of Certificates; Time Conversion Effected. Promptly after the receipt of the written notice referred to in subparagraph 5A and surrender of the certificate or certificates for the share or shares of Series A Convertible Preferred Stock to be converted, the Corporation shall issue and deliver, or cause to be issued and delivered, to the holder, registered in such name or names as such holder may direct, a certificate or certificates for the number of whole shares of Common Stock issuable upon the conversion of such share or shares of Series A Convertible Preferred Stock. To the extent permitted by law, such conversion shall be deemed to have been effected as of the close of business on the date on which such written notice shall have been received by the Corporation and the certificate or certificates for such share or shares shall have been surrendered as aforesaid, and at such time the rights of the holder of such share or shares of Series A Convertible Preferred Stock shall cease, and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby.

5C. Fractional Shares; Dividends; Partial Conversion. Fractional shares may be issued upon conversion of Series A Convertible Preferred Stock into Common Stock, but no payment or adjustment shall be made upon any conversion on account of any cash dividends on the Common Stock issued upon such conversion. At the time of each conversion, the Corporation shall pay in cash an amount equal to all dividends accrued and unpaid on the shares of Series A Convertible Preferred Stock surrendered for conversion to the date upon which such conversion is deemed to take place as provided in subparagraph 5B. In case the number of shares of Series A Convertible Preferred Stock represented by the certificate or certificates surrendered pursuant to subparagraph 5A exceeds the number of shares converted, the Corporation shall, upon such conversion, execute and deliver to the holder, at the expense of the Corporation, a new certificate or certificates for the number of shares of Series A Convertible Preferred Stock represented by the certificate or certificates surrendered which are not to be converted.

5D. Subdivision or Combination of Common Stock. In case the Corporation shall at any time subdivide (by any stock split, stock dividend or otherwise) or combine its outstanding shares of Common Stock into a greater or smaller number of shares, the number of shares of Common stock into which the Series A Convertible Preferred Stock may be converted shall be adjusted on an equitable basis to protect the holders of Series A Convertible Preferred Stock against dilution or impairment.

5E. Reorganization or Reclassification. If any capital reorganization or reclassification of the capital stock of the Corporation shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then, as a condition of such reorganization or reclassification, lawful and adequate provisions shall be made whereby each holder of a share or shares of Series A Convertible Preferred Stock shall thereupon have the right to receive, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore receivable upon the conversion of such share or shares of Series A Convertible Preferred Stock, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such Common Stock immediately theretofore receivable upon such conversion had such reorganization or reclassification not taken place, and in any such case appropriate provisions shall be made with respect to the rights and interests of such holder to the end that the provisions hereof (including without limitation provisions for adjustments of the number of shares of Common Stock into which the shares of Series A Convertible Preferred Stock may be converted) shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities or assets thereafter deliverable upon the exercise of such conversion rights.

5F. Stock to be Reserved. The Corporation will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issuance upon the conversion of Series A Convertible Preferred Stock as herein provided, such number of shares of Common Stock as shall then be issuable upon the conversion of all outstanding shares of Series A Convertible Preferred Stock. The Corporation covenants that all shares of Common Stock which shall be so issued shall be duly and validly issued and fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof, and, without limiting the generality of the foregoing, the Corporation covenants that it will from time to time take all such action as may be requisite to assure that the par value per share of the Common Stock is at all times equal to or less than the effective conversion price of the Series A Convertible Preferred Stock in effect at the time. The Corporation will take all such action as may be necessary to assure that all such shares of Common Stock may be so issued without violation of any applicable law or regulation, or of any requirement of any national securities exchange upon which the Common Stock may be listed. The Corporation will not take any action which results in any adjustment of the number of shares of Common Stock into which the shares of Series A Convertible Preferred Stock may be converted if the total number of shares of Common Stock issued and issuable after such action upon conversion of the Series A Convertible Preferred Stock would exceed the total number of shares of Common Stock then authorized by the Certificate of Incorporation.

5G. Reissuance of Series A Convertible Preferred Stock. Shares of Series A Convertible Preferred Stock that are converted into shares of Common Stock as provided herein shall assume the status of authorized but unissued Preferred Stock.

5H. Mandatory Conversion. If at any time the Corporation shall effect a firm commitment underwritten public offering of shares of Common Stock in which (i) the aggregate

price paid for such shares by the public shall be at least $5,000,000 and (ii) the price paid by the public for such shares shall be at least $100 per share (appropriately adjusted to reflect the occurrence of any event described in subparagraph 5D), then, effective upon the closing of the sale of such shares by the Corporation pursuant to such public offering, all outstanding shares of Series A Convertible Preferred Stock shall automatically convert to shares of Common Stock on the basis set forth in this paragraph 5. Holders of shares of Series A Convertible Preferred Stock so converted may deliver to the Corporation at its principal office (or such other office or agency of the Corporation as the Corporation may designate by notice in writing to such holders) during its usual business hours, the certificate or certificates for the shares so converted. As promptly as practicable thereafter, the Corporation shall issue and deliver to such holder a certificate or certificates for the number of shares of Common Stock to which such holder is entitled. Until such time as a holder of shares of Series A Convertible Preferred Stock shall surrender his or its certificates therefor as provided above, such certificates shall be deemed to represent the shares of Common Stock to which such holder shall be entitled upon the surrender thereof.

6. Amendments. No provision of these terms of the Series A Convertible Preferred Stock may be amended, modified or waived without the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Series A Convertible Preferred Stock.

FIFTH. The corporation is to have perpetual existence.

SIXTH. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the board of directors of the corporation is expressly authorized to adopt, amend or repeal the by-laws of the corporation.

SEVENTH. Elections of directors need not be by written ballot unless the by-laws of the corporation shall so provide. The books of the corporation may be kept (subject to any provisions contained in the statutes) at such place within or without the State of Delaware as the by-laws of the corporation may provide or as may be designated from time to time by the board of directors of the corporation.

EIGHTH. Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as a consequence of

such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

NINTH. The corporation eliminates the personal liability of each member of its board of directors to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that the foregoing shall not eliminate the liability of a director (i) for any breach of such director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of Title 8 of the Delaware Code or (iv) for any transaction from which such director derived an improper personal benefit.

TENTH. The corporation reserves the right to amend or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon a stockholder herein are granted subject to this reservation.

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

SEACHANGE TECHNOLOGY, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of SeaChange Technology, Inc., at a meeting held on May 26, 1995, duly adopted a resolution setting forth the proposed amendment as follows:

RESOLVED: That the Certificate of Incorporation of the Corporation be amended by changing the first sentence of the Article thereof numbered "FOURTH" so that, as amended, the first sentence of that Article shall be and read as follows:

"The total number of shares of all classes of capital stock which the corporation shall have authority to issue is 7,030,000, of which (i) 7,000,000 shares shall be common stock, par value $.01 per share ("Common Stock"); and (ii) 30,000 shares of preferred stock, par value $.01 per share, all of which arc designated as 'Series A Convertible Preferred Stock' (the "Preferred Stock")."

SECOND: That thereafter, the stockholders, in accordance with Section 228 of the General Corporation Law of the State of Delaware voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by William Styslinger, III, its President, and attested by Edward McGrath, its Secretary, this 31st day of July, 1995.

SEACHANGE TECHNOLOGY, INC.

By: /s/ William Styslinger, III

William Styslinger, III
President

ATTEST:

By: /s/ Edward McGrath

Edward McGrath
Secretary

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

SEACHANGE TECHNOLOGY, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of SeaChange Technology, Inc., by written consent in accordance with Section 141 of the General Corporation Law of the State of Delaware, duly adopted a resolution to be filed with the minutes of the Board of Directors. The resolution setting forth the proposed amendment is as follows:

RESOLVED: That the Directors propose and declare it advisable that the Corporation's Certificate of Incorporation be amended by deleting the entire Article numbered Fourth and replacing it with a new Article Fourth in place thereof so that the said Article reads in its entirety in the form attached hereto as Exhibit A (the "Amended Charter").

SECOND: That thereafter, the stockholders, in accordance with Section 228 of the General Corporation Law of the State of Delaware voted in favor of the amendment.

THIRD: That said amendment was duty adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by William Styslinger, III, its President, and attested by Edward McGrath, its Secretary, this 26th day of October, 1995.

SEACHANGE TECHNOLOGY, INC.

By: /s/ William Styslinger, III

William Styslinger, III
President

ATTEST:

By: /s/ Edward McGrath

Edward McGrath
Secretary

Exhibit A

FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 11,000,000, of which (i) 10,000,000 shares shall be Common Stock, par value of One Cent ($.01) per share ("Common Stock"); and (ii) 1,000,000 shares shall be of preferred stock, par value One Cent ($0.01) per share (the "Preferred Stock"), of which 30,000 shares are designated as Series A Preferred Stock, 650,487 shares are designated as Series B Preferred Stock, and 319,513 shares are undesignated Preferred Stock.

The following is a statement of the designations, preferences, voting powers, qualifications, special or relative rights and privileges of the authorized capital stock of the Corporation.

I. PREFERRED STOCK

The Preferred Stock may be issued from time to time in one or more classes or series. The Board of Directors of the Corporation shall have authority to the fullest extent permitted under the Delaware General Corporation Law to adopt by resolution from time to time one or more certificates of designation providing for the designation of one or more classes or series of Preferred Stock and the voting powers, whether full, limited or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, or restrictions thereof, and to fix, alter or reduce the number of shares comprising any such class or series, subject to any requirements of the Delaware General Corporation Law and this certificate of incorporation as amended from time to time.

The authority of the Board of Directors with respect to each such class or series shall include, without limiting the generality of the foregoing, the right to determine and fix the following preferences and powers, which may vary as between different classes or series of Preferred Stock:

(a) the distinctive designation of such class or series and the number of shares to constitute such class or series;

(b) the rate at which dividends on the shares of such class or series shall be declared and paid, or set aside for payment, whether dividends at the rate so determined shall be cumulative or accruing, and whether the shares of such class or series shall be entitled to any in addition to dividends at the rate so determined, and if so, on what terms.

(c) the right or obligation, if any, of the Corporation to redeem shares of the particular class or series of Preferred Stock and, if redeemable, the price, terms and manner of such redemption;

(d) the special and relative rights and preferences, if any, and the amount or amounts per share, which the shares of such class or series of Preferred Stock shall be entitled to

receive upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

(e) the terms and conditions, if any, upon which shares of such class or series shall be convertible into, or exchangeable for, shares of capital stock of any other class or series, including the price or prices or the rate or rates of conversion or exchange and the terms of adjustment, if any;

(f) the obligation, if any, of the Corporation to retire, redeem or purchase shares of such class or series pursuant to a sinking fund or fund of a similar nature or otherwise, and the terms and conditions of such obligation;

(g) voting rights, if any, including special voting rights with respect to the election of directors and matters adversely affecting any class or series of Preferred Stock;

(h) limitations, if any, on the issuance of additional shares of such class or series or any shares of any other class or series of Preferred Stock; and

(i) such other preferences, powers, qualifications special or relative rights and privileges thereof as the Board of Directors of the Corporation, by the action of at least a majority of the members of the Board of Directors then

in office acting in accordance with this certificate of incorporation, or any certificate of designation with respect to any Preferred Stock, may deem advisable and are not inconsistent with law, the provisions of this certificate of incorporation, or the provisions of any such certificate of designation.

II. COMMON STOCK

1. Priority. All preferences, voting powers, relative, participating, optional or other special rights and privileges, and qualifications, limitations or restrictions of the Common Stock are expressly made subject to and subordinate to those that may be fixed with respect to the Preferred Stock.

2. Voting Rights. Each holder of record of Common Stock shall be entitled to one vote for each share of Common Stock standing in his name on the books of the Corporation. Except as otherwise provided by this certificate of incorporation or by law, the holders of Common Stock and the holders of Preferred Stock shall vote together as a single class on all matters as to which the Common Stock is entitled to vote.

3. Dividends. Subject to provisions of law, this certificate of incorporation and the rights of any Preferred Stock, the holders of Common Stock shall be entitled to receive dividends out of funds legally available therefor at such times and in such amounts as the Board of Directors may determine in their sole discretion.

4. Liquidation. Upon any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after the payment or provisions for payment of all debts and

liabilities of the Corporation and all preferential amounts to which the holders of the Preferred Stock are entitled with respect to the distribution of assets in liquidation, the holders of Common Stock shall be entitled to share ratably in the remaining assets of the Corporation available for distribution.

III. SERIES A AND B CONVERTIBLE PREFERRED STOCK

1. Designation. The series of 30,000 shares of Series A Convertible Preferred Stock, par value $.01 per share, shall be designated the "The Series A Preferred Stock", and the series of 650,487 shares of Series B Convertible Preferred Stock, par value $.01 per share, shall be designated the "Series B Preferred Stock." The Series A Preferred Stock and the Series B Preferred Stock sometimes are referred to hereinafter collectively as the "Preferred Stock" and shall have the following rights, terms and privileges:

2. Dividends.

(a) Dividends. The holders of the then outstanding Preferred Stock shall be entitled to receive, out of funds legally available therefore, when, as and if declared by the Board of Directors, dividends at the same rate as dividends are paid with respect to the Common Stock (including fractions of a share) into which it is convertible.

(b) Dividends in Kind. No dividend in kind shall be paid until after the adjustment to the Applicable Conversion Value required under Section 5(d)(i) is made. Thereafter, in the event the Corporation shall make or issue, or shall fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution with respect to the Common Stock payable in (i) securities of the Corporation other than shares of Common Stock or (ii) assets, then and in each such event the holders of Preferred Stock shall receive, at the same time such distribution is made with respect to Common Stock, the number of securities or such other assets of the Corporation which they would have received had their Preferred Stock been converted into Common Stock immediately prior to the record date for determining holders of Common Stock entitled to receive such distribution.

3. Liquidation, Dissolution or Winding Up.

(a) Treatment at Liquidation, Dissolution or Winding Up. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any distribution may be made with respect to the Common Stock or any other series of capital stock which is junior to the Preferred Stock, holders of each share of the Preferred Stock shall be entitled to be paid out of the assets of the Corporation available for distribution to holders of

the Corporation's capital stock of all classes, whether such assets are capital, surplus, or capital earnings, the greater of (i) (x) in the case of the Series A Preferred Stock $35.00 per share (subject to adjustment in the event of a stock split, combination, reclassification or other similar event (any such event referred to as a "Recapitalization") occurring after October 25, 1995) and (y) in the case of the Series B Preferred Stock, an amount equal $7.802 (the "Original Blended Price") per share of Preferred Stock (subject to adjustment in the event of a

Recapitalization occurring after October 25, 1995) plus a dividend at the rate of six percent (6%) of the Original Blended Price, compounded annually, from the date of issuance through the date of such liquidation, dissolution or winding up, less all dividends theretofore paid with respect to the Series B Preferred Stock under Section 2 and minus the amount per share which the holders of the Series B Preferred Stock would have received upon such liquidation, dissolution or winding up with respect to any shares of Common Stock which may be purchased from Messrs. William C. Styslinger, III and Edward McGrath in January, 1996, had they retained ownership of all such shares as of the date of such liquidation, dissolution or winding up, or (ii) such amount per share of Preferred Stock as would have been payable had each such share been converted into Common Stock immediately prior to such event of liquidation, dissolution or winding up pursuant to the provisions of Section 5. The amount payable with respect to the Series A Preferred Stock and Series B Preferred Stock pursuant to this Section 3(a) is referred to herein as the "Liquidation Amount".

If the assets of the Corporation available for distribution to its shareholders shall be insufficient to pay all the holders of shares of Series A Preferred Stock and Series B Preferred Stock the full amount of the Liquidation Amount to which they shall be entitled, the holders of shares of Series A Preferred Stock and the holders of Shares of Series B Preferred Stock shall share ratably in an distribution of assets in proportion to the amounts which they would have received with respect to their Series A or Series B Preferred Stock had all amounts payable on or with respect to said shares been paid in full.

After the payment of the Liquidation Amount shall have been made in full to the holders of the Preferred Stock or funds necessary for such payment shall have been set aside by the Corporation in trust for the account of holders of the Preferred Stock so as to be available for such payments, the holders of the Preferred Stock shall be entitled to no further participation in the distribution of the assets of the Corporation, and the remaining assets of the Corporation legally available for distribution to its shareholders shall be distributed among the holders of other classes of securities of the Corporation in accordance with their respective terms.

(b) Treatment of Reorganizations. Any Reorganization (as such term is defined in Section 5(g)), shall be regarded as a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this Section 3; provided, however, that each holder of the Preferred Stock shall have the right to elect the benefits of the provisions of Section 5(g) hereof, if applicable, in lieu of receiving payment of amounts payable upon liquidation, dissolution or winding up of the Corporation pursuant to this Section 3.

(c) Distributions in Cash. The Liquidation Amount shall in all events be paid in cash.

4. Voting Power. Except as otherwise expressly provided in Section 8 hereof, or as required by law, each holder of Preferred Stock shall be entitled to vote on all matters and shall be entitled to that number of votes equal to the largest number of whole shares of Common Stock into which such holder's shares of Preferred Stock could be converted, pursuant to the provisions of Section 5 hereof, at the record date for the determination of shareholders entitled to vote on such matter or, if no such record date is established, at the date such vote is taken or any written

consent of shareholders is solicited. Notwithstanding the foregoing, for purposes of determining the voting of the Series B Preferred Stock, it shall be assumed that the Applicable Conversion Value of the Series B Preferred Stock is $6.293 until the adjustment thereto required under Section 5(d)(i) is made. Except as otherwise expressly provided herein or as required by law, the holders of shares of Series A Preferred Stock, Series B Preferred Stock and Common Stock shall vote together as a single class on all matters.

5. Conversion Rights for the Preferred Stock. The holders of the Preferred Stock shall have the following rights with respect to the conversion of the Preferred Stock into shares of Common Stock:

(a) General. Subject to and in compliance with the provisions of this Section 5, any share of the Preferred Stock may, at the option of the holder, be converted at any time into fully-paid and non-assessable shares of Common Stock; provided, that the Series B Preferred Stock may not be converted until the first to occur of (i) Reorganization, liquidation, dissolution or winding up of the Corporation, (ii) the sale of securities of the Corporation pursuant to a registration statement filed under the Securities Act of 1933, as amended (the "Act") or (iii) an adjustment to the Applicable Conversion Value under Section 5(d)(i). The number of shares of Common Stock to which a holder of Preferred Stock shall be entitled upon conversion shall be the product obtained by multiplying the Applicable Conversion Rate (determined as provided in Section 5(b)) by the number of shares of Preferred Stock being converted.

(b) Applicable Conversion Rate. The conversion rate in effect at any time (the "Applicable Conversion Rate") shall be the quotient obtained by dividing (i) in the case of the Series A Preferred Stock, $35.00, and (ii) in the case of the Series B Preferred Stock $6.293 by the respective Applicable Conversion Value, calculated as provided in Section 5(c).

(c) Applicable Conversion Value. The Applicable Conversion Value shall be (i) in the case of the Series A Preferred Stock, $0.35, and (ii) in the case of the Series B Preferred Stock $3.597 provided that such amounts shall be adjusted from time to time in accordance with this Section 5. Notwithstanding the foregoing, if prior to January 31, 1996 the Corporation redeems 416,100 shares of Common Stock (subject to appropriate adjustment in the event of a Recapitalization occurring after October 25, 1995) pursuant to Section 1.4(b) of the Series B Preferred Stock Purchase Agreement dated as of October 26, 1995 (the "Purchase Agreement"), such redemption hereinafter referred to as the "Redemption", the initial Applicable Conversion Value for the Series B Preferred Stock shall automatically be increased to $3.834, subject to the other adjustment thereto as herein provided.

(d) Adjustments to Applicable Conversion Value.

(i) Adjustment to Series B Preferred Stock Based Upon 1996 Earnings Per Share.
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(1) The Applicable Conversion Value of the Series B Preferred Stock shall be adjusted as set forth on Annex 1 attached hereto. Such adjustment shall be made

not later than the first to occur of (i) April 1, 1997, and (ii) ten (10) days after receipt by the Company of audited financial statements for the year ending December 31, 1996.

(2) In the event of a Reorganization or consummation of a sale of Common Stock of the Corporation to the public pursuant to a registration statement filed under the Act, which Reorganization or sale occurs prior to December 31, 1996, the Applicable Conversion Value shall be adjusted based on the Consideration Per Share (as herein defined) payable with respect to such transaction. The term "Consideration Per Share" shall mean, in the case of a public offering of Common Stock, the price paid by the public for such shares, and in the case of a Reorganization, the amount payable with respect to a share of Common Stock calculated on a fully converted basis. In the event of a Reorganization or public sale of Common Stock, the Applicable Conversion Value of the Series B Preferred Stock shall be adjusted so as to equal the number set forth opposite the Applicable Consideration Per Share figure set forth on Annex 2 attached hereto; provided that if the Consideration Per Share shall be less than $7.844 (or, if the Redemption is completed, $8.295), the Applicable Conversion Value shall be adjusted assuming a Consideration Per Share of $7.844 (or, if the Redemption is completed, $8.295), and if the Consideration Per Share is greater than $15.706 (or, if the Redemption is completed, $16.612), the Applicable Conversion Value shall be adjusted assuming a Consideration Per Share of $15.706 (or, if the Redemption is completed, $16.612). In the event the Consideration Per Share falls between two consecutive figures on Annex 2, the appropriate Applicable Conversion Value shall be determined on a straight line interpolation basis.

(3) No adjustment required under the following provisions of this subparagraph 5(d) shall be made to Applicable Conversion Value of the

Series B Preferred Stock until the adjustment required by this Section 5(d)(i) has been made; thereafter, any adjustment so delayed shall be made as if the initial Applicable Conversion Value of the Series B Preferred Stock had been that as adjusted pursuant to Section 5(d).

(4) Following adjustment of the Applicable Conversion Sale under this Section 5(d)(i), the Certificate of Incorporation shall be amended to as to delete such section and Annexes 1 and 2.

(ii)(A) Upon Sale of Common Stock. If the Corporation shall, while there are any shares of Preferred Stock outstanding, issue or sell shares of its Common Stock without consideration or at a price per share less than the Applicable Conversion Values in effect immediately prior to such issuance or sale, then in each such case such Applicable Conversion Values for the Preferred Stock, upon each such issuance or sale, except as hereinafter provided, shall be lowered so as to be equal to an amount determined by multiplying the relevant Applicable Conversion Values by a fraction:

(1) the numerator of which shall be (a) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares of Common Stock, plus the number of shares of Common Stock issuable upon exercise of the options described in Section 5(d)(ii)(E), plus (b) the number of shares of Common Stock which the net aggregate consideration if any, received by the Corporation for the total number of such additional shares of Common Stock so issued would purchase at the Applicable Conversion Value in effect immediately prior to such issuance, plus (c) in the case of the Applicable Conversion Value of the Series B Preferred Stock only, the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock, and

(2) the denominator of which shall be (a) the number of shares of Common Stock outstanding immediately prior to the issuance of such additional shares of Common Stock, plus the number of shares of Common Stock issuable upon exercise of the options described in Section 5(d)(ii)(E), plus (b) the number of such additional shares of Common stock so issued, plus (c) in the case of the Applicable Conversion Value of the Series B Preferred Stock only, the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock.

(B) Upon Issuance of Warrants, Options and Rights to Common Stock.
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(1) For the purposes of this Section 5(d)(ii), the issuance of any warrants, options, subscriptions, or purchase rights with respect to shares of Common Stock and the issuance of any securities convertible into or exchangeable for shares of Common Stock (or the issuance of any warrants, options or any rights with respect to such convertible or exchangeable securities) shall be deemed an issuance of such Common Stock at such time if the Net Consideration Per Share (as hereinafter determined) which may be received by the Corporation for such Common Stock shall be less than the Applicable Conversion Value at the time of such issuance. Any obligation, agreement, or undertaking to issue warrants, options, subscriptions, or purchase rights at any time in the future shall be deemed to be an issuance at the time such obligation, agreement or undertaking is made or arises. No adjustment of the Applicable Conversion Value shall be made under this Section 5(d)(ii) upon the issuance of any shares of Common Stock which are issued pursuant to the exercise of any warrants, options. subscriptions, or purchase rights or pursuant to the exercise of any conversion or exchange rights in any convertible securities if any adjustment shall previously have been made or deemed not required hereunder, upon the issuance of any such warrants, options, or subscription or purchase rights or upon the issuance of any convertible securities (or upon the issuance of any warrants, options or any rights therefor) as above provided.

Should the Net Consideration Per Share of any such warrants, options, subscriptions, or purchase rights or convertible securities be decreased from time to time, then, upon the effectiveness of each such change, the Applicable Conversion Value shall be adjusted to such Applicable Conversion Value as would have obtained (1) had the adjustments made upon the issuance of such warrants, options, rights, or convertible securities been made upon the basis of the decreased Net Consideration per share of such securities, and (2) had adjustments made to the Applicable Conversion Value since the date of issuance of such securities been made to the Applicable Conversion Value as adjusted pursuant to (1) above. Any adjustment of the

Applicable Conversion Value with respect to this paragraph which relates to warrants, options, subscriptions, purchase rights or convertible securities with respect to shares of Common Stock shall be disregarded if, as, when and to the extent such warrants, options, subscriptions, purchase rights or convertible securities expire or are canceled without being exercised or converted, so that the Applicable Conversion Value effective immediately upon such cancellation or

expiration shall be equal to the Applicable Conversion Value in effect at the time of the issuance of the expired or canceled warrants, options, subscriptions, purchase rights, or convertible securities with such additional adjustments as would have been made to that Applicable Conversion Value had the expired or canceled warrants, options, subscription, purchase rights or convertible securities not been issued.

(2) For purposes of this paragraph, the "Net Consideration Per Share" which may be received by the Corporation shall be determined as follows:

(a) The "Net Consideration Per Share" shall mean the amount equal to the total amount of consideration, if any, received by the Corporation for the issuance of such warrants, options, subscriptions, or other purchase rights or convertible or exchangeable securities, plus the minimum amount of consideration, if any, payable to the Corporation upon exercise or conversion thereof, divided by the aggregate number of shares of Common Stock that would be issued if all such warrants, options, subscriptions, or other purchase rights or convertible or exchangeable securities were exercised, exchanged of converted.

(b) The "Net Consideration Per Share" which may be received by the Corporation shall be determined in each instance as of the date of issuance of warrants, options, subscriptions, or other purchase rights or convertible or exchangeable securities without giving effect to any possible future upward price adjustments or rate adjustments which may be applicable with respect to such warrants, options, subscriptions, or other purchase rights or convertible or exchangeable securities.

(C) Stock Dividends. In the event the Corporation shall make or issue dividend or other distribution payable in Common Stock or securities of the Corporation convertible into or otherwise exchangeable for the Common Stock of the Corporation, then such Common Stock or other securities issued in payment of such dividend shall be deemed to have been issued without consideration (except for dividends payable in shares of Common Stock payable pro rata to holders of Preferred Stock and to holders of any other class of stock).

(D) Consideration Other than Cash. For purposes of this Section 5(d), if a part or all of the consideration received by the Corporation in connection with the issuance of shares of the Common Stock or the issuance of any of the securities described in this Section 5(d) consists of property other than cash, such consideration shall be deemed to have a fair market value as is reasonably determined in good faith by the Board of Directors of the Corporation.

(E) Exceptions. This Section 5(d)(ii) shall not apply under any of the circumstances which would constitute an Extraordinary Common Stock Event (as hereinafter

defined in Section 5(d)(iii)). Further, the provisions of this Section 5(d) shall not apply to (i) shares of Common Stock issued upon conversion of the Preferred Stock, or (ii) options (and the shares issuable upon exercise thereof) to purchase up to an aggregate of 468,500 shares of Common Stock (including options outstanding on the date hereof) issued to employees, officers or consultants of the Corporation, pursuant to options granted under a stock option plan approved by the Compensation Committee of the Corporation's Board of Directors. The number of shares in this Section (E) shall be proportionately adjusted to reflect any Recapitalization occurring after October 25, 1995.

(iii) Upon Extraordinary Common Stock Event. Upon the happening of an Extraordinary Common Stock Event (as hereinafter defined), the Applicable Conversion Values for the Preferred Stock shall, simultaneously with the happening of such Extraordinary Common Stock Event, be adjusted by multiplying the then effective Applicable Conversion Values with respect to the Preferred Stock by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such Extraordinary Common Stock Event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such Extraordinary Common Stock Event, and the product so obtained shall thereafter be the Applicable Conversion Values. The Applicable Conversion Values for the Preferred Stock shall be readjusted in the same manner upon the happening of any successive Extraordinary Common Stock Event or Events.

"Extraordinary Common Stock Event" shall mean (i) the issue of additional shares of Common Stock as a dividend or other distribution on outstanding Common Stock or on any class or series of preferred stock, unless made pro rata to holders of Preferred Stock, (ii) a subdivision of outstanding

shares of Common Stock into a greater number of shares of Common Stock, or (iii) a combination of outstanding shares of the Common Stock into a smaller number of shares of Common Stock.

(e) Dividends. In the event the Corporation shall make or issue, or shall fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution with respect to the Common Stock payable in (i) securities of the Corporation other than shares of Common Stock or (ii) assets, then and in each such event the holders of Preferred Stock shall receive, at the same time such distribution is made with respect to Common Stock, the number of securities or such other assets of the Corporation which they would have received had their Preferred Stock been converted into Common Stock immediately prior to the date of such distribution.

(f) Capital Reorganization Reclassification. If the Common Stock issuable upon the conversion of the Preferred Stock shall be changed into the same or different number of shares of any class or classes of stock, whether by capital reorganization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend provided for elsewhere in this Section 5 or by a Reorganization), then and in each such event, the holder of each share of Preferred Stock shall have the right thereafter to convert such share into the kind and amount of shares of stock and other securities and property receivable upon such capital reorganization, reclassification or other change by holders of the number of shares of Common Stock into which

such shares of Preferred Stock might have been converted immediately prior to such capital reorganization, reclassification or other change.

(g) Capital Reorganization, Merger or Sale of Assets. If at any time or from time to time there shall be a capital reorganization of the Common Stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 5) or a merger or consolidation of the Corporation with or into another corporation, or the sale of all or substantially all of the Corporation's properties and assets to any other person, any of which events is herein referred to as a "Reorganization'), then as a part of such Reorganization, provision shall be made so that the holders of the Preferred Stock shall thereafter be entitled to receive upon conversion of the Preferred Stock, the number of shares of stock or other securities or property of the Corporation, or of the successor corporation resulting from such Reorganization, to which such holder would have been entitled if such holder had converted its shares of Preferred Stock immediately prior to such Reorganization. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 5 with respect to the rights of the holders of the Preferred Stock after the Reorganization, to the end that the provisions of this Section 5 (including adjustment of the Applicable Conversion Value then in effect and the number of shares issuable upon conversion of the Preferred Stock) shall be applicable after that event in as nearly equivalent a manner as may be practicable.

Except as otherwise provided in Section 3(b), upon the occurrence of a Reorganization, under circumstances which make the preceding paragraph applicable, each holder of Preferred Stock shall have the option of electing treatment for his shares of Preferred Stock under either this Section 5(g) or Section 3 hereof, notice of which election shall be submitted in writing to the Corporation at its principal offices no later than five (5) business days before the effective date of such event.

(h) Certificates as to Adjustments; Notice by Corporation. In each case of an adjustment or readjustment of the Applicable Conversion Rate, the Corporation at its expense will furnish each holder of Preferred Stock with a certificate, executed by the president and chief financial officer (or in the absence of a person designated as the chief financial officer, by the treasurer) showing such adjustment or readjustment, and stating in detail the facts upon which such adjustment or readjustment is based.

(i) Exercise of Conversion Privilege. To exercise its conversion privilege, a holder of Preferred Stock shall surrender the certificate or certificates representing the shares being converted to the Corporation at its principal office, and shall give written notice to the Corporation at that office that such holder elects to convert such shares. Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for shares of Common Stock issuable upon such conversion shall be issued. The certificate or certificates for shares of Prefaced Stock surrendered for conversion shall be accompanied by proper assignment thereof to the Corporation or in blank. The date when such written notice is received by the Corporation, together with the certificate or certificates representing the shares of Preferred Stock being converted, shall be the "Conversion Date." As promptly as practicable after the Conversion Date, the Corporation shall issue

and shall deliver to the holder of the shares

of Preferred Stock being converted, or on its written order, such certificate or certificates as it may request for the number of whole shares of Common Stock issuable upon the conversion of such shares of Preferred Stock in accordance with the provisions of this Section 5, and cash, as provided in Section 5(j), in respect of any fraction of a share of Common Stock issuable upon such conversion. Such conversion shall be deemed to have been effected immediately prior to the close of business on the Conversion Date, and at such time the rights of the holder as holder of the converted shares of Preferred Stock shall cease and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares of Common Stock represented thereby. The Corporation shall pay any taxes payable with respect to the issuance of Common Stock upon conversion of the Preferred Stock, other than any taxes payable with respect to income by the holders thereof.

Cash in Lieu of Fractional Shares. The Corporation may, if it so elects, issue fractional shares of Common Stock of scrip representing fractional shares upon the conversion of shares of Preferred Stock. If the Corporation does not elect to issue fractional shares, the Corporation shall pay to the holder of the shares of Preferred Stock which were converted a cash adjustment in respect of such fractional shares in an amount equal to the same fraction of the market price per share of the Common Stock (as determined in a reasonable manner prescribed by the Board of Directors) at the close of business on the Conversion Date. The determination as to whether or not any fractional shares are issuable shall be based upon the total number of shares of Preferred Stock being converted at any one time by any holder thereof, not upon each share of Preferred Stock being converted.

(k) Partial Conversion. In the event some but not all of the shares of Preferred Stock represented by a certificate or certificates surrendered by a holder are converted, the Corporation shall execute and deliver to or on the order of the holder, at the expense of the Corporation, a new certificate representing the number of shares of Preferred Stock which were not converted.

(1) Reservation Common Stock. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Preferred Stock, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(m) Minimum Adjustment. Any provision of this Section 5 to the contrary notwithstanding, no adjustment in the Applicable Conversion Values shall be made if the amount of such adjustment would be less than 1 % of the Applicable Conversion Values then in effect, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with all

amounts so carried forward, aggregates 1 % or more of the Applicable Conversion Values then in effect.

6. Mandatory Conversion. If any time the Corporation shall effect a Qualified Public Offering, then effective upon the closing of the sale of shares of stock of Corporation pursuant to such Qualified Public Offering, all outstanding shares of Preferred Stock shall automatically convert into shares of Common Stock on the basis set forth in Section 5. For purposes of this Section 6, the term "Qualified Public Offering" shall mean a firm commitment underwritten public offering of shares of Common Stock in which (a) in the case of Series A Preferred Stock, the aggregate price paid for such shares by the public shall be at least $5,000,000 and (b) in the case if the Series B Preferred Stock, the aggregate purchase price paid for such shares by the public shall be at least $15,000,000 and the price paid to the public for such shares shall be at least twice the then Applicable Conversion Value per share. Holders of shares of Preferred Stock subject to conversion shall deliver to the Corporation at its principal office of (or such other office or agency of the Corporation may designate by notice in writing) during its usual business hours, the certificate or certificates for the shares of Preferred Stock being converted, and the Corporation shall issue and deliver to such holders

certificates for the number of shares of Common Stock to which such holders are entitled. Until such time as holders of shares of Preferred Stock shall surrender those certificates therefor as provided above, such certificates shall be deemed to represent the shares of Common Stock which the holders shall be entitled upon the surrender thereof.

7. No Reissuance of Preferred Stock. No share or shares of Series B Preferred Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Corporation shall be authorized to issue. The Corporation may from time to time take such appropriate corporate action as may be necessary to reduce the authorized number of shares of the Series B Preferred Stock accordingly.

8. Restrictions and Limitations.

(a) Corporate Action. Except as expressly provided herein or as required by law, so long is any shares of Series A Preferred Stock remain outstanding, the Corporation shall not, and shall not permit any subsidiary (which shall mean any corporation, association or other business entity which the Corporation and/or any of its other subsidiaries directly or indirectly owns at the time more than fifty percent (50%) of the outstanding voting shares of such corporation or trust, other than directors' qualifying shares) to, without the approval by vote or written consent by the holders of at least 51 % of the then outstanding shares of Series A Preferred Stock, voting as a separate class:

(i) authorize or issue, or obligate itself to authorize or issue, additional shares of Series A Preferred Stock;

(ii) authorize, increase the authorized number of shares of, or issue, or obligate itself to authorize or issue, any equity security senior to the Series A Preferred Stock as to liquidation preference, dividend right, redemption right or voting right;

(iii) amend, restate, modify or alter the Certificate of Incorporation or by-laws of the corporation in any way which alters or changes the rights, preferences or privileges of the Series A Preferred Stock so as to affect such stock adversely.

(b) Corporate Action. Except as expressly provided herein or as required by law, so long as any shares of Series B Preferred Stock remain outstanding, the Corporation shall not, and shall not permit any subsidiary (which shall mean any corporation, association or other business entity which the Corporation and/or any of its other subsidiaries directly or indirectly owns at the time more than fifty percent (50%) of the outstanding voting shares of such corporation or trust, other than directors' qualifying shares) to, without the approval by vote or written consent by the holders of at least 51 % of the then outstanding shares of Series B Preferred Stock, voting as a separate class:

(i) authorize or issue, or obligate itself to authorize or issue, additional shares of Series B Preferred Stock;

(ii) authorize, increase the authorized number of shares of, or issue, or obligate itself to authorize or issue, any equity security senior to the Series B Preferred Stock as to liquidation preference, dividend right, redemption right or voting right;

(iii) amend, restate, modify or alter the Certificate of Incorporation or by-laws of the Corporation in any way which alters or changes the rights, preferences or privileges of the Series B Preferred Stock so as to affect such stock adversely.

9. No Dilution or Impairment. The Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of the Preferred Stock set forth herein, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the holders of the Preferred Stock against dilution or other impairment. Without limiting the generality of the foregoing, the Corporation (a) will not increase the par value of any shares of stock receivable on the conversion of the Preferred Stock above the amount payable therefor on such conversion, (b) will take all such action as may be necessary or appropriate in order that the Corporation may validly and legally issue fully paid and nonassessable shares of stock on the conversion of all Preferred Stock from time to time outstanding, or (c) will not consolidate with or merge into any other person or permit any such person to consolidate with or merge into the

Corporation (if the Corporation is not the surviving person), unless such other person shall expressly assume in writing and will be bound by all of the terms of the Preferred Stock set forth herein.

10. Notices of Record Date. In the event of

(a) any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, or

(b) any capital reorganization of the Corporation, any reclassification or recapitalization of the capital stock of the Corporation, any merger of the Corporation, or any transfer of all or substantially all of the assets of the Corporation to any other corporation, or any other entity or person, or

(c) any voluntary or involuntary dissolution, liquidation or winding up of the Corporation, then and in each such event the Corporation shall mail or cause to be mailed to each holder of Series B Preferred Stock a notice specifying (i) the date on which any such record is to be taken for the purpose of such dividend, distribution or right and a description of such dividend, distribution or right, (ii) the date on which any such reorganization, reclassification, recapitalization, transfer, merger, dissolution, liquidation or winding up is expected to become effective and (iii) the time, if any, that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, recapitalization, transfer, merger, dissolution, liquidation or winding up. Such notice shall be mailed at least ten (10) business days prior to the date specified in such notice on which such action is to be taken.

ANNEX 1

The Applicable Conversion Value of the Series B Preferred Stock shall be subject to adjustment by application of the following formula:

$$\text{Applicable Conversion Value} = \frac{(13.2I)) - 5{,}075{,}000}{(1.2398S) - \frac{CI}{310{,}114.9}}$$

where

(1) I = the audited consolidated net income of the Corporation and its subsidiaries for the year ending December 31, 1996, as determined by the Corporation's independent public accountants using generally accepted accounting principles applied on a basis consistent with prior periods ("1996 Net Income"); provided, however, that if and to the extent that the Corporation's audited net income for the year ending December 31, 1995 (determined on the same basis as for 1996) is less than $1,483,200, then the amount of such shortfall shall be deducted from income for 1996 for the purpose of calculating 1996 Net Income.

(2) S = the number of "Fully Diluted Shares Outstanding" which term shall mean, without duplication, and calculated as of December 31, 1996, (i) 7,370,550 shares (which number, and the other numbers in this clause 2 shall be subject to adjustment in the event of a Recapitalization occurring after October 25, 1995);

plus (ii) 416,100 shares less that number of shares of Common Stock redeemed prior to January 31, 1996 pursuant to Section 1.4(b) of the Purchase Agreement; plus (iii) that number of shares of Common Stock issued after the date of the Purchase Agreement, other than upon conversion of the Preferred Stock or upon exercise of options to purchase up to 468,500 shares of Common Stock; and minus (iv) that number of shares of Common Stock redeemed by the Corporation after January 31, 1996. For purposes of this definition, shares of Common Stock which are held by the Corporation as treasury stock shall not be deemed to be outstanding.

(3) C = 155,964 (which number represents the number of shares of Common Stock which may be purchased directly by holders of Series B Preferred Stock and which number shall be subject to appropriate adjustment in the event of a Recapitalization occurring after October 25, 1995).

Notwithstanding, the application of the foregoing formula, in no event shall the Applicable Conversion Value be adjusted pursuant to the foregoing formula to equal an amount in excess of $8.349; provided, however, that if the

initial Applicable Conversion Value of the Series B Preferred Stock shall be adjusted to $3.834 pursuant to the last sentence of Section 5(c), then the Applicable Conversion Value may be adjusted pursuant to the foregoing formula to an amount not in excess of $8.996; and provided further than such numbers shall be subject to appropriate adjustment to reflect any Recapitalization occurring after October 25, 1995.

ANNEX 2

<TABLE>
<CAPTION>

Consideration Per Share	Adjusted Applicable Conversion Value
<S>	<C>
$7.844	$3.597
$8.000	$3.679
$8.250	$3.810
$8.295	$3.834
$8.500	$3.943
$8.750	$4.077
$9.000	$4.212
$9.250	$4.349
$9.500	$4.486
$9.750	$4.625
$10.000	$4.765
$10.250	$4.907
$10.500	$5.049
$10.750	$5.193
$11.000	$5.339
$11.250	$5.485
$11.500	$5.633
$11.750	$5.783
$12.000	$5.934
$12.250	$6.086
$12.500	$6.240
$12.750	$6.395
$13.000	$6.552
$13.250	$6.710
$13.500	$6.870
$13.750	$7.031
$14.000	$7.194
$14.250	$7.358
$14.500	$7.524
$14.750	$7.692
$15.000	$7.862
$15.250	$8.033

$15.500	$8.206
$15.706	$8.349
$15.750	$8.380
$16.000	$8.556
$16.250	$8.735
$16.500	$8.915

Consideration Per Share	Adjusted Applicable Conversion Value
$16.612	$8.996

Note: The foregoing figures shall be subject to appropriate adjustment in the event of any Recapitalization occurring after October 25, 1995.

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

SEACHANGE TECHNOLOGY, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of SeaChange Technology, Inc., by written consent in accordance with Section 141 of the General Corporation Law of the State of Delaware, duly adopted resolutions to be filed with the minutes of the Board of Directors. The resolutions setting forth the proposed amendment are as follows:

RESOLVED: That the Certificate of Incorporation of this Corporation be amended by changing the Article thereof numbered "FIRST" so that, as amended, said Article shall be and read as follows:

"The name of the corporation is SeaChange International, Inc."

RESOLVED: That, upon the approval of such change by the Corporation's stockholders, the officers of the Corporation are hereby authorized and directed to file with the Secretary of State of the State of Delaware a Certificate of Amendment to the Certificate of Incorporation of the Corporation to such effect.

SECOND: That the stockholders of said corporation duly approved such proposed amendment by written consent in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware, and written notice of the adoption of such resolution has been given as provided for in Section 228(d) of the General Corporation Law of the State of Delaware to every stockholder entitled to such notice.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by William C. Styslinger, III, its President, and attested by Edward McGrath, its Secretary, this 31st day of March, 1996.

SEACHANGE TECHNOLOGY, INC.

By: /s/ William C. Styslinger, III

William C. Styslinger, III
President

ATTEST:

By /s/ Edward McGrath

Edward McGrath
Secretary

EXHIBIT 3.4

By-Laws of

SEACHANGE TECHNOLOGY, INC.

A Delaware Corporation

Dated: July 13, 1993

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SEACHANGE TECHNOLOGY, INC.

* * * * *

BY-LAWS

* * * * *

ARTICLE I

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. All meetings of the stockholders shall be held at such place within or without the State of Delaware as may be fixed from time to time by the board of directors or the chief executive officer, or if not so designated, at the registered office of the corporation.

Section 2. Annual Meeting. Annual meetings of stockholders shall be held at such date and time as shall be designated from time to time by the board of directors or the chief executive officer, at which meeting the stockholders shall elect by a plurality vote a board of directors and shall transact such other business as may properly be brought before the meeting.

Section 3. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may, unless otherwise prescribed by statute or by the certificate of incorporation, be called by the board of directors or the chief executive officer and shall be called by the chief executive officer or secretary at the request in writing of a majority of the board of directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

Section 4. Notice of Meetings. Except as otherwise provided by law, written notice of each meeting of stockholders, annual or special, stating the place, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten or more than sixty days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 5. Voting List. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city or town where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 6. Quorum. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by statute, the certificate of incorporation or these by-laws. Where a separate vote by a class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter. If no quorum shall be present or represented at any meeting of stockholders, such meeting may be adjourned in accordance with the following Section, until a quorum shall be

present or represented.

Section 7. Adjournments. Any meeting of stockholders may be adjourned from time to time to any other time and to any other place at which a meeting of stockholders may be held under these by-laws, which time and place shall be announced at the meeting, by a majority of the stockholders present in person or represented by proxy at the meeting and entitled to vote(whether or not a quorum is present), or, if no stockholder is present or represented by proxy, by any officer entitled to preside at or to act as secretary of such meeting, without notice other than announcement at the meeting. At such adjourned meeting, any business may be transacted which might have been transacted at the original meeting. If any meeting of stockholders at which a quorum is present or represented is adjourned, then, at such adjourned meeting, any business may be transacted that might have been transacted at the original meeting, whether or not a quorum shall be present or represented at such adjourned meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 8. Action at Meetings. When a quorum is present at any meeting, the vote of the holders of a majority of the stock present in person or represented by proxy and entitled to vote on the matter (or where a separate vote by a class or classes is required, the vote of the majority of shares of such class or classes present in person or represented by proxy at the meeting) shall decide any matter (other than the election of directors) brought before such meeting, unless the matter is one upon which by express provision of law, the certificate of incorporation or these by-laws, a different vote is required, in which case such express provision shall govern and control the decision of such matter. Directors shall be elected by a plurality of

the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

Section 9. Voting and Proxies. Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote for each share of capital stock having voting power held of record by such stockholder. Each stockholder entitled to vote at a meeting of stockholders, or to express consent or dissent to corporate action in writing without a meeting, may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 10. Action Without Meeting. Any action required to be taken at any annual or special meeting of stockholders, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be (1) signed and dated by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and (2) delivered to the corporation within sixty days of the earliest dated consent by delivery to its registered office in the State of Delaware (in which case delivery shall be by hand or by certified or registered mail, return receipt requested), its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE II

DIRECTORS

Section 1. Number, Election, Tenure and Qualification. The number of directors which shall constitute the whole board shall be not less than one. Within such limit, the number of directors shall be determined by resolution of the board of directors or by the stockholders at the annual meeting or at any special meeting of stockholders. The directors shall be elected at the annual meeting or at any special meeting of the stockholders, except as provided in Section 3 of this Article, and each director elected shall hold office until his successor is elected and qualified, unless sooner displaced. Directors need not be stockholders.

Section 2. Enlargement. The number of the board of directors may be increased at any time by vote of a majority of the directors then in office.

Section 3. Vacancies Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and

shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. In the event of a vacancy in the board of directors, the remaining directors, except as otherwise provided by law or these by-laws, may exercise the powers of the full board until the vacancy is filled.

Section 4. Resignation and Removal. Any director may resign at any time upon written notice to the corporation at its principal place of business or to the chief executive officer or secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, unless otherwise specified by law or the certificate of incorporation.

Section 5. General Powers. The business and affairs of the corporation shall be managed by its board of directors, which may exercise all powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

Section 6. Chairman of the Board. If the board of directors appoints a chairman of the board, he shall, when present, preside at all meetings of the stockholders and the board of directors. He shall perform such duties and possess such powers as are customarily vested in the office of the chairman of the board or as may be vested in him by the board of directors.

Section 7. Place of Meetings. The board of directors may hold meetings, both regular and special, either within or without the State of Delaware.

Section 8. Regular Meetings. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board; provided that any director who is absent when such a determination is made shall be given prompt notice of such determination. A regular meeting of the board of directors may be held without notice immediately after and at the same place as the annual meeting of stockholders.

Section 9. Special Meetings. Special meetings of the board may be called by the chief executive officer, secretary, or on the written request of two or more directors, or by one director in the event that there is only one director in office. Notice shall be given to each director by the secretary or by the officer or one of the directors calling the meeting, such notice to be effective (as provided in Article IV, Section 1) at least two days prior to such meeting. A notice or waiver of notice of a meeting of the board of directors need not specify the purposes of the meeting.

Section 10. Quorum, Action at Meeting, Adjournments. At all meetings of the board a majority of directors then in office, but in no event less than one third of the entire board, shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by law or by the certificate of incorporation.

For purposes of this section, the term "entire board" shall mean the number of directors last fixed by the stockholders or directors, as the case may be, in accordance with law and these by-laws; provided, however, that if less than all the number so fixed of directors were elected, the "entire board" shall mean the greatest number of directors so elected to hold office at any one time pursuant to such authorization. If a quorum shall not be present at any meeting of the board of directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 11. Action by Consent. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 12. Telephonic Meetings. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the board of directors or of any committee thereof may participate in a meeting of the board of directors or of any committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 13. Committees. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the by-laws of the corporation; and, unless the resolution designating such committee or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors. Each committee shall keep regular minutes of its meetings and make such reports to the board of directors as the board of directors may request. Except as the board of directors may otherwise determine, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these by-laws for the conduct of its business by the board of directors.

Section 14. Compensation. Unless otherwise restricted by the certificate of incorporation or these by-laws, the board of directors shall have the authority to fix from time to time the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and the performance of their responsibilities as directors and may be paid a fixed sum for attendance at each meeting of the board of directors and/or a stated salary as director. No such payment shall preclude any director from serving the corporation or its parent or subsidiary corporations in any other capacity and receiving compensation therefor. The board of directors may also allow compensation for members of special or standing committees for service on such committees.

ARTICLE III

OFFICERS

Section 1. Enumeration. The officers of the corporation shall be chosen by the board of directors and shall be a president, a secretary and a treasurer and such other officers with such titles, terms of office and duties as the board of directors may from time to time determine, including a chairman of the board, one or more vice-presidents, and one or more assistant secretaries and assistant treasurers. If authorized by resolution of the board of directors, the chief executive officer may be empowered to appoint from time to time assistant secretaries and assistant treasurers. Any number of offices may be held by the same person, unless the certificate of incorporation or these by-laws otherwise provide.

Section 2. Election. The board of directors at its first meeting after each annual meeting of stockholders shall choose a president, a secretary and a treasurer. Other officers may be appointed by the board of directors at such meeting, at any other meeting, or by written consent.

Section 3. Tenure. The officers of the corporation shall hold

office until their successors are chosen and qualify, unless a different term is specified in the vote choosing or appointing him, or until his earlier death, resignation or removal. Any officer elected or appointed by the board of directors or by the chief executive officer may be removed at any time by the affirmative vote of a majority of the board of directors or a committee duly authorized to do so, except that any officer appointed by the chief executive officer may also be removed at any time by the chief executive officer. Any vacancy occurring in any office of the corporation may be filled by the board of directors, at its discretion. Any officer may resign by delivering his written resignation to the corporation at its principal place of business or to the chief executive officer or the secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Section 4. President. The president shall be the chief operating officer of the corporation. He shall also be the chief executive officer unless the board of directors otherwise provides. The president shall, unless the board of directors provides otherwise in a specific instance or generally, preside at all meetings of the stockholders and the board of directors, have

general and active management of the business of the corporation and see that all orders and resolutions of the board of directors are carried into effect. The president shall execute bonds, mortgages, and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation.

Section 5. Vice-Presidents. In the absence of the president or in the event of his inability or refusal to act, the vice-president, or if there be more than one vice-president, the vice-presidents in the order designated by the board of directors or the chief executive officer (or in the absence of any designation, then in the order determined by their tenure in office) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. The vice-presidents shall perform such other duties and have such other powers as the board of directors or the chief executive officer may from time to time prescribe.

Section 6. Secretary. The secretary shall have such powers and perform such duties as are incident to the office of secretary. He shall maintain a stock ledger and prepare lists of stockholders and their addresses as required and shall be the custodian of corporate records. The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be from time to time be prescribed by the board of directors or chief executive officer, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and, when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 7. Assistant Secretaries. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors, the chief executive officer or the secretary (or if there be no such determination, then in the order determined by their tenure in office), shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors, the chief executive officer or the secretary may from time to time prescribe. In the absence of the secretary or any assistant secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary or acting secretary to keep a record of the meeting.

Section 8. Treasurer. The treasurer shall perform such duties and shall have such powers as may be assigned to him by the board of directors or the chief executive officer. In addition, the treasurer shall perform such duties and have such powers as are incident to the office of treasurer. The treasurer shall have the custody of the corporate funds and securities and

shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the chief executive officer and the board of directors, when the chief executive officer or board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation.

Section 9. Assistant Treasurers. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors, the chief executive officer or the treasurer (or if there be no such determination, then in the order determined by their tenure in office), shall, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors, the chief executive officer or the treasurer may from time to time prescribe.

Section 10. Bond. If required by the board of directors, any officer shall give the corporation a bond in such sum and with such surety or sureties and upon such terms and conditions as shall be satisfactory to the board of directors, including without limitation a bond for the faithful performance of the duties of his office and for the restoration to the corporation of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control and belonging to the corporation.

ARTICLE IV

NOTICES

Section 1. Delivery. Whenever, under the provisions of law, or of the certificate of incorporation or these by-laws, written notice is required to be given to any director or stockholder, such notice may be given by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be effective three days after the date and time when the same shall be deposited in the United States mail. Unless written notice by mail is required by law, written notice may also be given by telegram, cable, telecopy, commercial delivery service, telex or similar means, addressed to such director or stockholder at his address as it appears on the records of the corporation, in which case such notice shall be deemed to be effective when delivered into the control of the persons charged with effecting such transmission, the transmission charge to be paid by the corporation or the person sending such notice and not by the addressee. Oral notice or other in-hand delivery (in person or by telephone) shall be deemed given at the time it is actually given.

Section 2. Waiver of Notice. Whenever any notice is required to be given under the provisions of law or of the certificate of incorporation or of these by-laws, a waiver thereof in

writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

INDEMNIFICATION

Section 1. Actions other than by or in the Right of the Corporation. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceedings, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent,

shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Actions by or in the Right of the Corporation. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper.

Section 3. Success on the Merits. To the extent that any person described in Section 1 or 2 of this Article V has been successful on the merits or otherwise in defense of any

action, suit or proceeding referred to in said Sections, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 4. Specific Authorization. Any indemnification under Section 1 or 2 of this Article V (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of any person described in said Sections is proper in the circumstances because he has met the applicable standard of conduct set forth in said Sections. Such determination shall be made (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders of the corporation.

Section 5. Advance Payment. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of any person described in said Section to repay such amount if it shall ultimately be determined that he is not entitled to indemnification by the corporation as authorized in this Article V.

Section 6. Non-Exclusivity. The indemnification and advancement of expenses provided by, or granted pursuant to, the other Sections of this Article V shall not be deemed exclusive of any other rights to which those provided indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

Section 7. Insurance. The board of directors may authorize, by a vote of the majority of the full board, the corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article V.

Section 8. Continuation of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article V shall continue as to a person who has ceased

to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 9. Severability. If any word, clause or provision of this Article V or any award made hereunder shall for any reason be determined to be invalid, the provisions hereof shall not otherwise be affected thereby but shall remain in full force and effect.

Section 10. Intent of Article. The intent of this Article V is to provide for indemnification and advancement of expenses to the fullest extent permitted by Section 145 of the General Corporation Law of Delaware. To the extent that such Section or any successor section may be amended or supplemented from time to time, this Article V shall be amended automatically and construed so as to permit indemnification and advancement of expenses to the fullest extent from time to time permitted by law.

ARTICLE VI

CAPITAL STOCK

Section 1. Certificates of Stock. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the chairman or vice-chairman of the board of directors, or the president or a vice-president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. Certificates may be issued for partly paid shares and in such case upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

Section 2. Lost Certificates. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to give reasonable evidence of such loss, theft or destruction, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of such new certificate.

Section 3. Transfer of Stock. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares, duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, and proper evidence of compliance with other conditions to rightful transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 4. Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which shall not precede the date upon which the

resolution fixing the record date is adopted by the board of directors, and which shall not be more than sixty days nor less then ten days before the date of such meeting. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held. In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix a record date, which

shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the board of directors. If no record date is fixed, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by statute, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation as provided in Section 10 of Article I. If no record date is fixed and prior action by the board of directors is required, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action. In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted, and which shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating to such purpose.

Section 5. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII

CERTAIN TRANSACTIONS

Section 1. Transactions with Interested Parties. No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable

solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction or solely because his or their votes are counted for such purpose, if:

(a) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(b) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(c) The contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the board of directors, a committee thereof, or the stockholders.

Section 2. Quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

ARTICLE VIII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the corporation, if any, may be declared by the board of directors at any regular or special meeting or by written consent, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the

provisions of the certificate of incorporation.

Section 2. Reserves. The directors may set apart out of any funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve.

Section 3. Checks. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

Section 4. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

Section 5. Seal. The board of directors may, by resolution, adopt a corporate seal. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the word "Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. The seal may be altered from time to time by the board of directors.

ARTICLE IX

AMENDMENTS

These by-laws may be altered, amended or repealed or new by-laws may be adopted by the stockholders or by the board of directors, when such power is conferred upon the board of directors by the certificate of incorporation, at any regular meeting of the stockholders or of the board of directors or at any special meeting of the stockholders or of the board of directors provided, however, that in the case of a regular or special meeting of stockholders, notice of such alteration, amendment, repeal or adoption of new by-laws be contained in the notice of such meeting.

Register of Amendments to the By-laws

Date	Section Affected	Change

EXHIBIT 4.2

SeaChange Technology, Inc.

SERIES B PREFERRED STOCK PURCHASE AGREEMENT

Dated as of October 26, 1995

SeaChange Technology, Inc.

SERIES B PREFERRED STOCK PURCHASE AGREEMENT

Dated as of October 26, 1995

INDEX

EXHIBITS

October 26, 1995

To: The Persons listed on
Schedule 1.1 attached hereto:

Re: Series B Preferred Stock

Gentlemen:

SeaChange Technology, Inc., a Delaware corporation (the "Company"), and William C. Styslinger, III, Edward McGrath and Edward Delaney (individually, a "Principal Shareholder" and collectively, the "Principal Shareholders") hereby agree with you as follows:

ARTICLE I

PURCHASE AND SALE OF SHARES

1.1 Purchase and Sale of Series B Preferred Stock at First Closing. At the First Closing (as herein defined), the Company will sell to those persons listed on Schedule 1.1 (the "Purchasers") an aggregate of 512,699 shares of the Company's Series B Convertible Preferred Stock, par value $.01 per share (the "Series B Preferred Stock"), at a price of $6.293 per share, for an aggregate purchase price of $3,226,417 payable as provided in Section 1.5. All shares of Preferred Stock purchased hereunder will be rounded to the nearest whole number of shares, and no fractional shares will be issued. The Preferred Stock shall have the rights, terms and privileges set forth on Exhibit A attached hereto. The shares of Preferred Stock purchased pursuant to Sections 1. 1 and 1.2 of this Agreement are referred to herein as the "Purchased Shares." The number of Purchased Shares to be sold by the Company at the First Closing to each Purchaser is set forth in Schedule 1.1

1.2. Purchase and Sale of Series B Preferred Stock at Second Closing. At the Second Closing (as herein defined), the Company will sell to Advent International and its Affiliates ("Advent"), Martin Hoffmann, and Carmine Vona (collectively the "Second Round Investors") an aggregate of 137,788 shares of the Company's Series B Preferred Stock at a price of $6.293 per share, for an aggregate purchase price of $867,099, payable as provided in Section 1.5. Each Second Round Investor will purchase that number of shares of Series B Preferred Stock as is set forth on Schedule 1.2 attached hereto. At the Second Closing the Second Round Investors will sign a counterpart of this Agreement, the Shareholders' Agreement and the Redemption Agreement, the schedules thereto will be modified to include the names and addresses of the Second Round Investors, and, in the case of this Agreement, to reflect the number of shares of Series B Preferred Stock purchased by each and the purchase price paid therefor by each, and for all purposes thereafter, the Second Round Investors shall be deemed Purchasers for purposes of this Agreement and Investors for purposes of the Related Agreements. If for any reason any Second Round Investor does not purchase the additional shares of Series B Preferred Stock described in this Section 1.2, such additional shares shall be purchased by the initial Purchasers named on Schedule 1.1, pro rata in proportion to the number of shares of Series B Preferred Stock purchased by each of them pursuant to Section 1.1, and Schedule 1.1. shall be amended to reflect the increased number of shares of

Series B Preferred Stock purchased by each such Purchaser and the purchase price paid therefor by each such Purchaser.

1.3 The Conversion Shares. The Company has authorized and reserved and hereby covenants that it will continue to reserve, free of any preemptive rights or encumbrances, a sufficient number of its authorized but previously unissued shares of Common Stock to satisfy the rights of conversion of the holders of the Purchased Shares. The shares of Common Stock issued or issuable upon conversion of the Purchased Shares are referred to herein as the "Conversion Shares".

1.4 Closing. Subject to the satisfaction or waiver of the conditions set forth in Articles VIII and IX hereof, the purchase of the Purchased Shares pursuant to Section 1.1 shall be made at a closing (the "First Closing") to be held at the offices of Hutchins, Wheeler & Dittmar, A Professional Corporation, 101 Federal Street, Boston, Massachusetts, at 10:00 A.M. on (i) October 31, 1995 or (ii) at such other time and on such other date as the Purchasers and the Company may mutually agree. Subject to the satisfaction and waiver of the condition set forth in Articles VIII and IX hereof, the purchase of the Purchased Shares pursuant to Section 1.2 shall be made at a closing (the "Second Closing" and, together with the First Closing, the "Closings") to be held at the offices of Hutchins, Wheeler & Dittmar, A Professional Corporation, 101 Federal Street, Boston, Massachusetts, at 10:00 A.M. on (i) October 31, 1995, or (ii) at such other time and on such other date as the Purchasers and the Company may mutually agree. Payment at the Closings for the Purchased Shares shall be by wire transfer payable in immediately available federal funds. Each Purchaser shall pay that amount for the Purchased Shares being acquired by it at the First and Second Closings as described on Schedule 1.1 hereof, which amount, in the case of Purchased Shares acquired by Summit Ventures III, L.P. at the First Closing shall be reduced by the $5,000 deposit previously delivered to the Company by such Purchaser. At the Closings, the Company will deliver to each Purchaser one or more certificates representing the Purchased Shares purchased by such Purchaser, in such denominations and issued in such names as may be requested by such Purchaser.

1.5 Use of Proceeds. As an integral part of the purpose and structure of the financing contemplated herein, the Company shall use the proceeds received upon the sale of the Purchased Shares as follows:

(a) A minimum of $1,400,000 of the proceeds shall be used to fund working capital.

(b) Up to $2,620,000 of the proceeds may be used to:

(i) repurchase up to 416,100 shares (calculated on an as converted basis) of Common Stock and Series A Convertible Preferred Stock of the Company ("Series A Preferred Stock", and together with the Series B Preferred. Stock, the "Preferred Stock") from certain

shareholders on or before January 31, 1996 at a purchase price per share of Common Stock equal to the fair market value of one share of Common Stock as determined by the Board of Directors of the Company, provided, that in no event will the price per share of Common Stock paid by the Company in the repurchase exceed $6.293;

(ii) fund loans in an aggregate amount of up to $1,000,000 to certain employees of the Company (the names and amounts borrowed by each to be disclosed to the Purchasers after the Second Closing), the proceeds of the repayment of which loans may be used to fund redemptions under Section 1.5(b), each such loan to be evidenced by a promissory note in the form of Exhibit B attached hereto and to be secured by a pledge of shares of Common Stock pursuant to a pledge agreement in the form of Exhibit C attached hereto, which pledged shares shall have a value (assuming a value of $1.85 per share) of not less than one hundred percent 100% of the principal amount of such loan; and

(iii) pay all fees, costs and expenses incurred by the Company in connection with the transactions contemplated by this Agreement, including, without limitation, the costs and expenses of the Purchasers which the Company is obligated to pay pursuant to Section 12.6 hereof.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF
THE COMPANY AND THE PRINCIPAL SHAREHOLDERS

In order to induce the Purchasers to purchase the Purchased Shares, the Company represents and warrants to the Purchasers as set forth in this Article II, and the Principal Shareholders, acting severally and not jointly, represent and warrant as to Sections 2.4, 2.6, 2.8, 2.10, 2.13 and 2.23 of this Article II; provided that the representations and warranties contained in Sections 2.10 and 2.13 shall be deemed to have been given by the Principal Shareholders only to their knowledge. All representations and warranties shall be true, correct and complete in all respects on the date hereof and shall be true, correct and complete in all respects as of the Closings.

2.1 Organization and Corporate Power. The Company and each of its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own its properties and to carry on its business as presently conducted. Except as set forth in Schedule 2.1, except for those jurisdictions where the failure to be so qualified would not have material

adverse effect upon the Company and its Subsidiaries, taken as a whole, the Company and each of its Subsidiaries is duly licensed or qualified to do business as a foreign corporation in each jurisdiction wherein the character of its property, or the nature of the activities presently conducted by it, makes such qualification necessary.

2.2 Authorization. The Company has all necessary corporate power and has taken all necessary corporate action required for the due authorization, execution, delivery and performance by the Company of this Agreement, the Shareholders Agreement referred to in Section 9.7, the Redemption Agreement referred to in Section 9.8, and the Non-Competition Agreements referred to in Section 9.10 (collectively, the "Related Agreements"), and any other agreements' or instruments executed by the Company in connection herewith or therewith and the consummation of the transactions contemplated herein or therein, and for the due authorization, issuance and delivery of the Purchased Shares and the Conversion Shares issuable upon conversion of the Purchased Shares. Sufficient shares of authorized but unissued Common Stock have been reserved for issuance upon conversion of the Purchased Shares. The issuance of the Purchased Shares does not, and the issuance of the Conversion Shares upon conversion of the Purchased Shares will not, require any further corporate action and is not and will not be subject to any preemptive right, right of first refusal or the like. This Agreement, the Related Agreements and the other agreements and instruments executed by the Company in connection herewith or therewith will each of a valid and binding obligation of the Company enforceable in accordance with its respective terms.

2.3 Government Approvals. No consent, approval, license or authorization of, or designation, declaration or filing with, any court or governmental authority is or will be required on the part of the Company in connection with the execution, delivery and performance by the Company of this Agreement, any of the Related Agreements and any other agreements or instruments executed by the Company in connection herewith or therewith, or in connection with the issuance of the Purchased Shares or the Conversion Shares upon conversion of the Purchased Shares, except for (i) those which have already been made or granted and (ii) the filing of registration statements with the Securities and Exchange Commission (the "Commission") and any applicable state securities commission as specifically provided for in Article VIII hereof.

2.4 Authorized and Outstanding Stock. At the Closing before giving effect to the transactions to be effected at the Closing, the authorized capital stock of the Company will consist of (i) 10,000,000 shares of Common Stock, of which 6,137,350 shares are validly issued and outstanding and held of record and owned beneficially as set forth in Schedule 2.4 attached hereto; (ii) 30,000 shares of Series A Preferred Stock, with the rights, terms and privileges set forth in Exhibit A, of which 11,808 shares are validly issued and outstanding and held of record and owned beneficially as set forth on Schedule 2.4 attached hereto; and (iii) 650,487 shares which will have been designated as Series B Convertible Preferred Stock with the rights, terms and privileges set forth in Exhibit A, and of which no shares will be issued or outstanding. There are 284,300 treasury shares held by the Company. All issued and outstanding shares of capital stock

are, and when issued in accordance with the terms hereof, all Purchased Shares and Conversion Shares issued upon conversion of the Purchased Shares will be, duly and validly authorized, validly issued and fully paid and non-assessable and, except as set forth on Schedule 2.4, free from any restrictions on transfer, except for restrictions imposed by federal or state securities or "blue-sky" laws and except for those imposed pursuant to this Agreement or any Related Agreement. Except as set forth on Schedule 2.4, there are no outstanding warrants, options, commitments, preemptive rights, rights to acquire or purchase, conversion rights or demands of any character relating to the capital stock or other securities of the Company. All issued and outstanding shares of capital stock of the Company were issued (i) in transactions exempt from the registration provisions of the Act, and (ii) in compliance with or in transactions exempt from the registration provisions of applicable state securities or "blue-sky" laws.

2.5 Subsidiaries. Except as set forth in Schedule 2.5, the Company has no Subsidiaries nor any investment or other interest in, or any outstanding loan or advance to or from, any Person, including, without limitation, any officer, director or shareholder. Except as set forth on Schedule 2.5, the Company owns of record and beneficially, free and clear of all liens, charges, restrictions, claims and encumbrances of any nature, all of the issued and outstanding capital stock of each of its Subsidiaries.

2.6 Financial Information. The Company has previously delivered to the Purchasers (i) the financial statements of the Company for each of the years ended December 31, 1993, and December 31, 1994, audited by Price Waterhouse LLP, the Company's certified public accountants (collectively, the "Financial Statements"), and (ii) the unaudited balance sheet of the Company at September 30, 1995, and the related statements of earnings, shareholders' equity and cash flow for the nine months then ended (the "Unaudited Financial Statements"). The Financial Statements and the Unaudited Financial Statements are complete and correct, are in accordance with the books and records of the Company and present fairly in accordance with generally accepted accounting principles applied on a basis consistent with prior periods the financial condition and results of operations of the Company and its Subsidiaries as of the dates and for the periods shown. Neither the Company nor any Subsidiary has any liability, contingent or otherwise, which is not adequately reflected in or reserved against in the Financial Statements or the Unaudited Financial Statements that could materially and adversely affect the financial condition of the Company or such Subsidiary. Since the date of the Unaudited Financial Statements, (i) there has been no change in the business, assets, liabilities, condition (financial or otherwise) or operations of the Company and its Subsidiaries, except for changes in the ordinary course of business which, individually or in the aggregate, have not been materially adverse, and (ii) to the knowledge of the Company and the Principal Shareholders, none of the business, prospects, condition (financial or otherwise), operations, property or affairs of the Company and its Subsidiaries has been materially adversely affected by any occurrence or development involving the Company or one of its Subsidiaries, individually or in the aggregate, whether or not insured against.

2.7 Events Subsequent to the Date of the Financial Statements. Except as set forth on Schedule 2.7, since December 31, 1994, neither the Company nor any Subsidiary has (i) issued any stock, bond or other corporate security, (ii) borrowed any amount or incurred or become subject to any liability (absolute, accrued or contingent), except liabilities under contracts entered into in the ordinary course of business, (iii) discharged or satisfied any lien or encumbrance or incurred or paid any obligation or liability (absolute, accrued or contingent)

other than current liabilities shown on the Unaudited Financial Statements and current liabilities incurred since December 31, 1994, in the ordinary course of business, (iv) declared or made any payment or distribution to stockholders or purchased or redeemed any shares of its capital stock or other securities, (v) mortgaged, pledged or subjected to lien any of its assets, tangible or intangible, other than liens of current real property taxes not yet due and payable, (vi) sold, assigned or transferred any of its tangible assets except in the ordinary course of business, or canceled any debt or claim, except in the ordinary course of business, (vii) sold, assigned, transferred or granted any license with respect to any patent, trademark, trade name, service mark, copyright, trade secret or other intangible asset, except pursuant to license or other agreements entered into in the ordinary course of business (viii) suffered any loss of property or waived any right of substantial value whether or not in

the ordinary course of business, (ix) made any changes in officer compensation, (x) made any material change in the manner of business or operations of the Company or any Subsidiary, (xi) entered into any transaction except in the ordinary course of business or as otherwise contemplated hereby or (xii) entered into any commitment (contingent or otherwise) to do any of the foregoing.

2.8. Litigation. Except as otherwise set forth on Schedule 2.8, there is no litigation or governmental proceeding or investigation pending or to the knowledge of the Company and the Principal Shareholders, threatened, against the Company or any Subsidiary or affecting any of the Company's or such Subsidiary's properties or assets, or against any officer, key employee or shareholder of the Company or any Subsidiary in his capacity as such. Neither the Company nor any Subsidiary, nor any officer, key employee or shareholder of the Company or any Subsidiary in his capacity as such is, to the knowledge of the Company and the Principal Shareholders, in default with respect to any order, writ, injunction, decree, ruling or decision of any court, commission, board or other government agency which may materially and adversely affect the business or assets of the Company and its Subsidiaries, taken as a whole.

2.9 Compliance with Laws and Other Instruments. The Company and its Subsidiaries are in compliance with all of the provisions of this Agreement and of its charter and bylaws, and in all material respects with the provisions of each mortgage, indenture, lease, license, other agreement or instrument, judgment, decree, judicial order, statute, and regulation by which any of them is bound or to which any of them or any of their respective properties are subject. Neither the execution, delivery or performance of this Agreement and the Related Agreements, nor the offer, issuance, sale or delivery of the Purchased Shares or the Conversion Shares upon conversion of the Purchased Shares, with or without the giving of notice or passage of time, or both, will violate, or result in any breach of, or constitute a default under, or result in the imposition of any encumbrance upon any asset of the Company or any Subsidiary pursuant to any provision of the Company's or such Subsidiary's charter or bylaws, or any statute, rule or regulation, contract, lease, judgment, decree or other document or instrument by which the Company or any Subsidiary is bound or to which the Company or any Subsidiary or any of their respective properties are subject, or, to the knowledge of the Company, will cause the Company or any Subsidiary to lose the benefit of any right or privilege it presently enjoys or cause any Person who is expected to normally do business with the Company or any Subsidiary to discontinue to do so on the same basis.

2.10 Taxes. Except as set forth in Schedule 2.10, the Company and each of its Subsidiaries has filed all tax returns (including statements of estimated taxes owed) required to be filed within the applicable periods for such filings and has paid all taxes required to be paid, and has established adequate reserves (net of estimated tax payments already made) for the payment of all taxes payable in respect to the period subsequent to the last periods covered by such returns. No deficiencies for any tax are currently assessed against the Company or any Subsidiary, and no tax returns of the Company or any Subsidiary have ever been audited, and, to the knowledge of the Company and the Principal Shareholders, there is no such audit pending or contemplated. There is no tax lien, whether imposed by any federal, state or local taxing authority, outstanding against the assets, properties or business of the Company. For the purposes of this Agreement, the term "tax" shall include all federal, state and local taxes, including income, franchise, property, sales, withholding, payroll and employment taxes.

2.11 Real Property.

(a) Schedule 2.11 sets forth the addresses and uses of all real property that the Company or any Subsidiary owns, leases or subleases, and any lien or encumbrance on any such owned real property or the Company's or Subsidiary's leasehold interest therein, specifying in the case of each such lease or sublease, the name of the lessor or sublessor, as the case may be, the lease term and the obligations of the lessee thereunder.

(b) Except as set forth on Schedule 2.11, the Company or its Subsidiary, as the case may be, has good and marketable title to, and owns free and clear of all liens and encumbrances, all property listed as owned by the Company or any Subsidiary on Schedule 2.11, and there is no material violation by the Company or any Subsidiary of any law, regulation or ordinance (including without limitation laws, regulations or ordinances relating to zoning, environmental, city planning or similar matters) relating to any real property owned, leased or subleased by the Company or any Subsidiary.

(c) There are no defaults by the Company. or any Subsidiary or, to

the knowledge of the Company and the Principal Shareholders, by any other party thereto, which might curtail in any material respect the present use of the Company's and such Subsidiary's property listed on Schedule 2.11. The performance by the Company of this Agreement and the Related Agreements will not result in the termination of, or in any increase of any amounts payable under, any lease listed on Schedule 2.11.

2.12 Personal Property. Except as set forth on Schedule 2.12 and except for property sold or otherwise disposed of in the ordinary course of business since December 31, 1994, the Company and its Subsidiaries own free and clear of any liens or encumbrances, all of the personal property reflected as owned by the Company and its Subsidiaries in the balance sheet contained in the Unaudited Financial Statements, and all other material items of personal property acquired by the Company and its Subsidiaries through the date hereof. All material items of such personal property are in good operating condition, normal wear and tear excepted.

2.13 Patents, Trademarks, etc. Set forth on Schedule 2.13 is a list and brief description of all material patents, patent rights, patent applications, trademarks, trademark applications, service marks, service mark applications trade names and registered copyrights, and all applications for such that are in the process of being prepared, owned by or registered in the name of the Company or any Subsidiary, or of which the Company or any Subsidiary is a licensor or licensee or in which the Company or any Subsidiary has any right, and in each case a brief description of the nature of such right. The Company and its Subsidiaries own or possess adequate licenses or other rights to use all patents, patent applications, trademarks, trademark applications, service marks, service mark applications, trade names, copyrights, manufacturing processes, formulae, trade secrets and know how (collectively, "Intellectual Property") necessary or desirable to the conduct of their business as conducted, and no claim is pending or, to the knowledge of the Company and the Principal Shareholders, threatened to the effect that the operations of the Company infringe upon or conflict with the asserted rights of any other person under any Intellectual Property. No claim is pending or, to the knowledge of the Company and the Principal Shareholders, threatened to the effect that any such Intellectual Property owned or licensed by the Company, or which the Company or any Subsidiary otherwise has the right to use, is invalid or unenforceable by the Company or such Subsidiary. To the knowledge of the Company and the Principal Shareholders, all technical information developed by and belonging to the Company and its Subsidiaries which has not been patented or copywritten has been kept confidential. Neither the Company nor any Subsidiary has granted or assigned to any other person or entity any right to manufacture, have manufactured, assemble or sell the products or proposed products or to provide the services or proposed services of the Company or such Subsidiary. Neither the Principal Shareholders nor any other current or former stockholder, employee, officer or director of the Company or any of its Subsidiaries has (directly or indirectly) any right, title or interest in any of the rights described on Schedule 2.13 other than such right which such Person may enjoy as a stockholder of the Company.

2.14 Agreement of Directors, Officers and Employees. To the knowledge of the Company and the Principal Shareholders, no director, officer or employee of or consultant to the Company or any Subsidiary is in violation of any terms of any employment contract, non-competition agreement, non-disclosure agreement, patent disclosure or assignment agreement or other contract or agreement containing restrictive covenants relating to the right of any such director, officer, employee or consultant to be employed or engaged by the Company or such Subsidiary because of the nature of the business conducted or proposed to be conducted by the Company or such Subsidiary, or relating to the use of trade secrets or proprietary information of others. The current annual salary payable by the Company to each of William Styslinger, III and Edward McGrath and the total compensation paid to each of those individuals for the year ended December 31, 1994, are set forth on an annual basis on Schedule 2.14 hereto. For purposes of the immediately preceding sentence, "compensation" shall include all amounts payable to such persons in the form of salary, bonus, deferred compensation, incentive or profit sharing payments, management fees and dividends and other distributions with respect to the Company's capital stock.

2.15 Governmental and Industrial Approvals. The Company and each of its Subsidiaries has all the material permits, licenses, orders, franchises and other rights and

privileges of all federal, state, local or foreign governmental or regulatory

bodies necessary for the Company and such Subsidiaries to conduct their respective businesses as presently conducted. All such permits, licenses, orders, franchises and other rights and privileges are in full force and effect and, to the knowledge of the Company and the Principal Shareholders, no suspension or cancellation of any of them is threatened, and none of such permits, licenses, orders, franchises or other rights and privileges will be affected by the consummation of the transactions contemplated in this Agreement and the Related Agreements.

2.16 Federal Reserve Regulations. Neither the Company nor any of its Subsidiaries has engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation G of the Board of Governors of the Federal Reserve System), and no part of the proceeds of the sale of the Purchased Shares will be used to purchase or carry any margin security or to extend credit to others for the purpose of purchasing or carrying any margin security or in any other manner which would involve a violation of any of the regulations of the Board of Governors of the Federal Reserve System.

2.17 Contracts and Commitments. Except as set forth on Schedule 2.17 attached hereto, neither the Company nor any Subsidiary has any contract, obligation or commitment which is material or which involves a potential material commitment or any stock redemption or stock purchase agreement, financing agreement, license, lease, or stock option plan. For purposes of this Section 2.17, a contract, obligation or commitment shall be deemed material if it requires future expenditures by the Company or any Subsidiary in excess of $100,000 or might result in payments to the Company or any Subsidiary in excess of $100,000.

2.18 Securities Act. The Company has complied and will comply with all applicable federal or state securities laws in connection with the issuance and sale of the Purchased Shares and the issuance of the Conversion Shares upon conversion of the Purchased Shares. Neither the Company nor anyone acting on its behalf has offered any of the Purchased Shares, or similar securities, or solicited any offers to purchase any of such securities, so as to bring the issuance and sale of the Purchased Shares under the registration provisions of the Act.

2.19 Registration Rights. The Company has not granted any rights relating to registration of its capital stock under the Act or state securities laws other than those contained in this Agreement.

2.20 Insurance Coverage. Schedule 2.20 hereto contains an accurate summary of the insurance policies currently maintained by the Company and its Subsidiaries. Except as described on Schedule 2.20, there are currently no claims pending against the Company or any Subsidiary under any insurance policies currently in effect and covering the property, business or employees of the Company and its Subsidiaries, and all premiums due and payable with respect to the policies maintained by the Company and its Subsidiaries has been paid to date.

2.21 Employee Matters. Except as set forth on Schedule 2.21, neither the Company nor any Subsidiary has in effect any employment agreements, consulting agreements, deferred compensation, pension or retirement agreements or arrangements, bonus, incentive or profit-

sharing plans or arrangements, or labor or collective bargaining agreements, written or oral. The Company has no knowledge that any of the officers or other key employees of the Company or any Subsidiary presently intends to terminate his employment. The Company and its Subsidiaries are in compliance in all material respects with all applicable laws and regulations relating to labor, employment, fair employment practices, terms and conditions of employment, and wages and hours. The Company and each Subsidiary is in material compliance with the terms of all plans, programs and agreements listed on Schedule 2.21, and each such plan, program or agreement is in material compliance with all of the requirements and provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). No such plan or program has engaged in any "prohibited transaction" as defined in Section 4975 of the Internal Revenue Code of 1986 (the "Code"), or has incurred any "accumulated funding deficiency" as defined in Section 302 of ERISA, nor has any reportable event as defined in Section 4043(b) of ERISA occurred with respect to any such plan or program. Neither the Company nor any Subsidiary has or has maintained any group health plan subject to Section 4980B of the Code or Section 162(i) or (k) of the Code as amended by the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by the Technical and Miscellaneous Revenue Act of 1988. With respect to each plan listed on Schedule 2.21, all required filings, including all filings

required to be made with the United States Department of Labor and Internal Revenue Service, have been timely filed.

2.22 No Brokers or Finders. No person has or will have, as a result of the transactions contemplated by this Agreement, any right, interest or claim against or upon the Company or any of its Subsidiaries for any commission, fee or other compensation as a finder or broker because of any act or omission by the Company or any of its Subsidiaries.

2.23 Transactions with Affiliates. Except as set forth on Schedule 2.23 there are no loans, leases or other continuing transactions between the Company or any Subsidiary on the one hand, and any officer or director of the Company or any Subsidiary or any person owning five percent (5%) or more of the Common Stock of the Company or any respective family member or affiliate of such officer, director or shareholder on the other hand.

2.24 Assumptions, Guarantees, etc. of Indebtedness of Other Persons. Neither the Company nor any Subsidiary has assumed, guaranteed, endorsed or otherwise become directly or contingently liable on or for any indebtedness of any other Person, except guarantees by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

2.25 Restrictions on Subsidiaries. There are no restrictions on the Company or any of its Subsidiaries which prohibit or otherwise restrict the transfer of cash or other assets between the Company and any of its Subsidiaries or between any Subsidiaries of the Company.

2.26 Disclosures. Neither this Agreement, any Schedule or Exhibit to this Agreement, the Related Agreements, the Financial Statements, the Unaudited Financial Statements, nor any other agreement, document or written statement made by the Company or the Principal Shareholders and furnished by the Company or the Principal Shareholders to the Purchasers or

the Purchasers' special counsel in connection with the transactions contemplated hereby, contains any untrue statement of material fact or omits to state any material fact necessary to make the statements contained herein or therein not misleading.

ARTICLE III

AFFIRMATIVE COVENANTS OF THE COMPANY

Without limiting any other covenants and provisions hereof, the Company covenants and agrees that it will observe the following covenants on and after the date hereof and until the consummation of the first Qualified Public Offering; provided, however, that the Company will in all events observe the covenants set forth in Section 3.13 for a minimum of two years from the date of the Second Closing:

3.1 Accounts and Reports. The Company will, and will cause each of its Subsidiaries to, maintain a standard system of accounts in accordance with generally accepted accounting principles consistently applied and the Company will, and will cause each of its Subsidiaries to, keep full and complete financial records. The Company will furnish to each Purchaser the information set forth in this Section 3. 1.

(a) Within ninety (90) days after the end of each fiscal year, a copy of the consolidated and consolidating balance sheet of the Company and its Subsidiaries as at the end of such year, together with consolidated and consolidating statements of income, shareholders' equity and cash flow of the Company and its Subsidiaries for such year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, all in reasonable detail and in the case of the audited consolidated statements, duly certified by Price Waterhouse & Co. or such other independent public accountant of national recognition as is selected by the Board of Directors of the Company and reasonably acceptable to Purchasers.

(b) Within thirty (30) days after the end of each calendar month, a preliminary consolidated and consolidating balance sheet of the Company and its Subsidiaries as of the end of such month and preliminary consolidated and consolidating statements of income, shareholders' equity and cash flow for such month and for the period commencing at the end of the previous fiscal year and ending with the end of such month, setting forth in each case in comparative

form the corresponding figures for the corresponding period of the preceding fiscal year, all in reasonable detail.

(c) At the time of delivery of each monthly and annual statement, a certificate, executed by the either the president or chief financial officer of the Company stating (i) that such officer has caused this Agreement and the terms of the Preferred Stock to be reviewed and has no knowledge of any default by the Company or any Subsidiary in the performance or observance of any of the provisions of this Agreement or such Preferred Stock or, if such officer has such knowledge, specifying such default, and (ii) with respect to the delivery of annual statements, a

statement as to the then Applicable Conversion Value of the Preferred Stock and the number of Conversion Shares into which each share of Preferred Stock may then be converted.

(d) Promptly after the first meeting of the Board of Directors of each fiscal year, a copy of the operating plan for such fiscal year required under Section 3.8, in form consistent with good business practice.

(e) Promptly upon receipt thereof, any written report, so called "management letter", and any other communication submitted to the Company or any Subsidiary by its independent public accountants relating to the business, prospects or financial condition of the Company and its Subsidiaries;

(f) Promptly after the commencement thereof, notice of (i) all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting the Company (or any Subsidiary) which, if successful, could have a material adverse effect on the Company and its Subsidiaries, taken as a whole; and (ii) all material defaults by the Company or any Subsidiary (whether or not declared) under any agreement for money borrowed (unless waived or cured within applicable grace periods);

(g) Promptly upon sending, making available, or filing the same, all reports and financial statements as the Company (or any Subsidiary) shall send or make available generally to the shareholders of the Company as such or to the Commission; and

(h) Such other information with regard to the business, properties or the condition or operations, financial or otherwise, of the Company or its Subsidiaries as the Purchaser may from time to time reasonably request.

3.2 Payment of Taxes. The Company will pay and discharge (and cause any Subsidiary to pay and discharge) all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a lien or charge upon any properties of the Company (or any Subsidiary), provided that neither the Company nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings if the Company or such Subsidiary shall have set aside on its books adequate reserves with respect thereto.

3.3 Maintenance of Key Man Insurance. The Company will, at its expense, use its best efforts to obtain within sixty (60) days of the date hereof and thereafter maintain a life insurance policy with a responsible and reputable insurance company payable to the Company on the life of each of William C. Styslinger, III and Edward McGrath, each in the face amount of $1,000,000. Neither Mr. Styslinger nor Mr. McGrath has any reason to believe that the Company will not be able to obtain such coverage on such persons at normal commercial rates. The Company will maintain such policy and will not cause or permit any assignment of the proceeds of such policy and will not borrow against such policy. The Company will add one

designee of the Purchasers as a notice party to such policy, and will request that the issuer of such policy provide such designee with ten (10) days' notice before such policy is terminated (for failure to pay premium or otherwise) or assigned, or before any change is made in the designation of the beneficiary thereof.

3.4 Compliance with Laws, etc. The Company will comply (and cause each of its Subsidiaries to comply) with all applicable laws, rules, regulations and orders of any governmental authority, the noncompliance with which could materially adversely affect the business or condition, financial or otherwise, of the Company and its Subsidiaries, taken as a whole.

3.5 Inspection. At any reasonable time during normal business hours and

from time to time, but not more frequently than once per calendar quarter for all Purchasers and transferees of Purchasers as a group, upon five (5) days written notice, the Company (and each of its Subsidiaries) will permit any one or more of the Purchasers who then own, of record or beneficially, or have the right to acquire, any of the Conversion Shares, or any transferee of a Purchaser who is not a competitor of the Company and who owns, of record or beneficially, or has the right to acquire, at least two and one half percent (2 1/2%) of the then outstanding Common Stock, or any of the agents or representatives of the foregoing Persons, to examine and make copies of and extracts from the records and books of account of and visit the properties of the Company (and any of its Subsidiaries) and to discuss the Company's affairs, finances and accounts with any of its officers or directors; provided that any Person or Persons exercising rights under this Section 3.5 or who receives information pursuant to Section 3.1 or 3.13, shall (i) use all reasonable efforts to ensure that any such examination or visit results in a minimum of disruption to the operations of the Company and (ii) shall agree (and the Purchasers hereby agree) in writing to keep any proprietary information of the Company disclosed to him in the course of such inspection confidential in a manner consistent with prudent business practices and treatment of such Person's or Persons' own confidential information and not use such proprietary information for any purpose in competition with the Company's business. The rights granted under this Section 3.5 shall be in addition to any rights which any Purchaser may have under applicable law in its capacity as a shareholder of the Company.

3.6 Corporate Existence; Ownership of Subsidiaries. The Company will, and will cause its Subsidiaries to, at all times preserve and keep in full force and effect their corporate existence, and rights and franchises material to the business of the Company and its Subsidiaries, taken as a whole, and will qualify, and will cause each of its Subsidiaries to qualify, to do business as a foreign corporation in any jurisdiction where the failure to do so would have a material adverse effect on the business, condition (financial or other), assets, properties or operations of the Company and its Subsidiaries, taken as a whole. The Company shall at all times own of record and beneficially, free and clear of all liens, charges, restrictions, claims and encumbrances of any nature, all of the issued and outstanding capital stock of each of its Subsidiaries; provided, however, that the Company may own of record and beneficially not less than eighty percent (80%) of the authorized capital stock of a Subsidiary (a "Controlled Subsidiary"), so long as (i) none of the capital stock of such Controlled Subsidiary (except for director qualifying shares) is owned by an officer or director of the Company or by one who

owns in excess of five percent (5%) of the capital stock of the Company, and (ii) the Company shall not invest more than $2,000,000 in any such Controlled Subsidiary.

3.7 Compliance with ERISA. The Company will comply, (and cause each of its Subsidiaries to comply) in all material respects with all minimum funding requirements applicable to any pension or other employee benefit plans which are subject to ERISA or to the Code, and comply in all other material respects with the provisions of ERISA and the Code, and the rules and regulations thereunder, which are applicable to any such plan. Neither the Company nor any of its Subsidiaries will permit any event or condition to exist which could permit any such plan to be terminated under circumstances which cause the lien provided for in Section 3068 of ERISA to attach to the assets of the Company or any of its Subsidiaries.

3.8 Board Approval. Prior to the first meeting of the Board of Directors for a given year, the Company will prepare and submit to its Board of Directors for its approval at such meeting an operating plan, itemized in reasonable detail for such year.

3.9 Financing. The Company will promptly provide to the Board of Directors the details and terms of, and any brochures or investment memoranda prepared by the Company related to, any possible financing of any nature for the Company (or any of its Subsidiaries), whether initiated by the Company or any other Person.

3.10 Meetings of the Board of Directors. The Directors shall schedule regular meetings not less frequently than once every quarter.

3.11 Rule 144A Information. The Company shall, upon the written request of any Purchaser, provide to such Purchaser and to any prospective institutional transferee of the Purchased Shares or Conversion Shares designated by such Purchaser, such financial and other information as is available to the Company or can be obtained by the Company without material expense and as such Purchaser may reasonably determine is required to permit such transfer to comply with the

requirements of Rule 144A promulgated under the Act.

3.12 Regular Course of Business. The Company agrees that on and after the date hereof, it will continue to be engaged in the development, production, marketing and sale of computer software products.

3.13 Board Observation and Information Rights. The Purchasers will be entitled to have one non-voting observer selected by the Purchasers present at all meetings of the Board of Directors of the Company and all meetings of any committees of the Board of Directors. Such observer shall have the same access to the same information concerning the business, operations and compensation and benefit plans, arrangements and agreements of the Company and its subsidiaries and at the same time as directors of the Company or members of such committees, as the case may be, and shall be entitled to participate in, but shall not be entitled to vote at, any meeting of this Board or such committee. Notwithstanding the foregoing Section 3.13, such observer will not be entitled unless invited to attend informal meetings of management and board

members at which the parties attending such meetings discuss items that do not require deliberation or action by the Board of Directors.

ARTICLE IV

NEGATIVE COVENANTS OF THE COMPANY

Without limiting any other covenants and provisions hereof, the Company covenants and agrees that it will comply (and will cause each Subsidiary to comply) with each of the provisions of this Article IV on and after the date hereof and until the consummation of the first Qualified Public Offering; provided, however, that the provisions of Section 4.1 shall continue in force only so long as there are Purchased Shares outstanding.

4.1 Distributions. The Company will not declare or pay any dividends, except dividends payable with respect to the Preferred Stock in accordance with Exhibit A, purchase, redeem, retire, or otherwise acquire for value any of its capital stock (or rights, options or warrants to purchase such shares) now or hereafter outstanding, return any capital to its shareholders as such, or make any distribution of assets to its shareholders as such, or permit any Subsidiary to do any of the foregoing, except that the Subsidiaries may declare and make payment of cash and stock dividends, return capital and make distributions of assets to the Company and except that nothing herein contained shall prevent the Company from:

(i) effecting a stock split or declaring or paying any dividend consisting of shares of any class of capital stock to the holders of shares of such class of capital stock;

(ii) complying with any specific provision of the terms of the Preferred Stock as contained in Exhibit A attached hereto relating to the payment of dividends, liquidation preferences or redemption payments on or with respect to the Preferred Stock or redemption of the Preferred Stock;

(iii) repurchasing securities of the Company from a Purchaser in accordance with the Redemption Agreement attached as Exhibit F;

(iv) repurchasing shares of Common Stock from certain shareholders in accordance with Section 1.5 hereof, or

(v) repurchasing an unlimited number of shares of Common Stock at the original purchase price paid therefor from employees, and repurchasing not in excess of $250,000 of such stock in any one year at the fair market value of such shares Common Stock from employees, in each case in accordance with the terms of the form of stock restriction or stock option agreements in effect on the date hereof, copies of which have been furnished to the Purchasers.

4.2 Dealings with Affiliates. The Company will not enter into any transaction including, without limitation, any loans (except for loans permitted under Section 1.5(b)(ii)) or

extensions of credit or royalty agreements with any officer or director of the Company or any Subsidiary or holder of any class of capital stock of the

Company, or any member of their respective immediate families or any corporation or other entity directly or indirectly controlled by one or more of such officers, directors or shareholders or members of their immediate families, but excluding payment of salary and bonus and grant of stock options, unless such transaction is approved by the Board of Directors of the Company after full disclosure thereof, and unless such transaction is on terms no less favorable to the Company than those which could have been obtained from an unaffiliated party.

4.3 Merger. The Company shall not, and shall not permit any Subsidiary to merge or consolidate with any other corporation in a transaction as the result of which those Persons holding all of the voting securities of the Company immediately prior to such transaction fail to hold a majority of the voting securities of the resulting or surviving entity, or sell, assign, lease or otherwise dispose of or voluntarily part with the control of (whether in one transaction or in a series of transactions) all, or substantially all, of its assets (whether now owned or hereinafter acquired) or sell, assign or otherwise dispose of (whether in one transaction or in a series of transactions) any of its accounts receivable (whether now in existence or hereinafter created) at a discount or with recourse, to any Person (the foregoing events hereinafter called a "Control Sale"), or permit any Subsidiary to do any of the foregoing, unless the proceeds received by the Purchasers in such Control Sale shall be in cash or Marketable Securities. For the purposes of this Section 4.3, "Marketable Securities" shall mean those securities traded on a public market which can be immediately sold without regard to volume or trading restrictions on such sale; provided, however, that securities acquired in a transaction accounted for as a pooling of interests shall be deemed to be marketable notwithstanding restrictions on transfer necessary to ensure that such transaction can be accounted for as a pooling of interests.

4.4 Indebtedness to Equity. The Company will not allow the Debt-to-Equity Ratio to exceed two to one at any one time.

4.5 No Conflicting Agreements. The Company agrees that neither it nor any Subsidiary will, without the consent of the Purchasers, enter into or amend any agreement, contract, commitment or understanding which would restrict or prohibit the exercise by the Purchasers of any of their rights under this Agreement or any of the Related Agreements.

ARTICLE V

PREEMPTIVE RIGHT

5.1 Right of Purchase. The Company hereby grants to each Purchaser so long as it or he shall own, of record or beneficially, or have the right to acquire from the Company, any Purchased Shares, Conversion Shares or Common Stock, the right to purchase all or part of its or his pro rata share of New Securities (as defined in Section 5.2) which the Company, from time to time, proposes to sell and issue. A Purchaser's pro rata share, for purposes of this preemptive right, is the ratio of the number of Purchased Shares, Conversion Shares and shares of Common Stock which such Purchaser owns or has the right to acquire from the Company to the total

number of Purchased Shares, Conversion Shares and shares of Common Stock then outstanding. For all purposes of this Article V, the number of Purchased Shares, Conversion Shares and Common Stock shall be calculated without duplication. The Purchasers shall have a right of over-allotment pursuant to this Article V such that to the extent a Purchaser does not exercise its or his preemptive right in full hereunder, such additional shares of New Securities which such Purchaser did not purchase may be purchased by the other Purchasers in proportion to the total number of Purchased Shares, Conversion Shares or other shares of Common Stock which each such other Purchaser owns or has the right to acquire from the Company compared to the total number of Purchased Shares, Conversion Shares or other shares of Common Stock which all such other Purchasers own or have the right to acquire from the Company.

5.2 Definition of New Securities. "New Securities" shall mean any capital stock of the Company whether now authorized or not, and rights, options or warrants to purchase capital stock, and securities of any type whatsoever that are, or may become convertible into or exchangeable for capital stock, issued on or after the date hereof; provided that the term "New Securities" does not include (i) securities purchased under this Agreement or Conversion Shares issuable upon conversion of the Purchased Shares, (ii) shares of Common Stock issuable upon conversion of the Series A Preferred Stock, (iii) Common Stock issued as a stock dividend to holders of Common Stock or upon any stock split,

subdivision or combination of shares of Common Stock, (iv) Preferred Stock issued as a dividend to holders of Preferred Stock or upon any stock split, subdivision or combination of Preferred Stock, and, (v) an aggregate of 468,500 shares of Common Stock (subject to adjustment to reflect stock splits, stock dividends or other forms of recapitalization) issuable upon exercise of options by employees of the Company pursuant to options granted under a stock option plan approved by the Compensation Committee of the Company's Board of Directors.

5.3 Notice from the Company. In the event the Company proposes to undertake an issuance of New Securities, it shall give each Purchaser written notice of its intention, describing the type of New Securities and the price and the terms upon which the Company proposes to issue the same. Each Purchaser shall have 20 days from the date of receipt of any such notice to agree to purchase up to the Purchaser's pro rata share of such New Securities (and any over-allotment amount pursuant to the operation of Section 5.1 hereof) for the price and upon the terms specified in the notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased.

5.4 Sale by the Company. In the event any Purchaser fails to exercise in full its preemptive right (after giving effect to the over-allotment provision of Section 5. 1 hereof), the Company shall have 90 days thereafter to sell the New Securities with respect to which the Purchaser's option was not exercised, at a price and upon terms no more favorable to purchasers thereof than specified in the Company's notice. To the extent the Company does not sell all the New Securities offered within said 90 day period, the Company shall not thereafter issue or sell such New Securities without first again offering such securities to the Purchasers in the manner provided above.

5.5 Termination of Rights. The rights granted to the Purchasers under this Article V shall expire immediately prior to, and shall not apply in connection with, the consummation of the first Qualified Public Offering.

ARTICLE VI

INVESTMENT REPRESENTATION

6.1 Representations and Warranties. Each Purchaser hereby represents and warrants to the Company as follows:

(a) Assuming due execution and delivery by the Company of the Agreement and the Related Agreements, this Agreement and the Related Agreements to which such Purchaser is a party constitute legal, valid and binding obligations of such Purchaser, enforceable against such Purchaser in accordance with their respective terms;

(b) Such Purchaser has been advised and understands that the Purchased Shares have not been registered under the Act, on the grounds that no distribution or public offering of the Purchased Shares is to be effected, and that in this connection, the Company is relying in part on the representations of such Purchasers set forth in this Article VI;

(c) Such Purchaser has been further advised and understands that no public market now exists for any of the securities issued by the Company and that a public market may never exist for the Purchased Shares or Conversion Shares;

(d) Such Purchaser is purchasing the Purchased Shares for investment purposes, for its own account and not with a view to, or for sale in connection with, any distribution thereof in violation of Federal or state securities laws;

(e) By reason of its business financial experience, such Purchaser has the capacity to protect its own interest in connection with the transactions contemplated hereunder;

(f) Such Purchaser is an "accredited investor" as defined in the regulations promulgated under the Act;

(g) Such Purchaser is aware of the Company's business affairs and financial condition and has acquired sufficient information about the Company to reach an informed and knowledgeable decision to acquire the Purchased Shares; provided, however, that nothing in this Section 6.1 shall be deemed to vitiate or limit the representations, warranties and covenants of the Company and the Principal Shareholders contained in this Agreement; and

(h) No person has or will have, as a result of the transaction contemplated by this Agreement, any right, interest or claim against or upon the Company or any of its Subsidiaries for any commission, fee or other compensation

as a finder or broker because of any act or omission by such Purchaser.

6.2 Permitted Sales; Legends. Notwithstanding the foregoing representations, the Company agrees that it will permit (i) a distribution of Purchased Shares, Common Stock or Conversion Shares by a partnership to one or more of its partners, where no consideration is exchanged therefor by such partners, or to a retired or withdrawn partner who retires or withdraws after the date hereof in full or partial distribution of his interest in such partnership, or to the estate of any such partner or the transfer by gift, will or intestate succession of any partner to his spouse or to the siblings, lineal descendants or ancestors of such partner or his spouse, or to a trust created for the benefit of one or more of the foregoing, if the transferee agrees in writing to be subject to the terms hereof to the same extent as if it were an original Purchaser hereunder and (ii) a sale or other transfer of any of the Purchased Shares or Conversion Shares upon obtaining assurance satisfactory to the Company that such transaction is exempt from the registration requirements of, or is covered by an effective registration statement under, the Act and applicable state securities or "blue-sky" laws, including, without limitation, receipt of an unqualified opinion to such effect of counsel reasonably satisfactory to the Company. The certificates representing the Purchased Shares and any Conversion Shares issuable upon conversion thereof shall bear a legend evidencing such restriction on transfer substantially in the following form:

> "The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933 (the "Act") or the securities laws of any state. The shares may not be transferred by sale, assignment, pledge or otherwise unless (i) a registration statement for the shares under the Act is in effect or (ii) the corporation has received an opinion of counsel, which opinion is reasonably satisfactory to the corporation, to the effect that such registration is not required under the Act."

ARTICLE VII

REGISTRATION RIGHTS

7.1 Certain Definitions. As used in this Article VII, the following terms shall have the following respective meanings:

"Holder" means the person who is then the record owner of Registrable Securities which have not been sold to the public.

"Initiating Holders" means any Purchaser or its assignees who in the aggregate are holders of at least twenty-five percent (25%) of the sum of (i) the Conversion Shares now owned or hereafter acquired by the Purchasers, (ii) all other shares of Common Stock owned by the Purchasers, and (iii) all shares of Common Stock issuable with respect to securities of the Company convertible into or exercisable for shares of Common Stock now or hereafter acquired by any Purchaser.

"Registrable Securities" means (i) all of the Conversion Shares owned by the Purchasers, (ii) all other shares of Common Stock now owned or hereafter acquired by any Purchaser; (iii) all shares of Common Stock issuable with respect to securities of the Company convertible into or exercisable for shares of Common Stock now owned or hereafter acquired by any Purchaser; and (iv) any Common Stock issued in respect of the shares described in clauses (i) through (iii) upon any stock split, stock dividend, recapitalization or other similar event.

The term "register" means to register under the Act and applicable state securities laws for the purpose of effecting a public sale of securities.

"Registration Expenses" means all expenses incurred by the Company in compliance with Sections 7.2, 7.3 or 7.5 hereof, including, without limitation, all registration and filing fees, printing expenses, transfer taxes, fees and disbursements of counsel for the Company, blue sky fees and expenses, reasonable fees and disbursements of one counsel for all the selling Holders and other security holders, and the expense of any special audits incident to or required by any such registration.

"Selling Expenses" means all underwriting discount and selling commissions applicable to the sale of Registrable Securities.

7.2 Requested Registrations

(a) If on any two occasions after the date on which sales of securities of the Company are first effected pursuant to a registration

statement filed under the Act, the Company shall receive from one or more Initiating Holders a written request that the Company effect the registration of Registrable Securities representing at least twenty-five percent (25%) of the Registrable Securities then outstanding or issuable (or any lesser percentage if the reasonably anticipated aggregate price to the public of the Registrable Securities to be included in such registration would exceed $10 million), in connection with a firm commitment underwriting managed by a nationally recognized underwriter, the Company will:

(i) promptly give written notice of the proposed registration to all other Holders; and

(ii) as soon as practicable, use all commercially reasonable efforts to effect such registration as may be so requested and as would permit or facilitate the sale and distribution of such portion of such Registrable Securities as are specified in such request, together with such portion of the Registrable Securities of any Holder or Holders joining in such request as are specified in a written request given within thirty days after receipt of such written notice from the Company. If the underwriter managing the offering advises the Holders who have requested inclusion of their Registrable Securities in such registration that marketing considerations require a limitation on the number of shares offered, such limitation shall be imposed pro rata among such Holders who requested
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inclusion of Registrable Securities in such registration according to the number of Registrable Securities each such Holder requested to be included in such registration.

Neither the Company nor any other shareholder may include shares in a registration effected under this Section 7.2 without the consent of the Holders holding a majority of the Registrable Securities sought to be included in such registration if the inclusion of shares by the Company or the other shareholders would limit the number of Registrable Securities sought to be included by the Holders or reduce the offering price thereof. No registration initiated by Initiating Holders hereunder shall count as a registration under this Section 7.2 unless and until it shall have been declared effective.

(b) Selection of Underwriter. The underwriter of any underwriting
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requested under this Section 7.2 shall be selected by the Holders holding a majority of the Registrable Securities included therein; provided that such underwriter must be reasonably acceptable to the Company.

7.3 "Piggy Back" Registrations.

(a) If the Company shall determine to register any of its securities, either for its own account or the account of a security holder exercising their registration rights, other than a registration relating solely to employee benefit plans, a registration statement on Form S-4 or any similar form, or a registration on any registration form which does not permit secondary sales or does not include substantially the same information as would be required to be included in a registration statement covering the sale of Registrable Securities, the Company will:

(i) Promptly give to each Holder of Registrable Securities written notice thereof (which shall include the number of shares the Company or other security holder proposes to register and, if known, the name of the proposed underwriter); and

(ii) Use its best efforts to include in such registration all the Registrable Securities specified in a written request or requests, made by any Holder within twenty (20) days after the date of delivery of the written notice from the Company described in clause (i) above. If the underwriter advises the Company that marketing considerations require a limitation on the number of shares offered pursuant to any registration statement, then the Company may offer all of the securities it proposes to register for its own account or the maximum amount that the underwriter considers saleable and such limitation on any remaining securities that may, in the opinion of the underwriter, be sold will be imposed pro rata
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among all shareholders who are entitled to include shares in such registration statement according to the number of Registrable Securities each such shareholder requested to be included in such registration statement.

(b) The Company shall select the underwriter for an offering made pursuant to this Section 7.3.

7.4 Expenses of Registration. All Registration Expenses incurred in
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connection with any registration, qualification or compliance pursuant to

Section 7.2, 7.3 or 7.5 shall be paid by the Company provided, however, that
Registration Expenses incurred in connection with any single registration, qualification or compliance pursuant to Section 7.5 shall not exceed $50,000

in the aggregate. All Selling Expenses incurred in connection with any such registration, qualification or compliance shall be borne by the holders of the securities registered, pro rata on the basis of the number of their shares so registered.

7.5 Registration on Form S-3. The Company shall use its best efforts to qualify for registration on Form S-3 or any comparable or successor form; and to that end the Company shall register (whether or not required by law to do so) the Common Stock under the Securities Exchange Act of 1934 (the "Exchange Act") in accordance with the provisions of the Exchange Act following the effective date of the first registration of any securities of the Company on Form S-1 or any comparable or successor form. After the Company has qualified for the use of Form S-3 in addition to the rights contained in the foregoing provisions of this Article VII, the Holders of Registrable Securities shall have the right to request registrations on Form S-3 (such requests shall be in writing and shall state the number of shares of Registrable Securities to be disposed of and the intended methods of disposition of shared by such Holder or Holders), provided that the Company shall not be obligated to such effect any such registration pursuant to this Section 7.5 more than once in any six month period, and in no event shall the Company be required to register shares with an aggregate market value of less than $500,000.

7.6 Registration Procedures. In the case of each registration effected by the Company pursuant to this Article VII, the Company will keep each Holder of Registrable Securities included in such registration advised in writing as to the initiation of each registration and as to the completion thereof. At its expense, the Company will do the following for the benefit of such Holders:

(a) Keep such registration effective for a period of one hundred twenty days or until the Holder or Holders have completed the distribution described in the registration statement relating thereto, whichever first occurs, and amend or supplement such registration statement and the prospectus contained therein from time to time to the extent necessary to comply with the Act and applicable state securities laws;

(b) Use its best efforts to register or qualify the Registrable Securities covered by such registration under the applicable securities or "blue sky" laws of such jurisdictions as the selling shareholders may reasonably request; provided, that the Company shall not be obligated to qualify to do business in any jurisdiction where it is not then so qualified or otherwise required to be so qualified or to take any action which would subject it to the service of process in suits other than those arising out of such registration;

(c) Furnish such number of prospectuses and other documents incident thereto as a Holder from time to time may reasonably request;

(d) In connection with any underwritten offering pursuant to a registration statement filed pursuant to Section 7.2 hereof, the Company will enter into any underwriting agreement reasonably necessary to effect the offer and sale of Common Stock, provided such underwriting agreement contains customary underwriting provisions and is entered into by the

Holder and provided further that, if the underwriter so requests, the underwriting agreement will contain customary contribution provisions on the part of the Company;

(e) To the extent then permitted under applicable professional guidelines and standards, obtain a comfort letter from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by comfort letters and an opinion from the Company's counsel in customary form and covering such matters of the type customarily covered in a public issuance of securities, in each case addressed to the Holders, and provide copies thereof to the Holders; and

(f) Permit the counsel to the selling shareholders whose expenses are being paid pursuant to Section 7.4 hereof to inspect and copy such corporate documents as he may reasonably request.

7.7 Indemnification.

(a) The Company will, and hereby does, indemnify each Holder, each of its officers, directors and partners, and each person controlling such Holder within

the meaning of the Act, with respect to which registration, qualification or compliance has been effected pursuant to this Article VII, and each underwriter, if any, and each person who controls such underwriter within the meaning of the Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Company of the Act or the Exchange Act or securities act of any state or any rule or regulation thereunder applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance, and will reimburse each such Holder, each of its officers, directors and partners, and each person controlling such Holder, each such underwriter and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action, whether or not resulting in any liability, provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement (or alleged untrue statement) or omission (or alleged omission) based upon written information furnished to the Company by such Holder or underwriter and stated to be specifically for use therein.

(b) Each Holder will, if Registrable Securities held by him are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers and each underwriter, if any, of the Company's securities covered by such a registration statement, each person who controls the Company or such underwriter within the meaning of the Act and the rules and regulations thereunder, each other such Holder and each of their officers, directors and partners, and each person controlling

such Holder, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and such Holder's directors, officers, partners, persons, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, whether or not resulting in liability, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by such Holder and stated to be specifically for use therein; provided, however, that the obligations of each Holder hereunder shall be limited to an amount equal to the net proceeds received by such Holder upon sale of his securities.

(c) Each party entitled to indemnification under this Section 7.7 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, but the failure of any Indemnifying Party to give such notice shall not relieve the Indemnifying Party of its obligations under this Section 7.7 (except and to the extent the Indemnifying Party has been prejudiced as a consequence thereof). The Indemnifying Party will be entitled to participate in, and to the extent that it may elect by written notice delivered to the Indemnified Party promptly after receiving the aforesaid notice from such Indemnified Party, at its expense to assume, the defense of any such claim or any litigation resulting therefrom, with counsel reasonably satisfactory to such Indemnified Party, provided that the Indemnified Party may participate in such defense at its expense, notwithstanding the assumption of such defense by the Indemnifying Party, and provided, further, that if the defendants in any such action shall include both the Indemnified Party and the Indemnifying Party and the Indemnified Party shall have reasonably concluded that there may be legal defenses available to it and/or other Indemnified Parties which are different from or additional to those available to the Indemnifying Party, the Indemnified Party or Parties shall have the right to select separate counsel to assert such legal defenses and to otherwise participate in the defense of such action on behalf of such Indemnified Party or Parties and the fees and expenses of such counsel shall be paid by the Indemnifying Party. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. Each Indemnified Party shall (i) furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with defense of such claim and litigation resulting therefrom and

(ii) shall reasonably assist the Indemnifying Party in any such defense, provided that the Indemnified Party shall not be required to expend its funds in connection with such assistance.

(d) No Holder shall be required to participate in a registration pursuant to which it would be required to execute an underwriting agreement in connection with a registration

effected under Section 7.2 or 7.3 which imposes indemnification or contribution obligations on such Holder more onerous than those imposed hereunder; provided, however, that the Company shall not be deemed to breach the provisions of Section 7.2 or 7.3 if a Holder is not permitted to participate in a registration on account of his refusal to execute an underwriting agreement on the basis of this subsection (d).

7.8 Information by Holder. Each Holder of Registrable Securities included in any registration shall furnish to the Company such information regarding such Holder and the distribution proposed by such Holder as the Company may reasonably request in writing and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Article VII or otherwise required by applicable state or federal securities laws.

7.9 Limitations on Registration Rights. From and after the date of this Agreement, the Company shall not enter into any agreement with any holder or prospective holder of any securities of the Company giving such holder or prospective holder (a) the right to require the Company, upon any registration of any of its securities, to include, among the securities which the Company is then registering, securities owned by such holder, unless under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of its securities will not limit the number of Registrable Securities sought to be included by the Holders of Registrable Securities or reduce the offering price thereof; or (b) the right to require the Company to initiate any registration of any securities of the Company.

7.10 Exception to Registration. The Company shall not be required to effect a registration under this Article VII if (i) in the written opinion of counsel for the Company, which counsel and the opinion so rendered shall be reasonably acceptable to the Holders of Registrable Securities, such Holders may sell without registration under the Act all Registrable Securities for which they requested registration under the provisions of the Act and in the manner and in the quantity in which the Registrable Securities were proposed to be sold, or (ii) the Company shall have obtained from the Commission a "no-action" letter to that effect; provided that this Section 7.10 shall not apply to sales made under Rule 144(k) or any successor rule promulgated by the Commission until after the effective date of the Company's initial registration of shares under the Act. Notwithstanding the foregoing, in no event shall the provisions of this Section 7.10 be construed to preclude a Holder of Registrable Securities from exercising rights under Section 7.3 for a period of three years after the effective date of the Company's initial registration of shares under the Act.

7.11 Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the Commission which may permit the sale of restricted securities (as that term is used in Rule 144 under the Act) to the public without registration, the Company agrees to:

(a) make and keep public information available as those terms are understood and defined in Rule 144 under the Act, at all times from and after ninety days following the

effective date of the first registration under the Act filed by the Company for an offering of its securities to the general public;

(b) use its best efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Act and the Exchange Act at any time after it has become subject to such reporting requirements; and

(c) so long as a Purchaser owns any restricted securities, furnish to the Purchaser forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of Rule 144 (at any time from and after ninety days following the effective date of the first registration statement filed by the Company for an offering of its securities to the general public), and of the Act and Exchange Act (at any time after it has become subject to such reporting requirements), a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed as a Purchaser may reasonably request in availing itself of any rule or

regulation of the Commission allowing a Purchaser to sell any such securities without registration.

7.12 Listing Application. If shares of any class of stock of the Company shall be listed on a national securities exchange, the Company shall, at its expense, include in its listing application all of the shares of the listed class then owned by any Purchaser.

7.13 Damages. The Company recognizes and agrees that the holder of Registrable Shares shall not have an adequate remedy if the Company fails to comply with the provisions of this Article VII, and that damages will not be readily ascertainable, and the Company expressly agrees that in the event of such failure any Holder of Registrable Shares shall be entitled to seek specific performance of the Company's obligations hereunder and that the Company will not oppose an application seeking such specific performance.

ARTICLE VIII

CONDITIONS OF PURCHASERS' OBLIGATION

8.1 Effect of Conditions. The obligation of the Purchasers to purchase and pay for the Purchased Shares at the Closings shall be subject at their election to the satisfaction of each of the conditions stated in the following Sections of this Article.

8.2 Representations and Warranties. The representations and warranties of the Company and the Principal Shareholders contained in this Agreement shall be true and correct on the date of such Closing with the same effect as though made on and as of that date, and the Purchasers shall have received a certificate dated as of such Closing and signed on behalf of the Company and the Principal Shareholders to that effect.

8.3 Performance. The Company and the Principal Shareholders shall have performed and complied with all of the agreements, covenants and conditions contained in this Agreement required to be performed or complied with by it and him at or prior to such closing, and the

Purchasers shall have received a certificate dated as of such Closing and signed on behalf of the Company and by the Principal Shareholders to that effect.

8.4 Opinions of Counsel. The Purchasers shall have received an opinion, dated the date of such Closing, from Testa, Hurwitz & Thibeault, counsel to the Company, in the form attached as Exhibit D.

8.5 Certified Documents, etc. Counsel for the Purchasers shall have received a copy of the Company's Certificate of Incorporation, as amended, certified by the Secretary of the State of the State of Delaware and copies of the Company's By-Laws certified by its Secretary, as well as any and all other documents, including certificates as to votes adopted and incumbency of officers and certificates from appropriate authorities as to the legal existence and tax good standing of the Company and its Subsidiaries, which the Purchasers or their counsel may reasonably request.

8.6 No Material Adverse Change. The business, properties, assets or condition (financial or otherwise) of the Company and its Subsidiaries shall not have been materially adversely affected since the date of this Agreement, whether by fire, casualty, act of God or otherwise, and there shall have been no other changes in the business, properties, assets, condition (financial or otherwise), management or prospects of the Company or any of its Subsidiaries that would have a material adverse effect on their respective businesses or assets.

8.7 Shareholders' Agreement'. A Shareholders' Agreement in the form of Exhibit E attached hereto shall have been executed by each Purchaser, the Company and the shareholders named therein.

8.8 Redemption Agreement. A Redemption Agreement in the form of Exhibit F attached hereto shall have been executed by the Company and each of the Purchasers.

8.9 Amendment to Certificate of Incorporation. The Certificate of Incorporation of the Company shall have been amended to provide for the authorization of the Preferred Stock with the terms set forth in Exhibit A hereto.

8.10 Non-Competition Agreements. Each of William Styslinger, III, Edward McGrath and such other senior members of management as listed in Schedule 8.10, shall have executed an Employee and Non-Competition Agreement reasonably acceptable to the Purchasers.

8.11 Consents and Waivers. The Company shall have obtained all consents or waivers necessary to execute this Agreement and the other agreements and documents contemplated herein, to issue the Purchased Shares and the Conversion Shares, and to carry out the transactions contemplated hereby and thereby. All corporate and other action and governmental filings necessary to effectuate the terms of this Agreement, the Related Agreements, the Purchased Shares, the Conversion Shares and other agreements and instruments executed and delivered by the Company in connection herewith shall have been made or taken.

ARTICLE IX

CONDITIONS OF THE COMPANY'S OBLIGATION

The Company's obligation to sell the Purchased Shares shall be subject to the accuracy on the date of the Closing of the representations and warranties of the Purchasers contained in this Agreement.

ARTICLE X

CERTAIN DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Act" means the Securities Act of 1933, as amended.

"Agreement" means this Series B Preferred Stock Purchase Agreement as from time to time amended and in effect between the parties.

"Applicable Conversion Value" shall mean the Applicable Conversion Value of the Preferred Stock under Section 5(c) of Exhibit A.

"Closing" shall have the meaning set forth in Section 1.4.

"Commission" shall have the meaning set forth in Section 2.3.

"Common Stock" will include (a) the Company's Common Stock as authorized on the date of this Agreement, (b) any other capital stock of any class or classes of the Company authorized on or after the date hereof, the holder of which shall have the right, without limitation as to amount, either to all or to a share of the balance of current dividends and liquidating dividends after the payment of dividends and distributions on any shares entitled to preference, and (c) any other securities of the Company into which or for which any of the securities described in (a) or (b) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, sale of assets or otherwise.

"Company" means and shall include SeaChange Technology, Inc., a Delaware corporation, and its successors and assigns.

"Conversion Shares" shall have the meaning set forth in Section 1.3.

"Debt-to-Equity Ratio" shall mean the ratio of consolidated Indebtedness of the Company and its Subsidiaries to consolidated equity of the Company and its Subsidiaries (determined in accordance with generally accepted accounting principles consistently applied).

"Holders" shall have the meaning set forth in Section 8.1.

"Indebtedness" means all obligations, contingent and otherwise, for borrowed money which are required to be reflected as indebtedness on a balance sheet prepared in accordance with generally accepted accounting principles including, without limitation, any current portion of long-term indebtedness and

all guaranties, endorsements and other contingent obligations in respect of indebtedness of others except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

"Indemnified Party" shall have the meaning set forth in Section 7.7.

"Indemnifying Party" shall have the meaning set forth in Section 7.7.

"Initiating Holders" shall have the meaning set forth in Section 7.1.

"New Securities" shall have the meaning set forth in Section 5.2.

"Person" means an individual, corporation, partnership, joint venture, trust or unincorporated organization or a government or agency or political subdivision thereof.

"Preferred Stock" shall have the meaning set forth in Section 2.4.

"Purchased Shares" shall have the meaning set forth in Section 1.1.

"Purchaser" shall have the meaning set forth in Section 1.1.

"Qualified Public Offering" means the closing of an underwritten public offering by the Company pursuant to a registration statement filed and declared effective under the Act covering the offer and sale of Common Stock for the account of the Company in which the aggregate net proceeds to the Company equal at least $15,000,000.

"Registrable Securities" shall have the meaning set forth in Section 7.1.

"Registration Expense" shall have the meaning set forth in Section 7.1.

"Related Agreements" shall have the meaning set forth in Section 2.2.

"Selling Expenses" shall have the meaning set forth in Section 7.1.

"Series A Preferred Stock" shall have the meaning set forth in Section 1.5.

"Series B Preferred Stock" shall have the meaning set forth in Section 1.1.

"Subsidiary" or "Subsidiaries" means any corporation, association or other business entity of which the Company and/or any of its other Subsidiaries (as herein defined) directly or

indirectly owns at the time more than fifty percent (50%) of the outstanding voting shares of every class of such corporation or trust other than directors' qualifying shares.

ARTICLE XI

TERMINATION

11.1 Termination by Mutual Written Consent. This Agreement may be terminated, and the transactions contemplated hereby abandoned, at any time prior to the Closing by the written agreement of the Company and the Purchasers.

11.2 Termination for Breach. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time before the Closing (or any date to which the Closing may have been extended by the written agreement of the parties obligated to perform on such Closing) by any party obligated to perform on the Closing if the conditions for its benefit set forth in Article VIII or IX, as the case may be, have not been satisfied on or prior to the Closing and if the conditions for the benefit of the other parties have been satisfied or waived, and if such performing party shall have given written notice of termination to the non-performing party.

11.3 Termination for Delay. Unless earlier terminated in accordance with Section 11.1 or 11.2, this Agreement may be terminated and the transactions contemplated hereby may be abandoned by the Company or the Purchasers if the First Closing does not occur by October 31, 1995, provided, however, that the right to terminate this Agreement under this Section 11.3 shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date.

11.4 Rights After Termination. Upon termination of this Agreement under this Article XII, the parties shall be released from all obligations arising hereunder, except as to any liability for misrepresentations, breach or default

in connection with any warranty, representation, covenant, duty or obligation given, occurring or arising prior to the date of termination and except as to the Company's obligations under Section 12.6 hereof.

ARTICLE XII

MISCELLANEOUS

12.1 Survival of Representations. The representations, warranties, covenants and agreements made herein or in any certificates or documents executed in connection herewith shall survive the execution and deliver hereof and the closing of the transaction contemplated hereby.

12.2 Parties in Interest. Except as otherwise set forth herein, all covenants, agreements, representations, warranties and undertakings contained in this Agreement shall be binding on and shall inure to the benefit of the respective successors and assigns of the parties

hereto (including transferees of any of the Purchased Shares or Conversion Shares). The parties agree to maintain in confidence the terms of the purchase of the Purchased Shares hereunder, except that the Purchasers may disclose such terms to their investors in the ordinary course and except that the Company may disclose such terms to its shareholders in the ordinary course.

12.3 Shares Owned by Affiliates. For the purposes of applying all provisions of this Agreement which condition the receipt of information or access to information or exercise of any rights upon ownership of a specified number or percentage of shares, the shares owned of record by any affiliate of a Purchaser shall be deemed to be owned by such Purchaser. For the purpose of this Agreement, the term "affiliate" shall mean any Person controlling, controlled by or under common control with, a Purchaser and any general or limited partner of a Purchaser.

12.4 Amendments and Waivers. Amendments or additions to this Agreement may be made, agreements with any decision of the Company may be made, and compliance with any term, covenant, agreement, condition or provision set forth herein may be omitted or waived (either generally or in a particular instance and either retroactively or prospectively) upon the written consent of the Company and the holders of a majority of the issued and issuable Conversion Shares. Prompt notice of any such amendment or waiver shall be given to any Person who did not consent thereto. This Agreement (including the Schedules and Exhibits annexed hereto, which are an integral part of this Agreement) constitutes the full and complete agreement of the parties with respect to the subject matter hereof.

12.5 Notices. All notices, requests, consents, reports and demands shall be in writing and shall be hand delivered, sent by facsimile or other electronic medium, or mailed, postage prepaid, to the Company or to the Purchasers at the address set forth below or to such other address as may be furnished in writing to the other parties hereto:

The Company: SeaChange Technology, Inc.
Damomill Square
Concord, MA 01742

Attention: William C. Styslinger, III

with copy to: Testa, Hurwitz & Thibeault
High Street Tower, 125 High Street
Boston, MA 02110

Attention: William B. Simmons, Jr., Esq.

The Purchasers: The address set forth opposite the Purchaser's name on Schedule 1.1 attached hereto.

with copy to: Hutchins, Wheeler & Dittmar
A Professional Corporation
101 Federal Street

Boston, MA 02120
Attention: James Westra, Esq.

12.6 Expenses. Each party hereto will pay its own expenses in connection with the transactions contemplated hereby, provided, however, that the Company

shall pay the reasonable fees and disbursements of Hutchins, Wheeler, & Dittmar A Professional Corporation, special counsel to the Purchasers (not in excess of $35,000).

12.7 Counterparts. This Agreement and any exhibit hereto may be executed in multiple counterparts, each of which shall constitute an original but all of which shall constitute but one and the same instrument. One or more counterparts of this Agreement or any exhibit hereto may be delivered via telecopier, with the intention that they shall have the same effect as an original counterpart hereof.

12.8 Effect of Headings. The article and section headings herein are for convenience only and shall not affect the construction hereof.

12.9 Adjustments. All provisions of this Agreement shall be automatically adjusted to reflect any stock dividend, stock split or other such form of recapitalization.

12.10 Governing Law. This Agreement shall be deemed a contract made under the laws of the Commonwealth of Massachusetts and together with the rights and obligations of the parties hereunder, shall be construed under and governed by the laws of such Commonwealth.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to the Company, whereupon, this letter shall become a binding agreement among us.

Very truly yours,

SEACHANGE TECHNOLOGY, INC.

By: /s/ William C. Styslinger, III
Name: William C. Styslinger, III
Title: President

PRINCIPAL SHAREHOLDERS:

/s/ William C. Styslinger, III
William C. Styslinger, III

/s/ Edward McGrath
Edward McGrath

/s/ Edward Delaney
Edward Delaney

PURCHASERS:

SUMMIT VENTURES IV, L.P.

By: Summit Partners, IV, L.P.,
Its General Partner

By: Stamps, Woodsum & Co. IV,
Its General Partner

By: /s/ Bruce Evans
General Partner

SUMMIT VENTURES III, L.P.

By: Summit Partners, III, L.P.,
Its General Partner

By: Stamps, Woodsum & Co. III,

Its General Partner

By: /s/ Bruce Evans

General Partner

SUMMIT INVESTORS II, L.P.

By: /s/ Bruce Evans

General Partner

SUMMIT VENTURES III, L.P.

By: Summit Partners, III, L.P.,
Its General Partner

By: Stamps, Woodsum & Co. III,
Its General Partner

By: /s/ Bruce Evans

General Partner

SUMMIT INVESTORS II, L.P.

By: /s/ Bruce Evans

General Partner

By: /s/ Salvatore Vona

Salvatore Vona

/s/ Martin Hoffmann

Martin Hoffmann

/s/ Joseph C. Vona

Joseph C. Vona

/s/ Guido Pacia

Guido Pacia

Adtel Limited Partnership
Adwest Limited Partnership
Golden Gate Development & Investment
Limited Partnership

By: Advent International Limited
Partnership, General Partner
By: Advent International Corporation,
General Partner

By: Patrick J. Sansonetti,
Senior Vice President

/s/ Patrick J. Sansonetti

Patrick J. Sansonetti, Senior Vice
President

Advent Partners Limited Partnership
Advent International Investors Limited
Partnership

By: Advent International Corporation,
General partner
By: Patrick J. Sansonetti, Senior
Vice President

/s/ Patrick J. Sansonetti

Patrick J. Sansonetti, Senior Vice President

EXHIBIT 4.3

STOCK RESTRICTION AGREEMENT

AGREEMENT, dated as of _____, by and between SeaChange Technology, Inc., a Delaware corporation (the "Company") and _____ (the "Stockholder").

WHEREAS, the Stockholder is purchasing on the date hereof an aggregate of _____ shares of common stock, $.01 par value, of the Company (the "Common Stock");

WHEREAS, the Company desires to place certain restrictions on the disposition of shares of Common Stock held by the Stockholder and the parties are willing to execute this Agreement and to be bound by the provisions hereof;

NOW, THEREFORE, in consideration of the foregoing, the agreements set forth below, and the parties' desire to provide for continuity of ownership of the Company to further the interests of the Company and its present and future stockholders, the parties hereby agree with each other as follows:

1. Certain Defined Terms. As used in this Agreement, the following terms have the following meanings:

(a) "Stock" means all shares of Common Stock, and all other securities of the Company that may be issued in exchange for or in respect of shares of Common Stock (whether by way of stock split, stock dividend, combination, reclassification, reorganization, or any other means).

(b) "Shares" means all shares of Stock now owned or hereafter acquired by the Stockholder.

2. Prohibited Transfers. The Stockholder shall not sell, assign, transfer, pledge, hypothecate, mortgage, encumber or dispose of all or any of his or her Shares except Vested Shares (as defined in Section 3(a)) (x) to the Company or (y) as expressly provided in this Agreement. Notwithstanding the foregoing, the Stockholder may transfer all or any of his or her Shares (a) by way of gift to any member of his family or to any trust for the benefit of any such family member or the Stockholder, provided that any such transferee shall agree in writing with the Company, as a condition precedent to such transfer, to be bound by all of the provisions of this Agreement to the same extent as if such transferee were the Stockholder or (b) by will or the laws of descent and distribution, in which event each such transferee shall be bound by all of the provisions of this Agreement to the same extent as if such transferee were the Stockholder. As used herein, the word "family" shall include any spouse, lineal ancestor or descendant, brother or sister.

3. Option of Company Upon Termination of Employment or Other Event: Vesting.

(a) If the Stockholder has served the Company or any of its subsidiaries in the capacity of an employee, officer, director or consultant (such service is described herein as maintaining or being involved in a "Business Relationship" with the Company) continuously from the date hereof through and including the following dates, the following percentage of the Shares shall be deemed "Vested Shares":

One year but less than two years from _____	-	20%
Two years but less than three years from _____	-	an additional 20%
Three years but less than four years from _____	-	an additional 20%
Four years but less than five years from _____	-	an additional 20%
Five years or more from _____	-	an additional 20%

(b) Upon the occurrence of one or more of the following events, the Company may, within 120 days from the date of such event or events (the "Repurchase Period"), require the Stockholder to sell his or her Shares to the Company:

(i) the Stockholder shall for any reason, including, without limitation, death, disability or involuntary removal with or without cause, cease to maintain a Business Relationship with the Company;

(ii) the Stockholder shall be declared bankrupt, file a voluntary petition under any bankruptcy or insolvency law, become subject to an involuntary petition under any bankruptcy or insolvency law which petition is not dismissed within thirty (30) days of its date, petition for the appointment of a receiver or assignment of his or her Shares for the benefit of creditors, or become subject to such a petition or assignment which petition is not dismissed within thirty (30) days of its date;

(iii) a writ of attachment or levy or other court order shall be entered which shall prevent the Stockholder from exercising his or her voting and other rights with respect to any of the Shares;

(iv) the Stockholder shall sell or transfer any Shares in violation of the terms of this Agreement; or

(v) the Stockholder shall be subject to a divorce, separation proceeding or settlement agreement pursuant to which Shares are to be acquired by or transferred, directly or indirectly, to the spouse of the Stockholder.

(c) The purchase price (the "Option Price") of any Shares for which the Company exercises its option under this Section 3 (the "Repurchased Shares") shall be (i) in the case of Shares other than Vested Shares, $_____ per Share (such price being subject to equitable adjustment for any stock split, stock dividend, combination of shares or the like and based upon Common Stock or Common Stock equivalents) and (ii) in the case of Vested Shares, the Fair Value (as defined in Section 5 below) of such Vested Shares on the date of the Company's written election to exercise its option to purchase such Shares.

(d) If the Company desires to exercise its option to purchase, it shall do so by communicating in writing its election to purchase to the Stockholder, which communication shall state the number of Repurchased Shares and the aggregate Option Price and shall be delivered in person or mailed to the Stockholder at the address set forth in accordance with Section 12(a) below within the Repurchase Period. The sale of the Repurchased Shares shall be made at the offices of the Company on the 20th day following the later of (i) the date of the Company's written election to purchase or (ii) if applicable, the date the Fair Value of the Vested Shares is determined in accordance with Section 5 (or if such 20th day is not a business day, then on the next succeeding business day). Such sale shall be effected by the Stockholder's delivery to the Company of a certificate or certificates evidencing the Repurchased Shares, duly endorsed for transfer to the Company, against payment to the Stockholder by the Company of the Option Price for each Repurchased Share. At its option, the Company (or its assignee) may pay (x) the entire amount of the Option Price in cash at the closing or (y) an amount equal to at least 25% of the Option Price of the Shares at the closing, followed by three equal, successive annual installments of principal with interest accruing each month, and payable with each installment of principal, at the per annum rate of interest announced on the first day of each such month by BayBank as its Base Rate (or the successor thereto). The Company may prepay the outstanding balance of the purchase price of the Shares at any time without premium or penalty.

4. Company's Right of First Refusal.

(a) Option of the Company. Before any Vested Shares may be voluntarily
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or involuntarily sold or transferred by the Stockholder, including transfer by operation of law and by pledgees or holders of other security interests desiring to exercise a power of sale, such Shares (the "Offered Shares") must first be offered for sale to the Company by the Stockholder by written notice to the Company (the

"Seller's Notice") stating the name and address of the proposed transferee, the number of Offered Shares, the purchase price, if any, and the terms of the proposed transaction. The Company shall thereupon have the option, but not the obligation, to acquire some or all of the Offered Shares for a price per share (the "Purchase Price") equal to the lesser of the price per share set forth in the Seller's Notice and the Fair Value per share. Within 30 days (the "Option Period") after the giving of the Seller's Notice, the Company shall give written notice to the Stockholder stating the number of Offered Shares, if any, it elects to purchase and a date and time (the "Closing Date") for consummation of the purchase not fewer than 60 nor more than 90 days after the giving of the Seller's Notice. Failure by the Company to give such notice within such time period shall be deemed an election by the Company not to exercise such option. The Stockholder shall not vote in connection with the decision of the Company whether to exercise its option to purchase his or her Stock, provided that if his or her vote is required for valid corporate action he or she shall vote in accordance with the decision of the majority of the other stockholders.

(b) Payment. The Company may, at its option, pay the purchase price for

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the Offered Shares either (i) in full on the Closing Date or (ii) on a deferred basis in the same manner and upon the same terms as set forth in Section 3(d) hereof.

(c) Transfer to Third Parties. If the Company has not elected to
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purchase all of the Offered Shares by the end of the Option Period, the Stockholder may transfer any Offered Shares not to be purchased by the Company at any time during the 30-day period immediately following the termination of Option Period, but only upon the terms and to the transferee stated in the applicable Seller's Notice.

(d) Further Restrictions. Any attempted transfer in violation of the
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terms of this Agreement shall be ineffective to vest any legal or beneficial interest in the Shares in any transferee and shall be null and void. Without limiting the foregoing, any purported transfer in violation hereof shall be ineffective as against the Company, and the Company shall have a continuing right and option (but not an obligation), until this Agreement terminates, to purchase the Shares purported to be transferred by or for the Stockholder for a price and on terms the same as those at which such Shares could have been purchased hereunder at the time of the transfer. Nevertheless, the Company may in any particular circumstances waive these restrictions on transfer.

(e) S Corporation Status. The Stockholder covenants and agrees that, if
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the Company shall have elected to be treated as an "S corporation" pursuant to Sections 1361 and 1362 of the Internal Revenue Code of 1986, as amended (the "Code"), notwithstanding any other provisions in this Agreement, he or she will not sell, or in any other way directly or indirectly transfer or assign any shares of Stock to any person who is prohibited under Section 1361 of the Code from being a shareholder in an "S corporation", or otherwise make any transfer which, in the opinion of

counsel to the Company, would result in termination of the Company's treatment as an "S corporation."

5. "Fair Value" per Vested Share means, as of the date of determination, the
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fair value of each Vested Share determined in good faith by the Board of Directors of the Company, except as otherwise determined pursuant to this Section 5. If the Board of Directors of the Company agrees to the fair value of each Share within thirty (30) days of the date it commenced such determination, then the Company shall promptly notify the Stockholder of such determination. In the event that (a) the Board of Directors cannot make or agree upon the fair value per share of Stock within thirty (30) days of the date it commenced such determination, or (b) the Stockholder objects in writing to the determination within ten (10) days of his receipt of notice of such determination pursuant to the preceding sentence, then the Fair Value per Share shall be determined by an independent appraiser selected by the Company and the Stockholder. Such independent appraiser shall be selected by the Company and the Stockholder within ten (10) days of the expiration of the thirty (30) day period pursuant to clause (a) of the preceding sentence or of the expiration of the ten (10) day period pursuant to clause (b) of the preceding sentence, as the case may be, and such appraiser shall determine the fair value of each share within twenty (20) days of such appointment. If the Company and the Stockholder are unable to reach an agreement as to the identity of an independent appraiser within this ten (10) day period, then the Company and the Stockholder shall each have an additional ten (10) days to appoint a separate independent appraiser. Each of the Company and the Stockholder will cause the appraiser appointed by such party to determine, independently, the Fair Value per Share, within twenty (20) days after the time of their respective appointment. If the lesser of the two appraised values so determined (the "Low Value") exceeds or is equal to ninety percent (90%) of the value of the greater of the two appraised values (the "High Value"), then the Fair Value per Share will be deemed to be equal to the average of the two appraisals. If the Low Value is less than ninety percent (90%) of the High Value, then the two appraisers will themselves appoint a third appraiser within ten (10) days after the two appraisals have been rendered. Such third appraiser will have twenty (20) days from the date of his or her appointment in which to determine, independently, the Fair Value per Share of each share of Stock. The median of the three (3) appraised values shall be binding on all parties concerned as the Fair Value per Share. The expenses of the appraisals will be borne equally by the Company and the Stockholder.

6. Prohibition on Transfers of Shares to Competitors. The Stockholder may
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not at any time transfer any Shares to any individual, corporation, partnership or other entity that engages in any business activity that is in competition, directly or indirectly, with the products or services being developed, manufactured or sold by the Company. The determination of whether any proposed transferee engages in any business activity that is in competition with those of the Company shall be made by the Board of Directors of the Company in good faith. This prohibition shall be applicable in addition to and separately from the provisions of Section 4 hereof.

7. Stock Transfer Record. The Company shall not effect or record any transfer of Shares in its stock transfer records unless such transfer is in compliance with the provisions of this Agreement. If the Stockholder desires to make a transfer, he or she shall furnish to the Company such evidence of compliance with this Agreement as may be reasonably required by the Board of Directors of, or counsel for, the Company.

8. Term. This Agreement shall terminate (a) immediately prior to the consummation of the first firm commitment underwritten public offering of equity securities of the Company pursuant to an effective registration statement on Form S-1 (or its then equivalent) under the Securities Act of 1933, as amended or (b) the tenth anniversary of the date of this Agreement, whichever occurs first.

9. Remedies of the Company.

(a) Failure to Deliver Shares to the Company. If the Stockholder becomes obligated to sell any Shares to the Company under this Agreement and fails to deliver such Shares in accordance with the terms of this Agreement, the Company, may, at its option, in addition to all other remedies it may have, send to the Stockholder the purchase price for such Shares as is herein specified. Thereupon, the Company, upon written notice to the Stockholder, (a) shall cancel on its books the certificate or certificates representing the Shares to be sold and (b) shall issue, in lieu thereof, in the name of the Company a new certificate or certificates representing such Shares, and thereupon all of the Stockholder's rights in and to such Shares shall terminate.

(b) Failure to Transfer Shares to a Third Party. In the event that any person (a "Required Seller") shall be required hereunder to sell Shares to a third party and is unable to or does not deliver the certificate or certificates evidencing such Shares to the to the applicable purchaser hereunder, such purchaser may deposit the purchase price for such shares (by certified check, promissory note or both, as the case may be) with any bank doing business in the Commonwealth of Massachusetts, or with the Company's attorneys or certified public accountants, as escrow agent or trustee for such person, to be held by such bank, attorney or accountant until withdrawn by such person. Upon such deposit by the purchaser and upon notice of the creation of said escrow or trust to such Required Seller, such shares shall then be deemed hereby to have been sold, assigned, transferred and conveyed to such purchaser, the Required Seller shall have no further rights thereto or thereunder and the Company shall record such transfer in its stock transfer book.

(c) Specific Enforcement. The Stockholder expressly agrees that the Company will be irreparably damaged if this Agreement is not specifically enforced. Upon a breach or threatened breach of the terms, covenants and/or conditions of this Agreement by the Stockholder, the Company shall, in addition to all other remedies, be entitled to a temporary or permanent injunction, without showing any actual

damage, and/or a decree for specific performance, in accordance with the provisions hereof.

10. Legend. Each certificate evidencing any of the Shares shall bear a legend substantially as follows:

"The shares represented by this certificate are subject to restrictions on transfer and may not be sold, exchanged, transferred, pledged, hypothecated or otherwise disposed of except in accordance with and subject to all the terms and conditions of a Stock Restriction Agreement between the Company and the registered owner of these Shares, a copy of which the Company will furnish to the holder of this certificate upon request and without charge."

11. Delivery of Stock and Documents. Upon the closing of any purchase of Shares pursuant to this Agreement, the Stockholder shall deliver to the purchaser the certificate or certificates representing the Shares being sold, duly endorsed for transfer and bearing such documentary stamps, if any, as are necessary, and such assignments, certificates of authority, tax releases, consents to transfer, instruments and evidences of title of the Stockholder and of such Stockholder's compliance with this Agreement as may be reasonably required by the purchaser (or by counsel for the purchaser).

12. General.

(a) Notices. Any and all notices, requests or other communications hereunder shall be given in writing and delivered in person or sent by registered or certified mail, return receipt requested, postage prepaid; and such notices shall be addressed: (i) if to the Company, to the President of the Company at its principal office; and (ii) if to the Stockholder, to the address of the Stockholder as reflected in the records of the Company, unless notice of a change of address is furnished to all parties in the manner provided in this Section 12(a). Any notice which is required to be made within a stated period of time shall be considered timely if delivered or mailed as provided above before midnight of the last day of such period.

(b) Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted, provided that such construction shall not substantially impair the bargained-for rights of either party hereto.

(c) Benefit and Burden; Assigns. This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their legatees, distributees, estates, executors, administrators, personal representatives, successors and assigns, and other legal representatives. The Company may assign its rights under Sections 3 and 4 hereof, in whole or in part, to any person or persons designated by the Board of Directors of the Company.

(d) Headings. The headings, subheadings and other captions in this Agreement are for convenience and reference only and shall not be used in interpreting, construing or enforcing any of the provisions of this Agreement.

(e) Existing Agreements. This Agreement does not and shall not be construed to limit or impair the right of the Company under any other agreement or understanding with the Stockholder.

(f) Entire Agreement; Amendments; Conflicts. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and neither this Agreement nor any provision hereof may be waived, modified, amended or terminated except by a written agreement signed by the parties hereto. To the extent any term or other provision of any other indenture, agreement or instrument by which any party hereto is bound conflicts with this Agreement, this Agreement shall have precedence over such conflicting term or provision.

(g) Governing Law. This Agreement, and any claims relating to the relationship of the parties contemplated herein, whether or not arising directly under this Agreement, shall be governed by the laws of the Commonwealth of Massachusetts without reference to its conflicts of laws provisions.

(h) Waivers. No waiver of any breach or default hereunder shall be considered valid unless in writing, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

(i) Continuation of Employment. Nothing in this Agreement shall create an obligation on the Company to continue the Stockholder's employment with the Company.

(j) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Stock Restriction Agreement has been executed as of the date and year first above written.

COMPANY:

SEACHANGE TECHNOLOGY, INC.

By: _____

Title: _____

Address: Damonmill Square
          Concord, MA 01742

STOCKHOLDER:

Signature

Address

Exhibit 4.4

Stock Restriction Agreement
Amendment

Agreement dated as of _____, 1996 by and between SeaChange International, Inc. (the "Company") and _____ (the "Stockholder").

WHEREAS, the Company and the Stockholder are parties to a Stock Restriction Agreement dated as of _____ (the "Stock Restriction Agreement"); and

WHEREAS, the Company and the Stockholder desire to amend the Stock Restriction Agreement;

NOW, THEREFORE, for good and sufficient consideration, receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. Section 3(b)(i) of the Stock Restriction Agreement is hereby amended and restated to read in its entirety as follows:

"(i) the Stockholder shall for any reason other than death, such reasons to include, without limitation, disability or involuntary removal with or without cause, cease to maintain a Business Relationship with the Company;"

2. Section 3(e) is hereby added to the Stock Restriction Agreement, and shall read in its entirety as follows:

"(e) Notwithstanding anything herein to the contrary, in the event of the death of the Stockholder at any time prior to the occurrence of an event specified in Section 3(b) hereof, all of the Shares shall be deemed "Vested Shares.""

3. Section 8 of the Stock Restriction Agreement is hereby amended and restated to read in its entirety as follows:

"8. Term. This Agreement shall terminate on the earlier of (i) the date on which either (A) all of the shares have become Vested Shares in accordance with Section 3 hereof or (B) the date on which (x) no additional shares can become Vested Shares and (y) any rights of the Company to repurchase Unvested Shares pursuant to Section 3(b) hereof shall have been exercised (and such repurchase completed) or shall have expired, whichever of (A) or (B) occurs first, or (ii) the tenth anniversary of the date of this Agreement, provided, however, that notwithstanding any such termination, the provisions of Sections 4 and 6 hereof shall continue until (and shall terminate) immediately prior to the consummation of the first firm commitment underwritten public offering of equity securities of the Company pursuant to a registration statement on Form S-1 (or its then equivalent) under the Securities Act of 1933, as amended.

4. Except as amended hereby, the Stock Restriction Agreement remains in full force and effect.

IN WITNESS WHEREOF, this Agreement has been executed as of the date and year first above written.

COMPANY:

SEACHANGE INTERNATIONAL, INC.

By: _____

STOCKHOLDER:

By: _____
[Name]

EXHIBIT 10.2

SEACHANGE INTERNATIONAL, INC.

1996 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

1. Purpose. This Non-Qualified Stock Option Plan, to be known as the 1996 Non-Employee Director Stock Option Plan (hereinafter, the "Plan"), is intended to promote the interests of SeaChange International, Inc. (hereinafter, the "Company") by providing an inducement to obtain and retain the services of qualified persons who are not employees or officers of the Company to serve as members of its Board of Directors (the "Board").

2. Available Shares. The total number of shares of Common Stock, par value $.01 per share, of the Company (the "Common Stock") for which options may be granted under this Plan shall not exceed 20,000 shares, subject to adjustment in accordance with paragraph 11 of this Plan; provided, however, that notwithstanding anything to the contrary set forth herein, options to purchase shares of Common Stock shall not be granted under this Plan unless and until this Plan has been approved by a majority of the stockholders of the Company which approval shall be no later than June 27, 1997. Shares subject to this Plan are authorized but unissued shares or shares that were once issued and subsequently reacquired by the Company. If any options granted under this Plan are surrendered before exercise or lapse without exercise, in whole or in part, the shares reserved therefor shall continue to be available under this Plan.

3. Administration. This Plan shall be administered by the Board or by a committee appointed by the Board (the "Committee"). In the event the Board fails to appoint or refrains from appointing a Committee, the Board shall have all power and authority to administer this Plan. In such event, the word "Committee" wherever used herein shall be deemed to mean the Board. The Committee shall, subject to the provisions of the Plan, have the power to construe this Plan, to determine all questions hereunder, and to adopt and amend such rules and regulations for the administration of this Plan as it may deem desirable. No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to this Plan or any option granted under it.

4. Eligibility and Limitations. Options to purchase shares of Common Stock may be granted under this Plan only to members of the Board who are not employees or officers of the Company.

5. Automatic Grant of Options. Subject to the availability of shares under this Plan, (a) each person who is or becomes a member of the Board and who satisfies the requirements of paragraph 4 of this Plan (a "Non-Employee Director") shall be automatically granted, on the later of (i) the date of approval of the Plan by the

stockholders of the Company, (ii) the date such person is first elected to the Board, or (iii) or the date such person first meets the requirements of paragraph 4 of this Plan (such later date being referred to herein as the "Grant Date"), without further action by the Board, an option to purchase 2,250 shares of the Common Stock, and (b) each person receiving an option pursuant to clause (a) hereof who is a Non-Employee Director on each successive third anniversary of such person's Grant Date during the term of this Plan shall be automatically granted on each such date an option to purchase 2,250 shares of the Common Stock. The number of shares covered by options granted under this paragraph 5 shall be subject to adjustment in accordance with the provisions of paragraph 11 of this Plan.

6. Option Price. The purchase price of the stock covered by an option granted pursuant to this Plan shall be 100% of the fair market value of such shares on the day the option is granted. The option price will be subject to adjustment in accordance with the provisions of paragraph 11 of this Plan. For purposes of this Plan, if, at the time an option is granted under the Plan, the Company's Common Stock is publicly traded, "fair market value" shall be determined as of the last business day for which the prices or quotes discussed in this sentence are available prior to the date such option is granted and shall mean (i) the average (on that date) of the high and low prices of the Common Stock on the principal national securities exchange on which the Common Stock is traded, if the Common Stock is then traded on a national securities

exchange; or (ii) the last reported sale price (on that date) of the Common Stock on the Nasdaq National Market, if the Common Stock is not then traded on a national securities exchange; or (iii) the closing bid price (or average of bid prices) last quoted (on that date) by an established quotation service for over-the-counter securities, if the Common Stock is not reported on the Nasdaq National Market. However, if the Common Stock is not publicly traded at the time an option is granted under the Plan, "fair market value" shall be deemed to be the fair value of the Common Stock as determined by the Committee after taking into consideration all factors which it deems appropriate, including, without limitation, recent sale and offer prices of the Common Stock in private transactions negotiated at arm's length.

7. Period of Option. Unless sooner terminated in accordance with the provisions of paragraph 9 of this Plan, an option granted hereunder shall expire on the date which is ten (10) years after the date of grant of the option.

8. (a) Vesting of Shares and Non-Transferability of Options. Options granted under this Plan shall not be exercisable until they become vested. Options granted under this Plan shall vest in the optionee and thus become exercisable, in accordance with the following schedule, provided that the optionee has continuously served as a member of the Board through such vesting date:

Date of Vesting	Number of Option Shares for which Options will be Exercisable (cumulative)
Immediately upon date of grant	750 shares
At the end of each quarter thereafter, for seven quarters	An additional 188 shares
At the end of the eighth quarter	An additional 184 shares

The number of shares as to which options may be exercised shall be cumulative, so that once the option shall become exercisable as to any shares it shall continue to be exercisable as to said shares, until expiration or termination of the option as provided in this Plan. Notwithstanding the foregoing, each option granted under this Plan that is outstanding, but unvested, shall become fully exercisable in the event of any Change in Control of the Company, as set forth below. For purposes of this Plan, a "Change in Control" means the occurrence of any of the following events:

(A) The Company is merged or consolidated or reorganized into or with another corporation or other legal person, and as a result of such merger, consolidation or reorganization less than a majority of the combined voting power of the then-outstanding securities of such surviving, resulting or reorganized corporation or person immediately after such transaction is held in the aggregate by the holders of the then-outstanding securities entitled to vote generally in the election of directors of the Company ("Voting Stock") immediately prior to such transaction;

(B) The Company sells or otherwise transfers all or substantially all of its assets to any other corporation or other legal person, and as a result of such sale or transfer less than a majority of the combined voting power of the then-outstanding securities of such corporation or person immediately after such sale or transfer is held in the aggregate by the holders of Voting Stock of the Company immediately prior to such sale or transfer;

(C) There is a report filed on Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report), each as promulgated pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), disclosing that any "person" (as such term is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) has become the "beneficial owner" (as such term is used in Rule 13d-3 under the Exchange Act) of securities representing 35% or more of the Voting Stock of the Company;

(D) The Company files a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) that a change in control of the Company has occurred; or

(E) If during any period of two consecutive years, individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's stockholders, of each director of the Company first elected during such period was approved by a vote of at least a majority of the directors then still in office who were directors of

the Company at the beginning of any such period;

provided, however, that a "Change in Control" shall not be deemed to have occurred for purposes of this Plan solely because (i) the Company, (ii) an entity in which the Company directly or indirectly beneficially owns 50% or more of the voting securities, or (iii) any Company-sponsored employee stock ownership plan or any other employee benefit plan of the Company, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K or Schedule 14A (or any successor schedule, form or report) under the Exchange Act, disclosing beneficial ownership by it of shares of Voting Stock or because the Company reports that a change in control of the Company has occurred by reason of such beneficial ownership.

(b) Non-transferability. Any option granted pursuant to this Plan shall not be assignable or transferable other than by will or the laws of descent and distribution or pursuant to a domestic relations order and shall be exercisable during the optionee's lifetime only by him or her.

9. Termination of Option Rights.

(a) In the event an optionee ceases to be a member of the Board for any reason other than death or permanent disability, any then unexercised portion of options granted to such optionee shall, to the extent not then vested, immediately terminate and become void. Any portion of an option which is vested, but has not been exercised at the time the optionee so ceases to be a member of the Board, may be exercised by the optionee within 90 days of the date the optionee ceased to be a member of the Board; and all options shall terminate after such 90 days have expired.

(b) In the event that an optionee ceases to be a member of the Board by reason of his or her death or permanent disability, any option granted to such optionee shall be immediately and automatically accelerated and become fully vested and all unexercised options shall be exercisable by the optionee (or by the optionee's personal representative, heir or legatee, in the event of death) until the scheduled expiration date of the option.

10. Exercise of Option. Subject to the terms and conditions of this Plan and the option agreements, an option granted hereunder shall, to the extent then exercisable, be exercisable in whole or in part by giving written notice to the Company by mail or in person addressed to SeaChange Corporation at its principal executive offices, stating the number of shares with respect to which the option is being exercised, accompanied by payment in full for such shares. Payment may be (a) in United States dollars in cash or by check, (b) in whole or in part in shares of the Common Stock of the Company already owned by the person or persons exercising the option or shares subject to the option being exercised (subject to such restrictions and guidelines as the Board may adopt from time to time), valued at fair market value determined in accordance with the provisions of paragraph 6 or (c) consistent with applicable law, through the delivery of an assignment to the Company of a sufficient amount of the proceeds from the sale of the Common Stock acquired upon exercise of the option and an authorization to the broker or selling agent to pay that amount to the Company, which sale shall be at the participant's direction at the time of exercise. There shall be no such exercise at any one time as to fewer than one hundred (100) shares or all of the remaining shares then purchasable by the person or persons exercising the option, if fewer than one hundred (100) shares. The Company's transfer agent shall, on behalf of the Company, prepare a certificate or certificates representing such shares acquired pursuant to exercise of the option, shall register the optionee (or the optionee's personal representative, heir, or legatee if this option is being exercised pursuant to Section 9(b) hereof) as the owner of such shares on the books of the Company, and shall cause the fully executed certificate(s) representing such shares to be delivered to the optionee (or the optionee's personal representative, heir, or legatee if this option is being exercised pursuant to Section 9(b) hereof) as soon as practicable after payment of the option price in full. The holder of an option shall not have any rights of a stockholder with respect to the shares covered by the option, except to the extent that one or more certificates for such shares shall be delivered to him or her upon the due exercise of the option. In the event this option shall be exercised, pursuant to Section 9(b) hereof, by any person or persons other than the optionee, such notice shall be accompanied by appropriate proof of the right of such person or persons to exercise this option.

11. Adjustments Upon Changes in Capitalization and Other Events. Upon the occurrence of any of the following events, an optionee's rights with respect to options granted to him or her hereunder shall be adjusted as hereinafter provided:

(a) Stock Dividends and Stock Splits. If the shares of Common Stock

shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, the number of shares of Common Stock deliverable upon the exercise of options shall be appropriately increased or decreased proportionately, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination, or stock dividend.

(b) Issuances of Securities. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible

into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to options. No adjustments shall be made for dividends paid in cash or in property other than securities of the Company.

(c) Adjustments. Upon the happening of any of the foregoing events, the class and aggregate number of shares set forth in paragraphs 2 and 5 of this Plan that are subject to options which previously have been or subsequently may be granted under this Plan shall also be appropriately adjusted to reflect such events. The Board shall determine the specific adjustments to be made under this paragraph 11 and its determination shall be conclusive.

12. Restrictions on Issuance of Shares. Notwithstanding the provisions of paragraphs 5 and 10 of this Plan, the Company shall have no obligation to deliver any certificate or certificates upon exercise of an option until one of the following conditions shall be satisfied:

(i) The issuance of shares with respect to which the option has been exercised is at the time of the issue of such shares effectively registered under applicable Federal and state securities laws as now in force or hereafter amended; or

(ii) Counsel for the Company shall have given an opinion that the issuance of such shares is exempt from registration under Federal and state securities laws as now in force or hereafter amended; and the Company has complied with all applicable laws and regulations with respect thereto, including without limitation all regulations required by any stock exchange upon which the Company's outstanding Common Stock is then listed.

13. Legend on Certificates. The certificates representing shares issued pursuant to the exercise of an option granted hereunder shall carry such appropriate legend, and such written instructions shall be given to the Company's transfer agent, as may be deemed necessary or advisable by counsel to the Company in order to comply with the requirements of the Securities Act of 1933 or any state securities laws.

14. Representation of Optionee. If requested by the Company, the optionee shall deliver to the Company written representations and warranties upon exercise of the option that are necessary to show compliance with Federal and state securities laws, including representations and warranties to the effect that a purchase of shares under the option is made for investment and not with a view to their distribution (as that term is used in the Securities Act of 1933).

15. Option Agreement. Each option granted under the provisions of this Plan shall be evidenced by an option agreement, which agreement shall be duly executed and delivered on behalf of the Company and by the optionee to whom such option is granted.

The option agreement shall contain such terms, provisions, and conditions not inconsistent with this Plan as may be determined by the officer executing it.

16. Termination and Amendment of Plan. Options may no longer be granted under this Plan after June 27, 2006, and this Plan shall terminate when all options granted or to be granted hereunder are no longer outstanding. The Board may at any time terminate this Plan or make such modification or amendment thereof as it deems advisable; provided, however, that the Board may not, without approval of the stockholders, (a) increase the maximum number of shares for which options may be granted under this Plan (except by adjustment pursuant to Section 11), (b) materially modify the requirements as to eligibility to participate in this Plan, (c) materially increase benefits accruing to option

holders under this Plan or (d) amend this Plan in any manner which would cause Rule 16b-3 under the Exchange Act (or any successor or amended provision thereof) to become inapplicable to this Plan; and provided further that the provisions of this Plan specified in Rule 16b-3(c)(2)(ii)(A) (or any successor or amended provision thereof) under the Exchange Act (including without limitation, provisions as to eligibility, amount, price and timing of awards) may not be amended more than once every six months, other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act, or the rules thereunder. Termination or any modification or amendment of this Plan shall not, without consent of a participant, affect his or her rights under an option previously granted to him or her.

17. Withholding of Income Taxes. Upon the exercise of an option, the Company, in accordance with Section 3402(a) of the Internal Revenue Code, may require the optionee to pay withholding taxes in respect of amounts considered to be compensation includible in the optionee's gross income.

18. Governing Law. The validity and construction of this Plan and the instruments evidencing options shall be governed by the laws of the State of Delaware, without giving effect to the principles of conflicts of law thereof.

Date approved by Board of Directors of the Company: June 28, 1996

Date approved by Stockholders of the Company: June 28, 1996

EXHIBIT 10.3

LEASE AGREEMENT

LEASE dated as of the 10th day of March, 1995, between Thomas B. O'Brien, Trustee of Jelric Realty Trust u/d/t dated 9/18/68 and recorded with Middlesex South Registry District of the Land Court (hereinafter referred to as "Landlord"), and SeaChange Technology, Inc., Damonmill Square, 9 Pond Land, Concord, MA 01742 (hereinafter referred to as "Tenant").

1. PREMISES (A) In consideration of the rents, agreements and conditions herein reserved and contained on the part of Tenant to be paid, performed and observed, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, for the term herein set forth, certain premises at 12 Craig Road, Acton, Massachusetts 01720 formerly occupied by Infralan Technologies, Inc. containing approximately 4,800 square feet of floor area and having dimensions approximately as shown upon Exhibit B (herein referred to as the "the Demised Premises"), situated in the Williamsburg Industrial Park (herein referred to as "the Industrial Park").

The Demised Premises are situated upon a certain parcel of land known as Lot #13A. Said parcel of land is more particularly described upon Exhibit A attached hereto and made a part hereof and is herein referred to as "the Entire Parcel." The Demised Premises are situated within, and are a part of, a certain building shown upon Exhibit B (hereinafter referred to as "the Building") and said Demised Premises are shown outlined by a bold red line upon said Exhibit B. For purposes of this Lease, dimensions are measured from the outside of exterior walls and the center of interior walls. It is understood and agreed that Exhibit B is intended only to show the approximate size and location of the Demised Premises, the Building and the Entire Parcel and for no other purpose.

(B) The Demised Premises are demised with the benefit of, and subject to, the non-exclusive rights of Landlord, Tenant and other tenants of the Building and the Industrial Park, and all persons having business with any of them, to use, in common, the parking areas, traffic lanes and walkways upon the Entire Parcel, for the purposes of parking and access, on foot and by vehicles not exceeding the weight for which the same were constructed, and for no other purpose, except for any exclusive areas Landlord shall reserve for the parking of trucks specifically designated by Landlord. Landlord reserves the right, from time to time, to change the size and configuration of said parking areas, traffic lanes and walkways, and to temporarily close all or any part thereof to prevent a dedication thereof or to prevent the accrual of any rights of any person or the public therein.

2. TERM. The term of this Lease shall be the period of two years, commencing on March 13, 1995 (herein referred to as "the Commencement Date"), and expiring March 12, 1997.

3. MINIMUM RENT Tenant shall pay Landlord rent at the rate of $36,621.24 per year, in equal monthly installments of $3,051.77 which minimum rent shall be paid monthly, in advance, on the first day of each and every calendar month during the term of this Lease. Rent for any fraction of a month at the commencement or expiration of the term of this Lease shall be prorated. All payments of rent (minimum and additional) shall be made payable to landlord and shall be sent to Landlord to the address hereinafter provided for the giving of notice to Landlord or to such other person or address as Landlord shall from time to time designate by notice to Tenant.

4. REAL ESTATE TAXES (A) Tenant shall pay, as additional rent, 1/7 of the real estate taxes upon the Building, land and improvement for each tax year during the term hereof in excess of $18,094.54 per year and a pro rata portion thereof for each tax year, in which the term hereof commences and terminates. Tenant shall pay the amount of such excess to Landlord, on account, in equal monthly installments of one-twelfth (1/12th) the amount thereof estimated by Landlord to be payable by Tenant on the basis of the immediately preceding tax year, payable monthly, in advance, on the first day of each and every calendar month during the term of this Lease and a pro rata portion thereof for any fraction of a month at the commencement or termination of the term. After the

close of each tax year, Landlord shall submit to Tenant a computation of the amount actually payable by Tenant under this Section (A) for such year, and if the amount paid by Tenant for such year on account as aforesaid shall be less than the amount actually payable therefore as computed by Landlord, then Tenant shall pay the amount of the deficiency, if any, to Landlord within ten (10) days after receipt of such computation and if the amount paid by Tenant for such year as aforesaid shall exceed the amount actually payable therefore as computed by Landlord, then Tenant may recoup the amount of the excess by withholding such amount from the next succeeding monthly payments due from Tenant under this Section (A) until thereby repaid in full.

(B) Tenant shall pay all taxes allocable to its leasehold interest, to its signs and other property in or upon the Demised Premises, and to the rentals payable under this Lease. Tenant shall also pay all taxes allocable to any improvements made by Tenant to the Demised Premises. The expression "real estate taxes" shall include betterment assessments and all taxes and assessments levied, assessed or imposed as a substitute therefore, or in lieu of, the whole or any part of the real estate taxes upon the Entire Parcel.

5. ADVANCE RENT (A) Landlord acknowledges that it has received from Tenant the sum of $3,051.77 as payment of the monthly installments of the minimum rent for the first full month of the term of this Lease.

(B) Landlord acknowledges that it has received from Tenant the sum of $3,051.77 as security for the payment of rents and the performance and observance of the agreements and conditions in this Lease contained on the part of Tenant to be performed and observed. In the event of any default or defaults in such payment, performance or observance, Landlord may, at its option and without prejudice to any other remedy which Landlord may have as a result thereof, apply said sum or any part thereof towards the curing of any such default or defaults and/or towards compensating Landlord for any loss or damage arising from any such default or defaults. Upon the yielding up of the Demised Premises at the expiration or other termination of the term of this lease, if Tenant shall not then be in default or otherwise liable to Landlord, said sum or the unapplied balance thereof shall be returned to Tenant. It is understood and agreed that Landlord shall always have the right to apply said sum, or any part thereof, as aforesaid in the event of any such default or defaults, without prejudice to any other remedy or remedies which Landlord may have, or Landlord may pursue any other such remedy or remedies in lieu of applying said sum or any part thereof. No interest shall be payable on said sum or any part thereof. If Landlord shall apply said sum or any part thereof as aforesaid, Tenant shall, upon demand, pay to Landlord the amount so applied by landlord, to restore the security to its original amount. Said sum shall not be mortgaged, assigned or encumbered by Tenant without the prior consent of Landlord. Whenever the holder of Landlord's interest in this Lease, whether it be the Landlord named in this Lease or any transferee of said Landlord, immediate or remote, shall transfer its interest in this Lease, said holder may pay to its transferee said sum or the unapplied balance thereof, and thereafter such holder shall be released from any and all liability to Tenant with respect to said sum or its application or return, it being understood and agreed that Tenant shall thereafter look only to such transferee with respect to said sum, its application and return.

6. PHYSICAL CONDITION On or before the Commencement date, Landlord shall deliver possession of the Demised Premises to Tenant in whatever "as is" condition the Demised Premises may then be in, except as stated in Paragraph 33 of this Lease. Tenant acknowledges that the Demised Premises, Building and Entire Parcel, and all improvements thereon, have been inspected by Tenant, and are in condition acceptable to Tenant and suitable for the purposes and uses intended by Tenant and Landlord has

made no representations or warranties whatsoever regarding the condition thereof.

7. UTILITIES (A) Tenant shall pay all charges for heat, air conditioning, gas, sewer, electricity and other utilities used by the Demised Premises. Tenant shall pay 1/7 of the cost of all water consumed in the Building and the Entire Parcel.

(B) Tenant shall, from time to time, reimburse Landlord 1/7 of the cost of servicing, maintaining, testing, operating, repairing and replacing the sanitary septic sewerage system serving the Demised Premises and the Building, within ten (10) days after Landlord shall give Tenant notice of such cost thereof in each case.

8. REPAIRS

(A) Landlord shall during the term of this Lease make all necessary repairs or alterations to the property which Landlord is required to maintain, as hereinafter set forth. The property which Landlord is required to maintain is the foundation, roof, exterior walls, structural columns and structural beams of the Demised Premises and the landscaped and parking areas upon the Entire Parcel. Notwithstanding the foregoing, if any of said repairs or alterations shall be made necessary by reason of repairs, installations, alterations, additions or improvements made by Tenant or anyone claiming under Tenant, by reason of the fault or negligence of Tenant or anyone claiming under Tenant, by reason of a default in the performance or observance of any agreements, conditions or other provisions on the part of Tenant to be performed or observed hereunder, by reason or any vehicles damaging the Demised Premises or by reason of any special use to which the Demised Premises may be put, Tenant shall make all such repairs or alterations as may be necessary, except as otherwise required under Article 13(a). Landlord shall not be deemed to have committed a breach of any obligation to make repairs or alterations or perform any other act unless (1) Landlord shall have made such repairs or alterations or performed such other act negligently, or (2) Landlord shall have received notice from Tenant describing the particular repairs or alterations needed or the other act of which there has been failure of performance and shall have failed to make such repairs or alterations or performed such other act within a reasonable time after the receipt of such notice; and, in the event of a breach referred to in Clause (2) of this sentence, Landlord's liability shall be limited to the cost of making such repairs or alterations or performing such other act. As used in this Lease, the expressions "exterior walls" and "roof" do not include rooftop heating and/or air conditioning units serving the Demised Premises exclusively or glass, windows, doors, window sashes or frames, door frames or sign belt.

(B) Tenant shall during the term of this lease make all repairs and alterations to the property which Tenant is required to maintain, as hereinafter set forth, which may be necessary to maintain the same in good order, repair and condition, or which may be required by any laws, ordinances, regulations or requirements of any public authorities having jurisdiction subject only to the provisions of Articles 13 and 14; and Tenant shall upon the expiration of other termination of the term of this lease remove its property and that of all persons claiming under it and shall yield up peaceably to Landlord the Demised Premises and all property therein other than property of Tenant or persons claiming under Tenant, broom clean, and in good order, repair and condition, and subject only to the provisions of Articles 13 and 14, and shall then surrender all keys for the Demised Premises and shall inform Landlord of all combinations on locks and safes. The property which Tenant is required to maintain is the Demised Premises and every part thereof, including, without limitation, (I) the floor slab, XXXXXXXX , and
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all walls, floors and ceilings, (II) the heating, ventilating, air conditioning system and all utilities (water, gas, electricity and sewerage) conduits, fixtures, meters and equipment to the extent the same serve the Demised Premises (whether located inside or outside the Building), (III) all glass, windows, doors, window sashes and frames and door frames, and (IV) the roof drainage system. Tenant shall at all times keep in full force and effect a full (all labor and materials included) service and maintenance contract, approved by Landlord, for the heating, ventilating, air conditioning system of the Demised Premises. Landlord may, at its option, reserve the right to be the contractor providing the above services and maintenance contracts and charge the tenant for such cost at rates similar to those prevailing in the industry. Notwithstanding the foregoing, Tenant shall not be under any obligation to make repairs or alterations to the foundation, roof, exterior walls, structural columns or structural beams of the Building, except to the extent provided in Section (A) of this Article. Tenant specifically agrees to replace all glass damaged with glass of the same kind and quality. Tenant also shall pain varnish and otherwise

redecorate the Demised Premises when required to keep the Demised Premises attractive in appearance. So-called patch-paint jobs by Tenant shall be unacceptable.

9. OUTDOOR AREAS

(A) Tenant shall, within ten (10) days after delivery to Tenant of invoices in each case, reimburse Landlord for 1/7 of the cost to Landlord of owning and maintaining the landscaped and parking areas of the Entire Parcel and the sidewalks, and traffic lanes thereof, including, without limitation, insuring, mowing, raking, fertilizing, pruning, trimming, barking, other various exterior clean up and repairs, replacement of light bulbs and photo cells, restriping of parking space, cleaning catch basins

and drainpipes, testing groundwater and septic effluent, operating and maintaining lawn sprinklers, removing snow, ice and refuse from the parking areas, traffic lanes and sidewalks of the Entire Parcel and the roof of the Building, and, in addition thereto, a management fee for the foregoing equal to ten percent (10%) of the cost to Landlord of the foregoing. Tenant shall immediately remove all snow, ice and refuse from the sidewalks abutting the Demised Premises, and nothing herein shall require Landlord to do any hand-shovelling or hand-sweeping or to use a so-called snowblower.

(B) Tenant shall allow any exterior lights upon the Demised Premises to remain in operation as determined by the photo cells or timers attached thereto by Landlord.

(C) Tenant shall not make any use, nor permit its employees or contractors to make any use, of the outdoor areas of the Entire Parcel or of the streets and driveways abutting the Demised Premises which shall damage such streets or driveways, including, without limitation, the overloading thereof.

10.ALTERATIONS

(A) Tenant agrees that neither Tenant nor anyone claiming under Tenant shall make any installations, alterations, additions or improvements to or upon the Demised Premises, except only the installation of fixtures necessary for the conduct of its business, without the prior written consent of Landlord and except for non-structural alterations to the interior of the Building costing, in the aggregate, One Thousand Dollars ($1,000) or less. Notwithstanding any alteration to which Landlord may hereafter, in its sole discretion, consent, Tenant shall restore the Demised Premises to the same condition as the Demised Premises were in upon commencement of the term unless otherwise requested in writing by Landlord. Tenant shall not bring any additional electrical service into the Demised Premises unless it is brought in underground over a route first approved by Landlord and unless Tenant restores the surface of the ground and other disturbed areas to the reasonably same condition that existed prior to the installation thereof. All installations, alterations, additions and improvements made to or upon the Demised Premises, whether made by Landlord or Tenant or any other person(except only signs and movable trade fixtures installed in the Demised Premises prior to or during the term of this Lease at the sole cost of Tenant or any person claiming under Tenant) shall be deemed part of the Demised Premises and upon the expiration or other termination of the term of this Lease shall be at the Landlord's sole discretion either fully restored in accordance with the above provisions of this paragraph or surrendered with the Demised Premises as a part thereof without disturbance, molestation or injury. Movable trade fixtures shall include trade fixtures and other installations not affixed to the realty and trade

fixtures and other installations affixed only by nails, bolts or screws with the prior permission of Landlord.

(B) Tenant shall procure all necessary permits before making any repairs, installations, alterations, additions, improvements or removals. Landlord shall cooperate with Tenant in obtaining such permits. Tenant agrees that all repairs, installations, alterations, additions, improvements and removals done by Tenant or anyone claiming under Tenant shall be done in a good and workmanlike manner, that the same shall be done in conformity with all laws, ordinances and regulations of all public authorities and all insurance inspection or rating bureaus having jurisdiction, that the structure of the Demised Premises shall not be endangered or impaired thereby, and that Tenant shall repair any and all damage caused by or resulting from any such

repairs, installations, alterations, additions, improvements or removals, including, without limitation, the filling of holes. Tenant shall pay promptly when due all charges for labor and materials in connection with any work done by Tenant or anyone claiming under Tenant to or upon the Demised Premises so that the Demised Premises shall at all times be free of liens. Tenant shall save Landlord harmless from, and indemnify Landlord against, any and all claims for injury, loss or damage to persons or property caused by or resulting from the doing of any such repairs, installations, alterations, additions, improvements and removals.

If any mechanic's lien or other liens, charges or orders shall be filed against the whole or any part of the Demised Premises as the result of the acts or omissions of Tenant or anyone claiming under Tenant or any claim against Tenant, Tenant shall cause the same to be cancelled and discharged of record, or fully bonded by a bonding company satisfactory to Landlord, within ten (10) days after notice of filing thereof.

11.USE Tenant agrees that during the term of this Lease, the Demised Premises shall be used and occupied only for office, light manufacturing and for parking incidental thereto, and for no other purposes, without the prior written consent of Landlord. Tenant agrees that during the term of this Lease and, notwithstanding anything in the immediately preceding sentence contained to the contrary: no use may be made of the Demised Premises which may reasonably be expected to attract parking, loading or unleading in excess of the facilities constructed therefore upon the Entire Parcel; neither tenant nor any person claiming under Tenant shall impede ingress or egress to, or use of, the loading areas of the Entire Parcel; no nuisance or waste shall be permitted in, upon or about the Demised Premises; no use or business shall be

permitted or conducted in, upon or about the Demised Premises which shall be unlawful, improper, noisy or offensive, or contrary to any law, ordinance, regulation or requirement of any public authority or insurance inspection or rating bureau or similar organization having jurisdiction; the Demised Premises including, without limitation, any of the mechanical systems thereof, shall not be overloaded, damaged or defaced; Tenant shall not drill or make any holes in the stone or brickwork or any of the walls or ceilings of the Demised Premises; the utilities conduits in the Demised Premises shall not be overloaded or used for any purposes other than the purposes for which originally constructed; no foreign objects shall be deposited in the plumbing facilities of the Demised Premises; no ladders shall be placed against the flashing upon the perimeter of the Building; Tenant shall not permit the emission of any objectionable noise, smoke, fumes, dust or odor from the Demised Premises; Tenant shall procure all licenses and permits which may be required for any use made of the Demised Premises; all waste and refuse shall be stored in and removed from the Demised Premises in accordance with rules and regulations therefore as may be prescribed by Landlord; and no sign may be installed upon the Demised Premises which is visible from the exterior of the Building, without the consent of Landlord, except that one sign shall be erected upon the exterior of the Demised Premises which will be the type utilizing individual letters such as those used by O'Brien & Company in the same building having letters not to exceed one foot in height and if Tenant includes an insignia in such sign, such insignia shall be separate and not over two feet in height and width at the highest and widest points.

12.INDEMNITY AND INSURANCE (A) During the term of this Lease, and at any other time while Tenant or any person claiming under Tenant shall be upon the Entire Parcel, Tenant shall, to the extent permitted by law, save Landlord harmless from, and defend and indemnify Landlord against any and all injury, loss or damage, and any and all claims for injury, loss or damage, of whatever nature (i) caused by or resulting from, or claimed to have been caused by or to have resulted from, any act, omission or negligence of Tenant or any person claiming under Tenant (including, without limitation, subtenants of Tenant and employees and contractors of Tenant and its subtenants) no matter where occurring, and (ii) occurring in, upon or about the Demised Premises or in connection with the use, occupancy or control thereof, no matter how caused. This indemnity and hold harmless agreement shall include indemnity against all costs, expenses and liabilities incurred in connection with any and such injury, loss or damage or any such claim, or any proceeding brought thereon or the defense thereof.

If Tenant or any person claiming under Tenant or the whole or any part of the property of

Tenant or any person claiming under Tenant shall be injured, lost or damaged by theft, fire, water, or steam or in any other way or manner, whether similar or dissimilar to the foregoing, then, to the extent permitted by law, no part of said injury, loss or damage shall be borne by Landlord, employees or its agents.

(B) Tenant shall maintain general comprehensive public liability insurance, with respect to the Demised Premises and its appurtenances, issued by an insurance company approved by Landlord, naming Landlord and Tenant and any designees of Landlord as insureds, in amounts of not less than One Million Dollars ($1,000,000) with respect to injuries to any one person and not less than Three Million Dollars ($3,000,000) with respect to injuries suffered in any one accident and not less than One Hundred Thousand Dollars ($100,000) with respect to property, or such greater amounts as shall be required by the holder of any mortgage upon the Demised Premises or premises of which the Demised Premises are a part. Tenant shall deliver to Landlord the policies of such insurance, or certificates thereof, at least fifteen (15) days prior to the commencement of the term of this Lease, and each renewal policy or certificate thereof in form acceptable to Landlord, at least fifteen (15) days prior to the expiration of the policy it renews. All such insurance policies shall provide that such policies shall not be cancelled or changed without at least fifteen (15) days notice to Landlord.

13. FIRE AND OTHER CASUALTY

(A) If the Demised Premises shall be damages or destroyed by fire or other casualty, then Tenant shall give notice thereof to Landlord, and except as hereinafter otherwise provided, Landlord shall, within a reasonable time thereafter, repair or restore the Demised Premises to substantially the same condition the Demised Premises were in prior to such casualty. Notwithstanding the foregoing, Landlord shall not be obligated to spend for such repairs and restoration any amount in excess of such insurance proceeds, if any, as shall be paid to Landlord as the result of such damage or destruction, and subject to the prior rights thereof, if any, of any mortgagees. If the damage to the Demised Premises should be so extensive as to render the whole or any part thereof untenantable or unsuitable for use and occupancy by Tenant, a just proportion of the minimum rent, according to the nature and extent of the injury to the Demised Premises, shall be suspended or abated until the Demised Premises shall be repaired or restored as provided in the first sentence of this Section (A). It is agreed and understood that if during the term of this Lease either the Demised Premises or the Building shall be damaged or destroyed as aforesaid to the extent of twenty five percent

(25%) or more of their insurable value, Landlord, at its election, may terminate the term of this Lease by a notice to Tenant within thirty (30) days after such damaged or destruction. It is also agreed and understood that if during the last six (6) months of the term of this Lease the Demised Premises shall be damaged or destroyed as aforesaid to the extent of twenty five percent (25%) or more of their insurable value, Tenant at its election, may terminate the term of this Lease by a notice to Landlord within thirty (30) days after such damage or destruction. In the event of any termination of the term of this Lease pursuant to the provisions of this Article, the termination shall be effective on the fifteenth (15th) day after the giving of the notice of termination. A just proportion of the minimum rent, according to the nature and extent of the injury to the Demised Premises, shall be suspended or abated until the time of termination, and minimum rent shall be apportioned as of the time of termination. If Landlord is required or elects to repair or restore the Demised Premises as hereinabove provided, then Tenant shall resume its business therein. If Landlord shall not substantially complete repair and restoration of the Demised Premises to the extent required under this Section (A) on or before the one hundred eightieth (180th) day following the occurrence of such casualty ("the Deadline"), then the term of this Lease shall terminate upon the Deadline unless prior to the Deadline Tenant shall give notice to Landlord that Tenant then elects to continue the term of this Lease thereafter, and if Tenant shall so elect then this sentence shall thereafter be void and of no further force or effect.

(B) Landlord shall maintain such fire and casualty insurance with respect to the Demised Premises as shall from time to time be required by the holder of a first mortgage upon the Entire Parcel. The cost to Landlord of any insurance which Landlord shall maintain with respect to the Demised Premises, the Building and/or the Entire Parcel, including, without limitation, fire, so-called extended coverage, rent insurance, agreed amount, inflation guard, all risk and/or difference-in-conditions coverage, and general comprehensive public liability insurance, is herein referred to as "Landlord's insurance cost."

If Landlord's insurance cost for any calendar year shall exceed $3,054.00 Tenant shall pay 1/7 of such excess to Landlord upon demand as additional rent. For the calendar year during which the term of this Lease shall commence and terminate, Tenant shall pay a pro rata portion of such excess. The determination of Landlord's insurance agent with respect to the amount of any such excess shall be conclusive and finally determinative for purposes hereof. Nothing in this Section (B) shall be deemed to limit in any way the obligations of Tenant contained in this Lease with respect to the maintaining of any type of insurance whatsoever.

(C) Tenant shall not do, or suffer to be done, or keep, or suffer to be kept, or omit to do, anything in, upon or about the Demised Premises, the Building and/or the Entire Parcel which may prevent the obtaining of any insurance on, or with respect to the Demised Premises, the Building and/or the Entire Parcel or on any property therein, including, without limitation, fire, extended coverage, public liability insurance and any other insurance referred to in Section (A) hereof, or which may make void or voidable any such insurance or which may create any extra premiums for, or increase the rate of, any such insurance. If anything shall be done or kept or omitted to be done in, upon or about the Demised Premises which shall create any increased or extra premiums for, or increase the rate of, any such insurance, then, in addition to all other rights and remedies which Landlord may have as a result thereof, Tenant shall pay the increased cost of the same to Landlord upon demand. In determining whether extra or increased premiums are the result of Tenant's use of the Demised Premises a Schedule, issued by the organization making the rates applicable to the Demised Premises, or a certificate of Landlord's insurance agent, showing the components of such rates, shall be conclusive evidence of the items and charges which comprise the rate of any such insurance and any increase therein and extra charge therefore.

14. EMINENT DOMAIN

(A) If after the execution of this Lease and prior to the expiration of the term of this Lease the whole of the Demised Premises shall be taken under the power of eminent domain, or acquired for any public or quasi-public use by deed in lieu thereof, then the term of this Lease shall cease as of the time when Landlord shall be divested of its title in the Demised Premises, and minimum rent shall be apportioned and adjusted as of the time of termination.

(B) If only a part of the Entire Parcel shall be taken under the power of eminent domain, or acquired for any public or quasi-public use by deed in lieu thereof, and if as a result thereof the paved area of the Entire Parcel shall be reduced by more than twenty percent (20%) or the ground floor area of the Building shall be reduced by more than ten percent (10%), and the part remaining shall not be reasonably adequate for the operation of the business conducted in the Demised Premises prior to the taking, either Landlord or Tenant may, at its election, terminate the term of this Lease by giving the other notice of the exercise of its election within twenty (20) days after it shall receive notice of such taking, and the termination shall be effective as of the time that possession of the part so taken shall be required for public or quasi-public use, and minimum rent shall be apportioned and adjusted as of the time of termination. If only a part of the Demised Premises shall be taken under the power of eminent domain or so acquired and if the term of this Lease shall not be terminated

as aforesaid, then the term of this Lease shall continue in full force and effect and Landlord shall, within a reasonable time after possession is required for public use, repair and restore what may remain of the Entire Parcel and the Demised Premises subject to reduction in area as a result thereof and subject to then existing building and zoning codes, and a just proportion of

the minimum rent, according to the nature and extent of the injury to the Demised Premises, shall be suspended or abated until what may remain of the Demised Premises shall be put into such condition by Landlord, and thereafter a proportion of the minimum rent shall be abated for the balance of the term of this Lease, said proportion to be computed on the basis of the relationship which the ground floor area of the Demised Premises rendered unusable bears to the ground floor area of the Demised Premises immediately prior thereto. Notwithstanding the foregoing, Landlord shall not be obligated to make any such repairs and restoration under this Article which shall cost Landlord any amount in excess of such damages as shall be paid to Landlord as the result of such taking or deed and not required to be paid by Landlord to the holders of any mortgages upon the Entire Parcel.

(C) Landlord reserves to itself, and Tenant assigns to Landlord, all rights to damages accruing on account of any taking under the power of eminent domain or by reason of any such act of any public or quasi-public authority for which damages are payable. Tenant agrees to execute such instruments of assignment as may be reasonably required by Landlord in any proceeding for the recovery of such damages if requested by Landlord, and to pay over to Landlord any damages that may be recovered in said proceeding. It is agreed and understood, however, that Landlord does not reserve to itself, and Tenant does not assign to Landlord, any damages payable for movable trade fixtures installed by Tenant or any person claiming under Tenant at the sole cost of Tenant or any person claiming under Tenant.

15.DEFAULTS (A) All rent (minimum and additional) and other charges and amounts due and payable under this Lease from Tenant to Landlord shall be payable and paid without demand and without any deduction, defense, counterclaim or setoff whatsoever. If Landlord shall default under this Lease, Tenant's sole remedies shall be injunctive relief and/or damages, and Tenant shall not have the right to terminate this Lease or withhold any rent, charge or amount hereunder as a result thereof.

(B) (1) If Tenant shall default in the payment of any rent or other payments required of Tenant and such default shall continue for 5 days, or (2) if Tenant shall default in the performance or observance of any other agreement or condition on its part to be performed or observed and if Tenant shall fail to cure said default within 5 days after receipt of notice of

said default from Landlord, or (3) if any person shall levy upon, or take, this leasehold interest or any part thereof, upon execution, attachment or other process of law, or (4) if Tenant shall make an assignment of its property for the benefit of creditors, or (5) if Tenant shall be declared bankrupt or insolvent according to law, or (6) if any bankruptcy, insolvency, reorganization or arrangement proceedings shall be commenced by Tenant, or (7) if any bankruptcy, insolvency, reorganization or arrangement proceedings shall be commenced against tenant, or if a receiver, trustee or assignee shall be appointed for the whole or any part of Tenant's property, and shall not be dismissed within thirty (30) days thereafter, or (8) if Tenant shall vacate or abandon the Demised Premises, then, in any of said events, Landlord lawfully and immediately or at any time thereafter, and without any further notice or demand, enter into and upon the Demised Premises or any part thereof in the name of the whole, by force or otherwise, and hold the Demised Premises as if this Lease had not been made, and expel Tenant and those claiming under it and remove its or their property (forcibly, if necessary) without being taken or deemed to be guilty of any manner of trespass (or Landlord may send written notice to Tenant of the termination of the term of this Lease), and upon entry as aforesaid (or in the event that Landlord shall send to Tenant notice of termination as above provided, on the fifth (5th) day next following the date of the sending of such notice), the term of this Lease shall terminate.

(C) In case of any such termination, Tenant will indemnify Landlord each month against all loss of rent and all obligations which Landlord may incur by reason of any such termination between the time of termination and the expiration of the term of this Lease as originally provided in Article 2; or at the election of Landlord, exercised at the time of the termination or at any time thereafter, Tenant will indemnify Landlord each month until the exercise of the election against all loss of rent and all obligations which Landlord may incur by reason of such termination during the period between the time of the termination

and the exercise of the election, and upon the exercise of the election Tenant will pay to Landlord as damages such amount as at the time of the exercise of the election represents the amount by which the rental value of .the Demised Premises for the period from the exercise of the election until the expiration of the term as originally provided in Article 2 shall be less than the amount of rent and other payments provided herein to be paid by Tenant to Landlord during said period. It is understood and agreed that at the time of the termination or at any time thereafter, Landlord may rent the Demised Premises upon any terms and conditions as Landlord may in its sole discretion determine, and for a term which may expire after the expiration of the term of this Lease, without releasing Tenant from any liability whatsoever, that Tenant shall be liable for any expenses incurred

by landlord in connection with obtaining possession of the Demised Premises, with removing from the Demised Premises property of Tenant and persons claiming under it (including, without limitation, warehouse charges), with putting the Demised Premises into good condition for reletting, and with any reletting, including, without limitation, expenses for protecting, redecorating, repairing, subdividing and altering the Demised Premises and for reasonable attorneys' fees and brokers fees, and that any monies collected from any reletting shall be applied first to the foregoing expenses and then to the payment of rent and all other payments then due or which may thereafter become due from Tenant to Landlord.

16.ASSIGNMENT Tenant shall not assign, mortgage, pledge or otherwise encumber this Lease or any interest therein, or sublet the whole or any part of the Demised Premises, without obtaining on each occasion the written consent of Landlord. The foregoing prohibition against assignment and subletting shall be construed to prohibit an assignment or subletting by operation of law. The foregoing prohibition shall not prohibit the assignment of this Lease, or subletting of the Demised Premises, to a business organization affiliated with Tenant, but, notwithstanding such assignment, Tenant shall remain fully, primarily and unconditionally liable under this Lease and shall not thereby be released from the performance and observance of all the agreements and conditions on the part of Tenant to be performed or observed hereunder. No assignment under the immediately preceding sentence and no other assignment or other transfer of Tenant's interest in this Lease to which Landlord may hereafter consent shall be effective unless and until the assignee or transferee thereunder shall deliver to Landlord in recordable form a copy of the assignment or transfer thereto and the agreement of such assignee or transferee with Landlord to perform and observe all of the terms and conditions on the part of Tenant to be performed or observed under this Lease. A business organization shall be deemed to be affiliated with any corporation (a) if such business organization controls such corporation either directly by ownership or a majority of its voting stock or, if publicly held, of such minority thereof as to give it substantial control of such corporation, or indirectly by ownership of such majority of voting stock of another business corporation so controlling such corporation, or (b) if such business organization is so controlled by another business organization so controlling such corporation, or (c) if such business organization and such corporation are substantially controlled by the same stockholders or their families.

17.WAIVER OF SUBROGATION Each of Landlord and Tenant hereby releases the other, to the extent of its insurance coverage, from any and all liability for any loss or damage caused by fire or any of the extended coverage casualties or any

other casualty covered by its insurance, even if such fire or other casualty shall be brought about by the fault or negligence of the other party, or any persons claiming under it, however, this release shall be in force and effect only with respect to loss or damage occurring during such time as the releasor's policies of insurance covering such loss or damage shall contain a clause to the effect that this release shall not affect said policies or the right of the releasor to recover thereunder. Each of Landlord and Tenant agrees that its fire and other casualty insurance policies will include such a clause so long as the same is obtainable and is includible without extra cost, or if extra cost is chargeable, therefore, so long as the other part pays such extra cost. If extra cost is chargeable therefore, each

party will advise the other thereof and the amount thereof, and the other party, at its election, may pay the same but shall not be obligated to do so.

18.SUBORDINATION TO MORTGAGES Tenant agrees that upon the request of Landlord, Tenant shall subordinate this Lease and the lien hereof to the lien of any present or future mortgage or mortgages upon the Demised Premises or any property of which the Demised Premises are a part, irrespective of the time of execution or time of recording of any such mortgage or mortgages. Upon the request of Landlord, Tenant shall execute, acknowledge and deliver any and all instruments deemed by Landlord necessary or desirable to give effect to or notice of such subordination and shall agree, in substance, that, if the holder of any such mortgage or any person claiming thereunder, including, without limitation, a purchaser at foreclosure or by deed in lieu of foreclosure, shall succeed to the interest of Landlord in this Lease, Tenant shall recognize, and attorn to, such holder or other person as its Landlord under this Lease, and shall enter into such further agreements with such mortgagee as such mortgagee shall request. Tenant also agrees that if it shall fail at any time to execute, acknowledge or deliver any such instrument requested by Landlord, Landlord may, in addition to any other remedies available to it, execute, acknowledge and deliver such instrument as the attorney-in-fact of Tenant and in Tenant's name; and Tenant hereby makes, constitutes and .irrevocably appoints Landlord as its attorney -in-fact for that purpose. The word "mortgage" as used herein includes mortgages, deeds of trust and other similar instruments and modifications, consolidations, extensions, renewals, replacements and substitutes thereof.

19.ACCESS TO PREMISES Landlord shall have the right to enter upon the Demised Premises or any part thereof, without charge, at all reasonable times after notice and in case of emergency, at any time, to inspect the same, to show the Demised Premises to prospective purchasers, mortgagees or tenants, to make or facilitate any repairs, alterations, additions or improvements to the Demised Premises and/or the Building, including, without limitation, to install and maintain in, and remove from, any part of the Demised

Premises, pipes, wires and other conduits (but nothing in this Article 19 contained shall obligate Landlord to make any repairs, alterations, additions, or improvements); and Tenant shall not be entitled to any abatement or reduction of rent or damages by reason of any of the foregoing. For the period commencing nine (9) months prior to the expiration of the term of this Lease, Landlord may maintain "For Lease" signs on the front or any part of the exterior of the Demised Premises.

20.HOLDING OVER If Tenant or any person claiming under Tenant shall remain in possession of the Demised Premises or any part thereof after the expiration of the term of this Lease without any agreement in writing between Landlord and Tenant with respect thereto, prior to the acceptance of rent by Landlord the person remaining in possession shall be deemed a tenant-at-sufferance, and after acceptance of rent by Landlord, the person remaining in possession shall be deemed a tenant from calendar month to calendar month, subject to the provisions of this Lease insofar as the same way be made applicable to a tenancy from month to month; except that during such tenancy from month to month minimum rent shall be payable at a rate four times the rate in effect immediately prior to the expiration of the term.

21.WAIVERS Failure of either party to complain of any act or omission on the part of the other party, no matter how long the same may continue, shall not be deemed to be a waiver by either party of any rights hereunder. No waiver by either party at any time, express or implied, of any breach of any provision of this Lease shall be deemed a waiver of a breach of any other provision of this Lease or a consent to any subsequent breach of the same or any other provision. If any action by Tenant shall require Landlord's consent or approval, Landlord's consent to or approval of such action on any one occasion shall not be deemed a consent to or approval of said action on any subsequent occasion or a consent to or approval of any other action on the same or any subsequent occasion. No payment by Tenant or acceptance by Landlord of a lesser amount than shall be due from Tenant to Landlord shall be deemed to be anything but payment on account, and the acceptance by Landlord of a check for a lesser amount with an endorsement or statement thereon or upon a letter accompanying said check that said lesser amount is payment in

full shall not be deemed an accord and satisfaction, and Landlord may accept said check without prejudice to recover the balance due or pursue any other remedy. Any and all rights and remedies which Landlord may have under this Lease or by operation of law, either at law or in equity, upon any breach, shall be distinct, separate and cumulative and shall not be deemed inconsistent with each other; and no one of them, whether exercised by Landlord or not, shall be deemed to be in exclusion of any other; any two or more or all of such rights and remedies may be exercised at the same time.

22.RULES AND REGULATIONS Tenant shall observe and comply with, and will cause its subtenants, and its and their employees and agents, to observe and comply with reasonable rules and regulations from time to time promulgated by Landlord for the benefit and prosperity of the Industrial Park, if any, in which the Demised Premises are situated, including without limitation, the prohibition or restriction of any activities upon the outdoor areas of the Demised Premises other than parking, loading and unloading. However, neither Tenant nor any person claiming under it shall be bound by any such rules and regulations until such time as Tenant receives a copy thereof.

23.QUIET ENJOYMENT Landlord agrees that upon Tenant's paying the rent and performing and observing the agreements, conditions and other provisions on its part to be performed and observed, Tenant shall and may peaceably and quietly have, hold and enjoy the Demised Premises during the term of this Lease without any manner of hindrance or molestation from Landlord or any person claiming under Landlord, subject however, to the terms of this Lease and any instruments having a prior lien.

24.FAILURE OF PERFORMANCE If Tenant shall make any default or defaults under this Lease and shall fail to cure the same within five (5) days after Landlord gives Tenant notice thereof, then, Landlord may, at its election, immediately or at any time thereafter, without waiving any claim for breach of agreement, and without further notice to Tenant, cure such default or defaults for the account of Tenant, except that when reasonably deemed necessary by Landlord to prevent injury to person or property Landlord may cure such default without waiting five (5) days, but after notice to Tenant, and, in either case, the cost to Landlord thereof shall be deemed to be additional rent due upon demand and shall be added to the installment of rent next accruing or to any subsequent installment of rent, at the election of Landlord.

25.MISCELLANEOUS (A) The words "Landlord" and "Tenant" and the pronouns referring thereto, as used in the Lease, shall mean, where the context requires or admits, the persons named herein as Landlord and as Tenant, respectively, and their respective heirs, legal representatives, successors and assigns, irrespective of whether singular or plural, masculine, feminine or neuter. Except as hereinafter provided otherwise, the agreements and conditions in this Lease contained on the part of Landlord to be performed or observed shall be binding upon Landlord and its heirs, legal representatives, successors and assigns and shall enure to the benefit of

Tenant and its heirs, legal representatives, successors, and assigns; and the agreements and conditions on the part of Tenant to be performed or observed shall be binding upon Tenant and its heirs, legal representatives, successors and assigns and shall enure to the benefit of Landlord and its heirs, legal representatives, successors and assigns. Two persons shall be deemed affiliated if (i) one controls the other, either directly by ownership of a majority of its voting stock or of such minority thereof as to give it substantial control of the other, or indirectly by ownership of such a majority of the voting stock of a third company so controlling the other or (ii) if one is controlled by a third company (or by individuals) so controlling the other. The word "Landlord", as used herein, means only the owner for the time being of Landlord's interest in this Lease, that is, in the event of any transfer of Landlord's interest in this Lease the transferor shall cease to be liable and shall be released from all liability for the performance or observance of any agreements or conditions on the part of the Landlord to be performed or observed subsequent to the time of said transfer, it being understood and agreed that from and after said transfer the

transferee shall be liable for the performance and observance of said agreements and conditions. If Tenant shall consist of more than one person or if there shall be a guarantor of Tenant's obligations, then the liability of all such persons, including the guarantor, if any, shall be joint and several and the word "Tenant", as used in clauses (4), (5), (6), and (7) of section (B) of Article 15 of this Lease, shall be deemed to mean any one of such persons. No trustee, shareholder or beneficiary of any trust and no partner, venturer or participant in any joint venture or partnership and no individual, group of individuals, partnership, joint venture, trust, corporation or other entity (and no officer or director thereof) who or which hold Landlord's interest in this Lease shall be personally liable for any of the agreements, express or implied, hereunder, except that such agreement shall, as the case may be, be binding (i) upon the trustees of said trust as trustees, but not individually, and upon the trust estate, or (ii) upon an individual, group of individuals jointly and severally, joint venture, partnership, corporation or other entity only to the extent of his, its or their ownership interest in the Demised Premises, and subject to the prior rights of the holders of any mortgages upon the Demised Premises and/or the Entire Parcel and/or premises of which the Entire Parcel is a part.

(B) It is agreed that if any provisions of this Lease shall be determined to be void by any court of competent jurisdiction then such determination shall not affect any other provisions of this Lease, all of which other provisions shall remain in full force and effect; and it is the intention of the parties hereto that if any provision of this Lease is capable of two constructions, one of which would render the provision void and

the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

(C) This instrument contains the entire and only agreement between the parties, and no oral statements or representations or prior written matter not contained in this instrument shall have any force or effect. This Lease shall not be modified in any way except by a writing subscribed by both parties.

(D) At any time after the commencement of the term of this Lease and within five (5) days after receipt by Tenant of a written request from Landlord, Tenant shall acknowledge in writing to Landlord or any mortgagee or prospective mortgagee or other person designated by Landlord that all the construction required of Landlord has been completed, that Tenant has accepted possession of the Demised Premises, that Landlord is not in default under this Lease, if such be the case, or otherwise specifying each such default in detail, that Tenant has no right of set-off against rents for any reason and no defenses against the enforcement of any provision in this Lease contained, that no rentals have been paid in advance except for the then current month and for the security deposit so provided in Article 5, that this Lease is in full force and effect and has not been assigned or amended in any way and any other information reasonably requested.

(E) Whenever in this Lease provision is made for the doing of any act by any person it is understood and agreed that said act shall be done by such person at its own cost and expense unless a contrary intent is expressed.

(F) This Lease shall not be recorded, but a Notice of Lease describing the Demised Premises, the term hereof and referring hereto may be recorded by either party, and the other party shall execute, acknowledge and deliver such instrument upon request. If the precise calendar date on which the term of this Lease commences shall not be specified therein, then at the request of either party, the other party shall execute, acknowledge and deliver any instrument amending the foregoing instrument of record to give notice of the precise calendar date on which the term of this Lease commenced and shall terminate. All governmental charges attributable to the execution or recording to any of the foregoing shall be paid by the party requesting the same.

(G) This instrument shall be construed in accordance with the laws of the Commonwealth of Massachusetts.

26.DELAYS In any case where either party hereto is required to do any

act other than the payment of money, delays caused by or resulting from Act of God, war, civil commotion, fire or other casualty, labor difficulties, shortages of labor, material or equipment, government regulations or other causes beyond such party's reasonable control shall not be counted in determining the time during which such work shall be completed, whether such time be designated by a fixed time or "a reasonable time". In any case where work is to be paid for out of insurance proceeds or condemnation awards, due allowance shall be made, both to the party required to perform such work and to the party required to make such payment, for delays in the collection of such proceeds and awards.

27.NOTICES All notices and other communications authorized or required hereunder shall be in writing and shall be given by mailing the same by certified or registered mail, return receipt requested, postage prepaid. If given to Tenant, the same shall be mailed to Tenant at Damonmill Square, 9 Pond Lane, Concord, MA 01742 or to such other person or at such other address as Tenant may hereafter designate by notice to Landlord; and if given to Landlord the same be mailed to Landlord at O'Brien & Company 10 Craig Rd., Acton, MA 01720 or to such other person or at such other address as Landlord may hereafter designate by notice to Tenant.

28.CAPTIONS The captions used as headings for the various Articles of this Lease are used only as a matter of convenience for reference, and are not to be considered a part of this Lease or to be used in determining the intent of the parties of this Lease.

29.BROKERS COMMISSION Tenant hereby represents and warrants to Landlord that Tenant has dealt with no brokers in connection with this Lease other than Jim O'Neil ("the Broker"). Tenant shall save Landlord harmless from, and indemnify Landlord against, all loss or damage (including without limitation the cost of defending same) arising from any claim by any other brokers alleging they have dealt with Tenant.

30.31.32. Intentionally Omitted

33.ADDITIONAL WORK TO BE DONE Landlord agrees to: NONE

IN WITNESS WHEREOF, the parties hereto have executed and delivered this instrument, under seal, all as of the day and year first above written.

/s/ Thomas B. O'Brien	/s/ Ed McGrath, Treasurer
LANDLORD	TENANT
March 13, 1995	March 13, 1995
DATE	DATE

EXHIBIT 10.4

SUBLEASE

This is a Sublease between IPL Systems, Inc., a Massachusetts corporation, and SeaChange Technology, Inc., a Delaware corporation.

The parties hereto agree as follows:

I. Summary of Basic Sublease Provisions.

Where hereafter used in this Sublease, these terms shall have the following meanings.

Date:	March 19, 1996
Sublandlord:	IPL Systems, Inc.
Mailing Address of Sublandlord:	124 Acton Street, Maynard, MA 01754
Subtenant:	SeaChange Technology, Inc.
Mailing Address of Subtenant:	124 Acton Street Maynard, MA 021754
Premises:	The portions on the first and second floors of the building known as Building 3 (the "Building"), located at 124 Acton Street, Maynard, MA 01754 containing approximately 36,723 rentable square feet, identified (diagramatically rather than precisely) on Exhibit A attached hereto, together with all rights and easements appurtenant thereto that are necessary for Subtenant's access to, and use and occupancy of the Premises in accordance with this Sublease.
Second Floor Commencement Date:	April 1, 1996 for 26,723 square feet of the Premises shown on Exhibit A (the "Second Floor"), subject to the terms of Section IV.1 hereof.
First Floor Commencement Date:	January 1, 1997 for the remaining 10,000 square feet of the Premises shown on Exhibit A (the "First Floor") subject to the terms of Section IV.1 hereof.
Term of Sublease:	The period commencing as of (a) the Second Floor Commencement Date for the Second Floor, or (b) the First Floor Commencement Date for the First Floor, and (c) for both the First Floor and Second Floor, ending March 31, 1998, unless sooner terminated in accordance herewith or by the termination of the Prime Lease (the "Termination Date").
Base Rent:	For the period beginning on the Second Floor Commencement Date and ending on the day immediately preceding the First Floor Commencement Date, Eight Thousand Nine Hundred Seven Dollars and Sixty-Seven Cents ($8,907.67) per month. For the period beginning on the First Floor Commencement Date and ending on the Termination Date, Thirteen Thousand Two Hundred

Twenty-Eight Dollars and Seventy-Five Cents ($13,228.75).

Subtenant's Proportionate Share:

(a) For real estate taxes and casualty, insurance only, the following Subtenant's Proportionate Share shall apply:

(i) 21.60% for the period beginning on the Second Floor Commencement Date and ending on the day immediately preceding the First Floor Commencement Date (i.e., ratio of the total square footage of the Second Floor (26,723) and that of the Building (123,700)).

(ii) 29.69% for the period beginning on the First Floor Commencement Date and ending on the Termination Date (i.e., ratio of the total square footage of the Premises (36,723) and that of the Building (123,700)).

(b) For Subtenant's parking rights described in Section V.1 hereof, Utilities, snow removal, and care of lawns and shrubbery, the following Subtenant's Proportionate Share shall apply:

(i) 27.54% for the period beginning on the Second Floor Commencement Date and ending on the day immediately preceding the First Floor Commencement Date (i.e., ratio of the total square footage of the Second Floor (26,723) and that of the Building less such space as is currently subleased to Foster-Miller, Inc. (97,027)).

(ii) 37.85 % for the period beginning on the First Floor Commencement Date and ending on the Termination Date (i.e., ratio of the total square footage of the Premises (36,723) and that of the Building less such space as is currently subleased to Foster-Miller, Inc. (97,027)).

(c) For janitorial services, trash removal, and elevator maintenance and repair, the following Subtenant's Proportionate Share shall apply:

(i) 38.04% for the period beginning on the Second Floor Commencement Date and ending on the date immediately preceding the First

Floor Commencement Date (i.e., ratio of the total square footage of the Second Floor (26,723) and that of the Building less the Third Floor space and such space as is currently subleased to Foster-Miller (70,254)).

(ii) 52.27% for the period beginning

	on the First Floor Commencement Date and ending on the Termination Date (i.e., ratio of the total square footage of the Premises (36,723) and that of the Building less the Third Floor space and such space as is currently subleased to Foster-Miller (70,254)).
Permitted Uses:	Light manufacturing, research, development of products, office space, and any other legal use.
Prime Lease:	Lease dated August 20, 1992 by and between Maynard Industrial Property Associates and IPL Systems, Inc., a copy of which is attached hereto as Exhibit B.
Prime Landlord (under the Prime Lease):	Robert D. Quirk and Bruce T. Quirk, as Trustees of Maynard Industrial Property Associates.
Mailing Address of Prime Landlord:	272 Willis Road Sudbury, MA 01776

II. Sublease.

Sublandlord hereby subleases to Subtenant and Subtenant hereby subleases from the Sublandlord the Premises upon and subject to the terms and provisions of this Sublease, for the Term of Sublease set forth in Article 1. The Premises shall be delivered to Subtenant in broom clean condition, subject to the construction of the Improvements as required under Article IV of this Sublease, free of all personal property and trade fixtures not owned by Sublessee and free of all tenants and occupants.

III. Base Rent; Other Payments.

1. (a) Subtenant shall pay Base Rent to Sublandlord at the rate specified in Article I without deduction, off-set or demand (except as permitted in Section IX.d hereof) on the applicable Commencement Date of the Term of this Sublease and, thereafter, monthly, in advance, at least five (5) days before the first day of each calendar month during the Term hereof, at Sublandlord's mailing address set forth in Article I or such other place as Sublandlord may from time to time designate in writing to Subtenant, such advance payments to be made so as to provide funds to Sublandlord in advance of the due dates of its rental payments under the Prime Lease. Base Rent and additional rent as provided herein shall be prorated for partial calendar months, if any, at the beginning and end of the term hereof. Base Rent and any additional sums due hereunder and not paid within fifteen (15) days of the date due shall bear interest at the Prime rate of interest published in the Wall Street Journal from and after the due date until paid, plus two percent (2%).

(b) Subtenant agrees that simultaneously with the execution hereof, it will deliver to Sublandlord a security deposit (the "Second Floor Security Deposit") in the amount of $8,907.67, to be held by Sublandlord as security for Subtenant's performance of its obligations under this Sublease. Subtenant further agrees that no later than the First Floor Commencement Date, Subtenant will deliver to Sublandlord a security deposit in the amount of $13,228.75 (the "First Floor Security Deposit"), as further security for Subtenant's performance of its obligations under this Sublease. Sublandlord may apply the applicable Security Deposit against any amounts due Sublandlord by reason of Subtenant's default in the performance of such obligations. Any balance remaining shall be returned to Subtenant after the expiration of the Term of this Sublease upon redelivery of possession of the Premises to Sublandlord in substantially the same condition and repair as the Premises were in on the applicable Commencement Date, reasonable wear and tear and damage by fire or other casualty or eminent domain excepted. Sublandlord shall not be obligated to pay interest on either Security Deposit.

2. During the Term of the Sublease, Subtenant shall pay, as additional rent, to the Sublandlord, the Subtenant's Proportionate Share of (a) real estate taxes for the Premises or any portion thereof to the extent the same are payable by Sublandlord pursuant to Paragraph 6E of the Prime Lease, (b) Sublandlord's cost of casualty insurance for the Premises or any portion thereof to the extent the same is payable by Sublandlord pursuant to Paragraph 6D of the Prime Lease, (c) Utilities in the manner described in Section IV.2.a hereof, and to the extent amounts for Utilities are payable pursuant to Paragraph 6A of the Prime Lease, (d) Sublandlord's costs for maintenance and repair of the electrical,

plumbing, HVAC system and elevators serving the Building (but not the Premises or the Subtenant exclusively) pursuant to Section IV.2.b hereof, (e) Sublandlord's costs for snow removal and care of lawns and shrubbery to the extent the same are payable pursuant to Paragraph 6C of the Prime Lease, and (f) Sublandlord's costs for janitorial and trash removal services to the extent the same are payable pursuant to Section IV.2.b hereof. Payments for Subtenant's Proportionate Share of the charges and expenses listed

in subparagraphs (a) through (c) above must be paid within five (5) business days of Subtenant's receipt of a statement from the Sublandlord indicating that such a payment is due. Payments for Subtenant's Proportionate Share of the charges and expenses listed in subparagraphs (d) through (f). above must be paid within ten (10) days of Subtenant's receipt of an invoice therefor.

IV. Preparation and Use of Premises:

Without limitation of any other obligations upon or covenants of Subtenant herein contained, including Subtenant's agreement to comply with and be bound by the terms and provisions of the Prime Lease:

1. (a) Prior to the applicable Commencement Date, Sublandlord shall complete the Subtenant Improvements described on the attached Exhibit C (the "Improvements") in accordance with final working drawings and specifications describing such Improvements that have been submitted in advance by Subtenant to Sublandlord, and approved in writing by Sublandlord (which approval shall not be unreasonably withheld, conditioned or delayed), by Prime Landlord in accordance with the Prime Lease and Section IV.6 hereof (if any of the Improvements constitute structural alterations), and local authorities (if required). Subtenant and Sublandlord acknowledge that construction of the Improvements may require the approval of local authorities and Prime Landlord. If, within thirty (30) days after presentation of plans for the Improvements by Subtenant to Sublandlord, Sublandlord is unable to obtain such approvals due to circumstances within the reasonable control of Sublandlord, Subtenant shall have the option to terminate this Sublease upon thirty (30) days' written notice to Sublandlord; provided, however, that if Subtenant does not so terminate this Sublease, Subtenant shall have the option to continue its occupancy and use of only the Second Floor in accordance with the terms of this Sublease upon thirty (30) days' written notice to Sublandlord, and, from and after Sublandlord's receipt of such notice, Subtenant's rights and obligations under this Sublease (including, the payment of Base Rent equal to $8.907.67, additional rent and other charges through and including the Termination Date) shall continue with regard to the Second Floor only and not the First Floor.

(b) Sublandlord shall use best efforts to substantially complete the Improvements described in Paragraph 1 of Exhibit C on or before April 1, 1996, and the Improvements described in Paragraph 2 of Exhibit C on or before January 1, 1997, which dates shall be extended for a period equal to that of (i) any delays caused by action of Subtenant, (ii) delays due to the failure of Subtenant to comply with Section IV.1.a hereof, or (iii) delays due to causes reasonably beyond Sublandlord's control (but in no event shall the extension for delays due to causes reasonably beyond Sublandlord's control exceed 45 days). The First Floor and Second Floor shall be deemed "substantially completed" when the Sublandlord has completed the Improvements for the First Floor or Second Floor, as the case may be, for Subtenant's occupancy, except for minor (so-called "punchlist") items of work that will not materially interfere with Subtenant's business operations therein and which shall be completed by Sublandlord within thirty (30) days after the applicable Commencement Date.

(c) Subtenant may, at its sole risk and expense, upon reasonable advance notice to Sublandlord, enter the Second Floor before April 1, 1996, or the First Floor before January 1, 1997, to make inspections, take measurements, and install furnishings and equipment on the Second Floor or First Floor, as the case may be, so long as Subtenant does not materially interfere with Sublandlord's use of, and business operations at, the Premises and Sublandlord's construction of the Improvements. From the date Subtenant first so enters the Second Floor until April 1, 1996, or the First Floor until January 1, 1997, Subtenant shall observe and perform all of the terms and conditions of this Sublease except that Subtenant shall not be obligated to make payments due under Article III of this Sublease. Subtenant shall indemnify, defend and hold harmless Sublandlord against injury to any person, and against all costs, claims, losses and damages of any kind, including but not limited to the fees of attorneys, engineers, inspectors and consultants, that may occur as a result of Subtenant's and Subtenant's agents' entry upon the Second Floor or First Floor, as the case may be, and performance of Subtenant's inspections, measurements, installations or Subtenant's other activities on the Second Floor or First Floor. Subtenant shall also repair any and all damage to the Second Floor and First Floor occasioned by Subtenant's inspection, measurements, installations or other activities thereon.

If the Improvements described in Paragraph I of Exhibit C are not

substantially completed on April 1, 1996, or the Improvements described in Paragraph 2 of Exhibit C are not substantially completed on January 1, 1997 (each as extended pursuant to the first sentence of subsection (b) above), Subtenant shall be entitled to construct the Improvements, and the Second Floor Commencement Date and the First Floor Commencement Date shall become respectively, the dates of which the Improvements described in Paragraph 1 of Exhibit C and the Improvements described in Paragraph 2 of Exhibit C are completed, and Sublandlord shall reimburse Subtenant for its share of such construction costs as provided in Subsection (d) below, and if such reimbursement is not made within thirty (30) days of Subtenant's receipt of an invoice therefor, Subtenant shall have the right to offset the total amount of Sublandlord's required contribution against Base Rent, additional rent and any other charges due hereunder as provided in Subsection (d) below.

(d) The costs of the Improvements shall be paid as follows:

(i) Sublandlord shall pay the cost of completing the Improvements described in Paragraph 1 of Exhibit C (including the fees of architects and engineers and the costs associated with obtaining required permits and approvals); and

(ii) Sublandlord shall pay the first Ten Thousand Dollars ($10,000) of the cost of the Improvements described in Paragraph 2 of Exhibit C, and Sublandlord shall bill Subtenant for fifty percent (50%) of any costs therefor in excess of said $10,000 (including the fees of architects and

engineers and the costs associated with obtaining required permits and approvals), which amount shall be due to Sublandlord within ten (10) days after Subtenant's receipt of an invoice therefor.

If Sublandlord fails to construct the Improvements as required under this Section IV.1 by April 1, 1996 (with respect to the Improvements described in Paragraph 1 of Exhibit C) and by January 1, 1997 (with respect to the Improvements described in Paragraph 2 of Exhibit C) (each as extended pursuant to the first sentence of subsection (b) above), Subtenant shall have the right to construct the Improvements and offset the Sublandlord's required contribution towards the Improvements set forth in this subsection (d) against the Base Rent, additional rent and other charges due under this Sublease.

2. (a) As the First Floor and Second Floor are not separately billed for heat, water, gas, air conditioning, electricity, sewer and other utilities (together the "Utilities") by the provider thereof, then beginning on the applicable Commencement Date, Sublandlord shall pay the cost of such Utility services, and Subtenant shall pay Subtenant's Proportionate Share of such costs to Sublandlord within five (5) days of Subtenant's receipt from Sublandlord of a statement indicating that such a payment is due and a copy of the bill issued by the provider of such Utility services; provided, however, that if Subtenant's use of the First Floor or Second Floor or any equipment therein results in the consumption of any Utilities substantially or materially in excess of the Utility usage expense of Sublandlord for the First Floor during the calendar year immediately preceding the applicable Commencement Date, Subtenant shall reimburse Sublandlord for the cost of such excess Utility usage based on Sublandlord's actual third-party costs of such Utilities. If Sublandlord agrees to Subtenant's installation of a so-called check meter in the Premises, Sublandlord shall pay the cost of electrical service directly to the provider, and Subtenant shall reimburse Sublandlord for Subtenant's portion of such cost based on readings from the check meter within five (5) days of Subtenant's receipt of a statement from Sublandlord indicating that such a payment is due.

(b) Subtenant shall be responsible for all repairs and maintenance obligations with respect to the Building systems, facilities, and equipment exclusively serving the Premises and for which Sublandlord has responsibility under Sections 5A, 5B and 6B of the Prime Lease, except that Sublandlord shall be responsible for electrical, plumbing, HVAC and elevator repair and maintenance to the extent required of Sublandlord as tenant under the Prime Lease, and Subtenant shall pay its Proportionate Share of such electrical, plumbing, HVAC and elevator repair and maintenance costs to Sublandlord as required under Section III.2 hereof.

3. Subtenant agrees that the Premises and any portion thereof shall be used only by Subtenant (except as consented to by Sublandlord pursuant to Article VI hereof), and only for the purposes specified in Article I hereof, consistent with applicable zoning requirements and applicable laws, rules and regulations (with respect to which Sublandlord makes no warranties or representations) and for no other purpose. If any law, ordinance or regulation, or deed restriction or other restriction at any time prohibits the Permitted Uses, Subtenant may, at its option,

terminate this Sublease upon notice to Sublandlord without prejudice to any other rights Subtenant may have at law or in equity. Sublandlord agrees to use reasonable efforts to deliver to Subtenant, within sixty (60) days following execution of this Sublease, a copy of the Certificate of Occupancy for the Premises issued by the appropriate municipal officials.

4. Subject to Sublandlord's obligations under Section IV.1 and Section IV.2.b hereof, from and after the applicable Commencement Date, Subtenant, at its expense, shall be responsible for maintaining the First Floor and Second Floor in substantially the same order, condition and repair as they are in as of the applicable Commencement Date, reasonable wear and tear, damage by fire or other casualty and eminent domain excepted, and shall comply with all miles, orders and regulations of governmental authorities now or hereafter in force and with any lawful direction of any public officer, and with orders, rules and regulations of any Board of Fire Underwriters or any other body hereafter constituted exercising similar functions and governing insurance rating bureaus, in each case to the extent the same are applicable to the First Floor or Second Floor or the use and maintenance thereof or any alteration, addition or improvement thereto by Subtenant; provided, however, that Subtenant shall not be responsible for correcting or remediating any violation of law, ordinance, order or regulation arising prior to the applicable Commencement Date and unrelated, to Subtenant's activities at the Premises. If the Subtenant receives notice of any violation of law, ordinance, order or regulation applicable to the First Floor or Second Floor or the use and maintenance thereof, it shall give prompt notice thereof to the Sublandlord. Notwithstanding, the foregoing Subtenant shall not be responsible for making alterations or additions to the Premises in order to render the Premises in compliance with the Americans with Disabilities Act (the "Act"), provided, however, that if Subtenant shall construct or install improvements, alterations or additions on the Second Floor on or after the Second Floor Commencement Date, or on the First Floor on or after the First Floor Commencement Date (excluding the Improvements described in Exhibit C), which, in either case, necessitate the completion of further work in order that the Premises or any portion thereof complies with the Act, Subtenant shall, at its sole cost and expense, complete all such work as is required to render the Premises or such portion thereof in compliance with the Act.

5. Sublandlord acknowledges that there is currently in force a policy of fire insurance on the Building in at least the amount of $4,372,000, as required by Paragraph 6D of the Prime Lease, including adjustments made pursuant to said Paragraph 6D. Subtenant will not, nor will it permit its employees, agents and invitees to do anything in the Premises or the Building, or bring anything into the Premises or the Building, or permit anything to be brought into the Premises or the Building or to be kept therein which would in any way increase the rate of fire insurance on the Building or the Premises, and the Subtenant agrees to pay on demand any such increase. Subtenant shall not generate, store, handle or dispose of any hazardous waste or hazardous substances in, on or about the Premises in any manner contrary to Federal, state or local environmental laws and regulations, including, without limitation, M.G.L. Chapters 21C and 21E and the Resource Conservation and Recovery Act 42 U.S.C. (S)(S) 6901 et seq. and the regulations promulgated thereunder. The term hazardous substances shall include, but not be limited to, the definition of "hazardous substances" in M.G.L. Chapters 21C and 21E. Subtenant shall defend and hold harmless the Sublandlord for any loss, cost, claim, or expense of whatever

nature suffered or incurred by the Sublandlord (including any costs incurred by Sublandlord in enforcing this provision against the Subtenant) as a result of (a) the release or discharge of any hazardous substances in, on, or about the Premises or the Building, arising out of or related to Subtenant's occupancy of or activities at the Premises, which release or discharge is not caused by the willful misconduct or gross negligence of Sublandlord, or (b) any violation by Subtenant of the aforementioned environmental laws or regulations. Sublandlord shall defend, indemnify and hold harmless the Subtenant for any loss, cost, claim or expense of whatever nature suffered or incurred by Subtenant (including any costs incurred by Subtenant in enforcing this provision against Sublandlord) as a result of (a) the release or discharge of any hazardous substances in, on, or about the Premises or the Building, arising out of or related to Sublandlord's occupancy of or activities at the Premises or the Building, which release or discharge is not caused by the willful misconduct or gross negligence of Subtenant, or (b) any violation by Sublandlord of the aforementioned environmental laws or regulations.

6. Subtenant shall not make structural alterations, additions or improvements to the Premises except with the prior written approval of Prime Landlord (which approval shall not be unreasonably withheld) and, in the event of such approval, with Prime Landlord's prior written approval of all plans and specifications therefor (which approval shall not be unreasonably withheld). Subtenant agrees to give Sublandlord and Prime Landlord notice of any major alterations, whether structural or non-structural. Subtenant's rights and obligations with respect to any such alterations, additions or improvements shall be subject to applicable provisions of the Prime Lease, to all other rights of the Prime Landlord thereunder, and to such reasonable conditions regarding procurement of permits, insurance or other conditions as Sublandlord

may reasonably require. Sublandlord agrees to cooperate with Subtenant (which cooperation shall not include the expenditure of money) in seeking approvals from Prime Landlord that are required under this Subsection IV.6.

7. Sublandlord's receptionist who is sitting at the lobby reception desk during regular business hours (8:30 a.m. to 5:00 p.m., Monday through Friday) shall direct visitors of Subtenant from the lobby reception desk to the Premises. Subtenant may, at Subtenant's sole expense, post a sign at the lobby reception desk (which is described in Exhibit D attached hereto), provided that Subtenant does not move or obstruct the sign of Sublandlord currently located therein. Subtenant shall not erect an exterior sign on or near the Building without the prior written consent of Sublandlord, which consent shall not be unreasonably withheld, and provided that Sublandlord so consents, such exterior sign shall comply with the applicable signage regulations of the Town of Maynard and shall be aesthetically and architecturally compatible with the design of the Building. Sublandlord agrees to cooperate with Subtenant (which cooperation shall not include the expenditure of money) in seeking the consent of Prime Landlord required under this subsection 7.

V. Prime Lease.
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1. (a) This Sublease is subject and subordinate to the terms and provisions of any mortgages or ground leases that may now or hereafter exist or be placed upon the Premises

or the Building or the lot on which the Building is located, and any amendments thereto, and to the Prime Lease, as the same may be amended from time to time; provided, however, that Sublandlord shall not agree to any amendment of the Prime Lease that would unreasonably or materially alter the rights or remedies of Subtenant thereunder or hereunder. All terms and conditions of the Prime Lease are incorporated into this Sublease (except as otherwise provided under the terms of this Sublease), and all references in the Prime Lease to "Landlord", "Tenant", "leased premises", "rent" and "Commencement Date" shall be deemed to refer, respectively, to Sublandlord, Subtenant, Premises, Base Rent and the applicable Commencement Date. The Premises are leased subject to all rights reserved by the Prime Landlord, if any, under the plan described in Paragraph 1 of the Prime Lease. Sublandlord represents that the Sublandlord has furnished the Subtenant with a true and complete copy of the Prime Lease attached hereto as Exhibit B. It is the intention of the parties that Subtenant shall comply with all of Sublandlord's obligations under the Prime Lease (but only with respect to the Premises) to the same extent and with the same force and effect as if Subtenant were the tenant thereunder, and Subtenant hereby agrees so to comply with all of Sublandlord's obligations under the Prime Lease (but only with respect to the Premises), except as such compliance shall be expressly inconsistent with the provisions hereof (including, without limitation, the repair and maintenance obligations of Sublandlord under Section IV.2.b hereof), and Subtenant agrees to be bound by all of the terms and provisions of the Prime Lease, including, without limitation, provisions therein with respect to use of, damage to or destruction of all or any part of the Premises or the Building and taking by eminent domain of all or any part of the Premises or the Building, to the same extent as though Subtenant were the tenant thereunder. Subtenant shall have the right to use Subtenant's Proportionate Share of the 308 parking, spaces that Sublandlord currently uses at Building site, which spaces may be designated by Sublandlord. Except as specifically provided for in this Sublease, no other rights or benefits of Sublandlord under the Prime Lease shall inure to the benefit of Subtenant.

(b) Notwithstanding the provisions of Section V.1.a above, the following terms and conditions of the Prime Lease are not incorporated into this Sublease: Paragraphs 1, 2, 3, 4, 6B, 6D, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20(d), 20(e), and 21. In the event of any inconsistency between the terms of the Prime Lease and this Sublease, the terms of this Sublease shall control.

2. Each party hereto shall promptly forward to the other copies of all notices and other communications received by it from Prime Landlord or from any other party relating to the Premises or to this Sublease or the Prime Lease. Each party hereto shall copy the other on any notice of default, termination or otherwise affecting the existence or validity of the Sublease or the Prime Lease. Within ten (10) days of Sublandlord's request, Subtenant shall certify to Sublandlord that Subtenant is not in default of its obligations hereunder, both as to this Sublease and the Prime Lease.

3. Subtenant represents that it is familiar with all of the terms of the Prime Lease attached as Exhibit B. Except as set forth in Sections IV.1, IV.2.b, IV.4 and IV.5 above, Sublandlord shall have no responsibility whatsoever with respect to the Premises, including,

without limitation, matters involving the supply of utility services, maintenance, repair, use, management or operation of the Premises, it being the intention of the parties that Sublandlord shall cooperate with Subtenant (which

cooperation shall not include the expenditure of money) to secure the performance of Prime Landlord's obligations under the Prime Lease with respect to such matters; and Subtenant shall be responsible for such matters not otherwise provided for herein. Notwithstanding the foregoing, in the event any Utilities are interrupted so as to render the Premises or any portion thereof untenantable for three (3) or more consecutive business days, and such interruption is caused by the act or omission of Sublandlord, Subtenant's obligation to pay Base Rent shall abate from the date of such interruption until such Utilities are restored to the extent any business interruption insurance held by Subtenant does not cover said interruption in Utility service. Sublandlord shall indemnify and hold harmless Subtenant from damages to persons and property of Subtenant due to circumstances within the reasonable control of Sublandlord in performance of its obligations as tenant under the Prime Lease or its obligations as Sublandlord hereunder, provided, however, that Sublandlord shall in no event be liable to Subtenant for any indirect or consequential damages arising in connection with this Sublease or in connection with the Subtenant's occupancy of the Premises. Sublandlord hereby assigns to Subtenant, in common with Sublandlord, all of Sublandlord's rights and remedies, as tenant under the Prime Lease, arising in connection with a default by Prime Landlord in the performance of its obligations under the Prime Lease. Subtenant may pursue any proceeding or other enforcement action in Sublandlord's name against Prime Landlord (including any proceeding or enforcement action brought by Subtenant pursuant to Paragraph 20(g) of the Prime Lease), provided, however, that Subtenant shall obtain the prior written consent from Sublandlord (which consent shall not be unreasonably withheld) before so pursuing any such proceeding or other enforcement action. Nothing herein shall preclude Sublandlord from pursuing any proceeding or other enforcement action in Sublandlord's name against Prime Landlord. Without limitation, Subtenant shall have no claim against Sublandlord for any default by Prime Landlord under the Prime Lease. This Sublease shall terminate upon the termination for any reason of the Prime Lease.

4. Sublandlord's obligation with respect to the Prime Lease is to do all actions and things as shall be necessary to prevent a default thereunder which would adversely affect Subtenant's rights under, or cause the termination or cancellation of, the Prime Lease or this Sublease. Without limitation, Sublandlord shall make prompt payments of rent and additional rent due to Prime Landlord thereunder, subject, however, to timely receipt by Sublandlord of Base Rent, additional rent, and all other payments due hereunder from Subtenant.

5. Sublandlord warrants and represents to Subtenant that (i) the Prime Lease is in full force and effect; (ii) there are no amendments, modifications or extensions thereof; (iii) there are no outstanding notices of default under the Prime Lease; (iv) Sublandlord has full and lawful authority to sublease the Premises; (v) as of the date hereof, Sublandlord has not filed for bankruptcy; (vi) Sublandlord will do nothing to cause (or fail to do anything that would cause) a default under the Prime Lease; and (vii) the Prime Landlord has performed all work required under Paragraphs 6B and 17 of the Prime Lease.

VI. Assignment and Subleasing.

Notwithstanding any other provisions of this Sublease, the Subtenant shall not assign or otherwise transfer this Sublease or any interest herein, voluntarily or by operation of law, or sublet (which term, without limitation, shall include granting of concessions, licenses, and the like) or allow any other person to occupy the whole or any part of the Premises, without, in each instance, the prior written consent of the Sublandlord, which consent shall not be unreasonably withheld, conditioned or delayed, and, in the event that Sublandlord shall consent to such assignment, subletting, or other transfer or occupancy in any instance, the Subtenant originally named herein shall remain fully and primarily liable for performance of all Subtenant obligations hereunder, including, without limitation, the obligation to pay the Base Rent. and other amounts provided under this Sublease.

VII. Indemnification.

1. Subtenant shall be bound by all conditions in the Prime Lease to the extent incorporated under the terms of this Sublease, and Subtenant shall neither do, nor omit to do nor permit to be done anything which would increase Sublandlord's liability or obligations to the Prime Landlord under the Prime Lease or which would cause the Prime Lease to be terminated or forfeited. Without limitation, and to the maximum extent this agreement may be made effective according to law, Subtenant shall and hereby agrees to defend (with counsel reasonably acceptable to Sublandlord), indemnify and hold harmless Sublandlord, the directors, officers, agents and employees of Sublandlord and those in privity with Sublandlord from and against all liabilities, costs, expenses and claims or demands of any kind made or incurred by reason of any breach, default or omission on the part of Subtenant hereunder or under the Prime Lease or by operation of law and arising from the act or the failure to act of Subtenant, its officers, agents, employees, contractors, licensees, guests or invitees or anyone claiming by or through Subtenant, or the failure of

Subtenant or such person to comply with any rule, order, regulation or lawful direction now or hereafter in force of any public authority with which Subtenant is obligated to comply under the terms of this Sublease, or arising directly or indirectly from any accident, injury or damage however caused to any person, or to the property of any person, occurring in or about the Premises, from the time Subtenant first enters the First Floor or Second Floor of the Premises, as the case may be, for any reason, throughout the term of this Sublease, and thereafter so long as Subtenant or anyone claiming by or through Subtenant is in occupancy of any part of the Premises, except to the extent any of the foregoing is caused by Sublandlord's gross negligence or willful misconduct.

This indemnification and hold harmless agreement shall include indemnity against all costs, expenses and liabilities incurred in or in connection with any such claim or proceeding brought thereon, and the defense thereof with counsel reasonably acceptable to Sublandlord or counsel selected by an insurance company which has accepted responsibility for the defense of such claim or liability therefor.

2. To the maximum extent this indemnification and hold harmless agreement may be made effective according to law, Subtenant agrees to use and occupy the Premises at Subtenant's own risk; and Sublandlord shall have no responsibility or liability for any loss of or damage to fixtures or other personal property of Subtenant or those claiming by, through or under Subtenant, however caused, except to the extent such loss or damage is caused by the gross negligence or willful misconduct of Sublandlord. The provisions of this Article shall be applicable from and after the execution of this Sublease and until the end of the Term of Sublease, and during such further period as Subtenant may use or be in occupancy of any part of the Premises, and Subtenant agrees to obtain and maintain throughout such period a policy of insurance insuring all personal property of Subtenant located upon the Premises against any loss or damage from fire or other casualty in the broadest form in which such coverage is available.

3. To the maximum extent this indemnification and hold harmless agreement may be made effective according to law, Subtenant agrees that Sublandlord shall not be responsible or liable to Subtenant, or to those claiming by, through or under Subtenant, for any loss or damage resulting to Subtenant or those claiming by, through or under Subtenant, or to its or their property, that may be occasioned by any loss or damage from the breaking, bursting, stopping or leaking of electric cables and wires, and water, gas, sewer and steam pipes except to the extent such loss or damage is caused by the gross negligence or willful misconduct of Sublandlord, its agents, employees, contractors, invitees, quests or subtenants other than Subtenants.

VIII. Liability Insurance.
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1. Subtenant agrees to maintain in full force from the date upon which the Subtenant first enters the Premises for any reason, throughout the Term of Sublease, and thereafter so long as Subtenant or anyone claiming by or through Subtenant is in occupancy of any part of the Premises, a policy of commercial general liability insurance issued by a company authorized to do business in the Commonwealth of Massachusetts in an amount not less than $3,000,000 under which Sublandlord (and such other persons as may be designated by Sublandlord from time to time by written notice to Subtenant) and Subtenant are named as insureds. Each such policy shall be non-cancelable and non-amendable with respect to Sublandlord and Sublandlord's said designees without twenty (20) days' prior notice to Sublandlord, and a duplicate original or certificate of each such policy shall be delivered to Sublandlord on or before the applicable Commencement Date.

2. Subtenant and Sublandlord covenant that with respect to any insurance coverage carried by either Subtenant or Sublandlord in connection with the Premises or the Building, whether or not such insurance is required by the terms of this Sublease, such insurance shall provide for the waiver by the insurance carrier of any subrogation rights against Sublandlord, its agents, servants and employees under Subtenant's insurance policies, or against Subtenant, its agents, servants and employees under Sublandlord's insurance policies, where such waiver of subrogation rights does not require the payment of an additional premium, or, if an additional premium is required to be paid, the other party offers to pay such premium after being notified of such additional premium.

IX. Default.

If:

(a) Subtenant shall fail to pay the Base Rent or other charges on or before the date on which the same become due and payable and such failure continues for five (5) days, or

(b) Subtenant shall fail to perform or observe any other term or condition

contained in this Sublease and Subtenant shall not commence to cure such failure within twenty (20) days after written notice from Sublandlord to Subtenant thereof and promptly and diligently complete the curing of the same, or

(c) the estate hereby created shall be taken on execution or by other process of law, or if Subtenant shall be judicially declared bankrupt or insolvent according to law, or if any assignment shall be made of the property of Subtenant for the benefit of creditors, or if a receiver, guardian, conservator, trustee in involuntary bankruptcy or other similar officer shall be appointed to take charge of all or any substantial part of Subtenant's property by a court of competent jurisdiction, or if a petition shall be filed for the reorganization of Subtenant under any provisions of the Bankruptcy Act now or hereafter enacted and such petition is not discharged within sixty (60) days of filing, or if Subtenant shall file a petition for such reorganization, or for arrangements under any provisions of the Bankruptcy Act now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for the payment of debts,

then, and in any of said cases (notwithstanding any license of a former breach of covenant or waiver of the benefit hereof or consent in former instance), Sublandlord may, immediately or at any time thereafter, and without demand or notice, enter into and upon the Premises or any part thereof in the name of the whole and repossess the same as of Sublandlord's former estate, and expel Subtenant and those claiming through or under Subtenant and remove its or their effects without being guilty of any manner of trespass, and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant. Further, in any of said cases and with or without entry as aforesaid, Sublandlord shall have the right, by written notice to Subtenant, forthwith to terminate this Sublease; and Subtenant covenants and agrees, notwithstanding any entry or re-entry by Sublandlord, whether by summary proceedings, termination, or otherwise, to pay and be liable for, on the days originally fixed herein for the payment thereof, amounts equal to the several installments of Base Rent and other charges reserved as they would, under the terms of this Sublease, become due if this Sublease had not been terminated or if Sublandlord had not entered or re-entered, as aforesaid, and whether the Premises be relet or remain vacant, in whole or in part, for a period less than the remainder of the term, or for the whole hereof, but, in the event the Premises be relet by Sublandlord, Subtenant shall be entitled to a credit in the net amount of rent received by Sublandlord in releting, after deduction of all expenses actually incurred in releting the Premises (including, without limitation, remodeling costs, reasonable attorneys' fees, brokerage fees and the like), and in collecting the rent in connection therewith, in the following manner:

Amounts received by Sublandlord after releting shall first be applied against such Sublandlord's reasonable expenses, until the same are recovered, and until such recovery, Subtenant shall pay, as of each day when a payment would fall due under this Sublease, the amount which Subtenant is obligated to pay under the terms of this Sublease (Subtenant's liability prior to any such releting and such recovery not in any way to be diminished as a result of the fact that such releting might be for a rent higher than the rent provided for in this Sublease); when and if such expenses have been completely recovered, the amounts received from releting by Sublandlord as have not previously been applied shall be credited against Subtenant's obligations as of each day when a payment would fall due under this Sublease, and only the net amount thereof shall be payable by Subtenant. Further, amounts received by Sublandlord from such releting, for any period shall be credited only against obligations of Subtenant allocable to such period, and shall not be credited against obligations of Subtenant hereunder accruing subsequent or prior to such period; nor shall any credit of any kind be due for any period after the date when the Term of Sublease is scheduled to expire according to the terms of this Sublease.

As an alternative, at the election of Sublandlord, Subtenant will, upon such termination, pay to Sublandlord, as damages, such a sum as at the time of such termination Represents the amount, of the excess if any, of the then value of the total rent and other benefits which would have accrued to Sublandlord under this Sublease for the remainder of the term if this Sublease had been fully complied with by Subtenant over and above the then cash rental value (in advance) of the Premises for the balance of the term.

X. Miscellaneous.
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1. No payment by Subtenant, or acceptance by Sublandlord, of a lesser amount than shall be due from Subtenant to Sublandlord shall be treated otherwise than as payment on account. The acceptance by Sublandlord of a check for a lesser amount with an endorsement or statement thereon, or upon any letter accompanying such check, to the effect that such lesser amount is payment in full, shall be given no effect, and Sublandlord may accept such check without prejudice to any other rights or remedies which Sublandlord may have against Subtenant.

2. Subtenant agrees immediately to discharge (by payment, by filing the

necessary bond, or otherwise) any mechanics', materialmen's or other lien against or upon the Premises or Sublandlord's interest therein, which liens may arise out of any payment due for, or purported to be due for, any labor, services, materials, supplies or equipment alleged to have been furnished to or for Subtenant in, upon or about the Premises.

3. Except as herein otherwise expressly provided, the terms hereof shall be binding upon and shall inure to the benefit of the successors and assigns, respectively, of Sublandlord and Subtenant, but this Section X.3 shall not be construed to be a consent of Sublandlord to any assignment or subletting by Subtenant.

4. Any notice or demand which either party may or must give to the other hereunder shall be in writing sent by either (a) overnight mail by a recognized carrier, (b) by hand or (c) certified mail, return receipt requested, addressed to Sublandlord or to Subtenant at its respective mailing addresses set out in Article 1. Either party may, by like notice, direct that future notices or demands be sent to a different address. All such notices shall be effective when actually received or three (3) days after deposit in the United States mail.

5. Sublandlord shall have the right, but shall not be required, to pay such sums or do any act which requires the expenditure of monies which may be necessary or appropriate by reason of the failure or neglect of Subtenant to perform any of the provisions of this Sublease before the expiration of applicable grace periods set forth in this Sublease, and in the event of the exercise of such right by Sublandlord, Subtenant agrees to pay to Sublandlord forthwith upon demand all such sums, including, without limitation, reasonable attorney's fees; and if Subtenant shall default in such payment, Sublandlord shall have the same rights and remedies as Sublandlord has hereunder for the failure of Subtenant to pay rent.

6. Subtenant shall peaceably surrender possession of the Premises to Sublandlord in substantially the same condition and repair as the Premises were in on the applicable Commencement Date, and in compliance with the provisions hereof at the expiration or sooner termination of the term of this Sublease, reasonable wear and tear. and damage by fire or other casualty and eminent domain excepted. Neither Sublandlord nor Prime Landlord shall have any obligation to pay or reimburse Subtenant for any improvements made to or on the Premises by Subtenant, except as provided in Section IV.1.d hereof. Subtenant shall have the right to remove all of its personal property, furniture, and fixtures and equipment installed by Subtenant at any time during the Term of this Sublease or at the expiration or earlier termination thereof; provided, however, that Subtenant shall promptly, and at its own expense, repair all damage to the Premises and the Building arising from any such removal. Subtenant shall, at the time of such expiration or other termination hereof, remove any liens or encumbrances to Prime Landlord's title or leasehold interest or Sublandlord's leasehold interest for which Subtenant is responsible. In the event Subtenant fails to remove any of Subtenant's property from the Premises on or before the Termination Date or earlier termination of this Sublease, such property shall be deemed abandoned and Sublandlord or Prime Landlord is hereby authorized, without liability to Subtenant for loss or damage thereto, and at the sole risk of Subtenant, to remove and store any of such property at Subtenant's expense, or to retain the same under its or their control, or to sell at public or private sale, without notice, any or all of the property not so removed and to apply the net proceeds of any such sale toward the payment of any sum hereunder owing by the Subtenant, or to destroy such property. Without limitation, the provisions of this section shall survive the expiration or other termination of this Sublease.

7. This Sublease shall be governed by the laws of the Commonwealth of Massachusetts, contains the entire agreement between the parties hereto, and may be altered, amended or terminated only by a written instrument executed by each of the parties hereto. The article headings are used herein only for convenience of reference and are in no way intended to

define, limit or explain the scope or contents of this Sublease or affect its provisions in any way. This Sublease has been executed as a recordable document pursuant to Section 115 of M.G.L. c. 156B, and each party hereto agrees that the other may rely on this Sublease in accordance with said Section 115 of M.G.L. c. 156B.

8. The parties hereto warrant and represent that they have not dealt with or negotiated with any broker, other than Whittier Partners and Columbia Group, in connection with this transaction, whose fees shall be paid by Sublandlord; provided, however, that Sublandlord shall not be responsible for any fees associated with any occupancy arrangement other than this Sublease, including, but not limited to, any direct lease between Prime Landlord and Subtenant. Each party agrees to indemnify and hold harmless the other against any loss, cost or expense (including reasonable attorneys' fees) arising out of a claim by any broker in connection with this Sublease, alleging it was employed by, dealt

with, or negotiated on behalf of Subtenant or Sublandlord.

9. Notwithstanding any provision of this Sublease to the contrary, if the consent of Prime Landlord is required under the Prime Lease with respect to any action or proposed action of Subtenant, and Subtenant obtains Prime Lessor's consent either directly or through Sublandlord, the consent of Sublandlord shall not be required unless explicitly required under this Sublease, or unless such consent by Prime Landlord would increase Sublandlord's obligations or liabilities under this Sublease. Where the consent of Prime Landlord is required under the Prime Lease, Sublandlord agrees to cooperate with Subtenant (which cooperation shall not include the expenditure of money) in obtaining such consent of Prime Landlord.

XI. Extension Option; Capital Cost Reimbursement.

Subtenant shall provide written notice to Sublandlord not later than twelve (12) months prior to the Termination Date of this Sublease that Subtenant wishes to occupy the Premises for an additional period of five (5) years to follow consecutively after said Termination Date. Sublandlord shall provide Subtenant with a copy of the rent schedule provided to Sublandlord pursuant to Paragraphs 18(c) or 18(g), and Subtenant shall give written notice to Sublandlord no later than five (5) days following Subtenant's receipt of said rent schedule as to whether Subtenant accepts or rejects the rent schedule. Subtenant and Sublandlord agree that time is of the essence. If Subtenant does not give Sublandlord written notice of its acceptance or rejection of any rent schedule submitted to Subtenant within said five-day period, Subtenant shall be deemed to have accepted the rent schedule. If based on Subtenant's acceptance of the rent schedule submitted to it by Sublandlord, Sublandlord exercises its option to extend the term of the Prime Lease pursuant to Paragraph 18 of the Prime Lease, the Term of this Sublease shall be extended to run coterminous with that of the Prime Lease, and the rental rate shall be the same rental rate set forth in the rent schedule agreed to by the parties under Paragraph 18 of the Prime Lease.

If Subtenant is not or will not be in occupancy of the Premises through and including April 1, 1999, either as a subtenant of Sublandlord under this Sublease (as the Term hereof may

be extended) or as a direct tenant of Prime Landlord under a direct lease with Prime Landlord, due to Sublandlord's decision not to exercise its option to extend pursuant to the aforesaid Paragraph 18, Sublandlord shall pay Subtenant up to $75,000 (the "Capital Cost Reimbursement") for the cost of the Improvements completed by, or at the direction of, Subtenant on the First Floor of the Premises during the Term of this Sublease (as may be extended under this Article); provided, however, that Sublandlord shall not be obligated to reimburse the Capital Cost Reimbursement to Subtenant if Subtenant elects not to exercise its option to extend this Sublease and does not obtain a direct lease with Prime Landlord for the Premises. Subtenant shall submit copies to Sublandlord of receipts for the Improvements or construction thereof, and Sublandlord shall reimburse the Capital Cost Reimbursement to Subtenant at least thirty (30) days prior to the Termination Date of this Sublease; provided, however, that Sublandlord shall not be obligates to reimburse Subtenant for the first $10,000 paid by Sublandlord pursuant to Section IV.l.d hereof. The provisions of this Article XI shall survive the expiration or earlier termination of this Sublease.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals on the day first above written.

SUBLANDLORD: IPL Systems, Inc.

By: /s/ R. Gellert
its President
Hereunto duly authorized

By: /s/ Eugene F. Tallone
its Treasurer
Hereunto duly authorized

SUBTENANT: SeaChange Technology, Inc.

By: /s/ Bill Styslinger
its President
Hereunto duly authorized

By: /s/ Ed McGrath

its Treasurer
Hereunto duly authorized

Exhibits: A - Description of Premises
B - Prime Lease

C - Subtenant's Improvements
D - Signage

COMMONWEALTH OF MASSACHUSETTS

Middlesex, ss. March 20, 1996

Then personally appeared the above-named R. Gellert as President of IPL Systems, Inc., and acknowledged the foregoing instrument to be his/her free act and deed and the free act and deed of IPL Systems, Inc., before me,

/s/ Florence R. Silverman

Notary Public
My commission expires: February 21, 2003

COMMONWEALTH OF MASSACHUSETTS

Middlesex, ss. March 20, 1996

Then personally appeared the above-named Eugene F. Tallone, as Treasurer of IPL Systems, Inc., and acknowledged the foregoing instrument to be his/her free act and deed and the free act and deed of IPL Systems, Inc., before me,

/s/ Florence R. Silverman

Notary Public
My commission expires: February 21, 2003

COMMONWEALTH OF MASSACHUSETTS

Middlesex, ss. March 20, 1996

Then personally appeared the above-named Bill Styslinger as President of SeaChange Technology, Inc., and acknowledged the foregoing instrument to be his/her free act and deed and the free act and deed of SeaChange Technology, Inc., before me,

/s/ Mary E. Kilbon

Notary Public
My commission expires: September 5, 1997

COMMONWEALTH OF MASSACHUSETTS

Middlesex, ss. March 20, 1996

Then personally appeared the above-named Ed McGrath, as Treasurer of SeaChange Technology, Inc., and acknowledged the foregoing instrument to be his/her free act and deed and the free act and deed of SeaChange Technology, Inc., before me,

/s/ Mary E. Kilbon

Notary Public
My commission expires: September 5, 1997

EXHIBIT 10.5

THIS INDENTURE of Lease made on the 1 day of October, 1995 between Alden T. Greenwood, owner of the No. 1 Mill under Deed dated December 16, 1981, recorded Hillsborough County Registry of Deeds, Volume 2893, Page 420 (herein called the Lessor, which expression is hereafter defined) and SEA CHANGE TECHNOLOGY INC., whose mailing address is Damon Mill Square, Concord, MA 01742 (hereafter called the Lessee, which expression is hereinafter defined).

WITNESSETH

That the Lessor does hereby demise and lease unto the Lessee the following premises, hereinafter sometimes referred to as the demised premises, excepting and reserving to the Lessor hallways, stairways, shafts, elevators and the space for pipes, wires, conduits, ducts, meters, etc., and their appurtenant fixtures serving premises not hereby leased namely:

A portion of the Mill Building on 47 Main Street, Town of Greenville, New Hampshire, on a lot, as shown on the town of Greenville tax map No. 005 lot 034-A approved by the Greenville Planning Board on September 28th, 1995.

Premises: 4306 square feet on the middle floor of the Mill on the same level as the upper parking lot, areas as shown on exhibit "A" (attached) are excluded. The Lessee shall have the right to use in common with others entitled thereto the stairwells, entrances and loading docks. Parking areas are shown on exhibit "B" (Parking and snow removal) attached. The Lessee shall at the Lessee's expense provide all necessary emergency lights and signs, wheel chair doors, ramps, and bathroom facilities if necessary.

TO HAVE AND TO HOLD the demised premises unto the Lessee during the full term of one (1) year beginning with the date of occupancy unless sooner terminated as hereinafter provided, with an option to extend this lease for a maximum of (3) years under the following terms.

YIELDING AND PAYING as rent therefor the sum of SEVENTEEN THOUSAND TWO HUNDRED TWENTY FOUR DOLLARS ($17,224.00) yearly by monthly payments of ONE THOUSAND FOUR HUNDRED THIRTY FIVE DOLLARS ($1,435.00) at the principal place of business of the Lessor, or at such other place as the Lessor may from time to time designate in writing, the rent aforesaid on the first day of each month in advance in every year during this Lease, and at the rate for any part of a month unexpired at the legal termination of this Lease, the first payment to be made on the first day of occupancy together with a security deposit equal to the aforesaid monthly rent. The security deposit to be held in escrow until the legal termination of this lease. Lessor will submit to the Lessee, copies of property tax, water, sewer, insurance and electric utility bill increases, adjustments to the electric utility bill will be based on the Lessors past 12 month average cost. The Lessee will pay on demand to the Lessor the aforesaid increases.

I. The Lessee covenants and agrees with the Lessor that, during this Lease and for such further time as the Lessee shall hold the demised premises or any part thereof, the Lessee (a) will pay unto the Lessor the said rent at the times and in the manner aforesaid; and (b) will pay when due all charges for the use of telephone, electric and other services rendered to the demised premises; and (c) will use and occupy the demised premises solely for the design, manufacture and assembly of electronic devices and related business.

II. The Lessee further covenants and agrees with the Lessor that, during this Lease and for such further time the Lessee shall hold the demised premises or any part thereof, the Lessee (a) will keep the demised premises and all pipes, wires, glass, plumbing and other equipment and fixtures therein or used therewith repaired, whole and of the same kind, quality and description and in such good repair, order and condition as the same are at the beginning of, or may be put in during the term, reasonable wear and tear and damage by fire or unavoidable casualty only excepted, the Lessee acknowledging that the aforesaid are now in good repair, order and condition; and (b) will from time to time promptly and at the expense of the Lessee make such repairs, replacements, improvements, alterations and additions in and to the demised premise and do all such other things therein which may become necessary or which may be required of the Lessee or the Lessor by any regulation or order of the New England Fire Insurance Rating Association, or any similar body succeeding to its power, or any law, ordinance, order or regulation of any public authority applicable to the demised premises or to the use, occupation or maintenance of the same so that the demised premises shall conform thereto and be used, occupied and maintained in the conformity therewith and if the Lessee shall fail so to do the Lessor may take such action as may be required and the Lessee shall reimburse the Lessor upon demand for the cost thereof; and (c) will not hold or permit any auction sale on the demised premises or cause or permit the emission of any noise or odor from the demised premises or any sound caused by the operation of

any voice amplification or other instruments, apparatus or equipment therein; and (d) will, at the Lessee's expense keep the drains and plumbing fixtures clear and open; and (e) will not make any alterations or additions to the demised premises without first obtaining on each occasion the written consent of the Lessor; and (f) will not suffer or permit the demised premises or any fixtures therein or used therewith, to be overloaded, damaged, or defaced, nor permit any hold to be drilled or made in any part of the demised premises, nor permit any sign, placard, awning, aerial, flagpole or the like to be placed, painted, or in any manner displayed on or affixed to or upon the demised premises or said building except such and in such place and manner as shall have been first approved in writing by the Lessor; and (g) will conform to all rules and regulations now or hereafter made by the Lessor for the care or use of said building and its approaches; and (h) will, at the expiration or earlier termination of said term, remove all goods and effects not the property of the Lessor (including all signs and lettering affixed or placed by the Lessee) and peaceably yield up to the Lessor the demised premises and all erections and additions, made to or upon the same, clean and in good repair, order and condition in all respects, damage by fire or unavoidable casualty and reasonable wear and tear excepted, but not including in such exceptions deterioration due to failure of the Lessee to make

repairs from time to time necessary or proper to keep the premises in good condition and free from deterioration, or, if the Lessor shall in writing so request, will restore the demised premises to the condition thereof prior to the making of any alteration, addition or erection, whether made under this or any prior Lease or agreement; and will pay all Lessor's expenses including attorney's fees incurred in enforcing any obligation of the Lessee or remedies of the Lessor under this lease or any extension thereof or in recovering possession of the demised premises upon the termination thereof.

III. The Lessee further covenants and agrees with the Lessor that, during this Lease and for any such further time as the Lessee shall hold the demised premises or any part thereof, the Lessee (a) will not assign this Lease nor underlet the whole or any part of the demised premises without first obtaining on each occasion the written consent of the Lessor; and (b) will not make, allow or suffer any unlawful, improper, noisy or offensive use thereof or any occupation thereof contrary to law or to any municipal by-law or ordinance for the time being in force, or that shall be injurious to any person or property, or liable to endanger or affect any insurance on said building or its contents or to increase the premiums therefor, and will on demand reimburse the Lessor and other tenants, if any, of the Lessor in said building for all extra premiums caused by the Lessee's use of the demised premises; and (c) will permit the Lessor to remove placards, signs or awnings not approved and affixed as herein provided, and, at seasonable times, to enter to view the demised premises, and to make repairs, improvements, alterations or additions thereto or thereon, if the Lessor shall elect to do so (but without obligation upon the Lessor so to do) or to show the demised premises to persons wishing to lease or buy; and (d) at any time within three months next preceding the expiration of the term, will permit notices for letting of selling to be affixed to any part of the demised premises and remain thereon without hindrance or molestation; and (e) will not carelessly use or neglect the elevators or obstruct with furniture, merchandise, rubbish or otherwise the skylights or windows in, or fire escapes on, the demised premises.

IV. The Lessee further agrees that the Lessor may at the Lessor's option, remove and store in any public warehouse or elsewhere at the Lessee's risk and expense and in the name of the Lessee any or all property not removed from the demised premises at the expiration of five days after the termination of this Lease; and the Lessee further agrees that if at the expiration of said five days the Lessee shall be in default under the provisions hereof, the Lessor may immediately or at any time thereafter, and without notice, sell at public or private sale any or all of such property not so removed and apply the net proceeds of such sale to the payment of any sum or sums due hereunder and the Lessor shall not be liable to the Lessee or to any other person in any manner whatsoever by reason of such removal or sale or anything done in connection therewith except to apply the net proceeds of any such sale as aforesaid.

V. The Lessee further covenants and agrees with the Lessor that (a) all property of any kind that may be on said premises shall be at the sole risk of the Lessee; and (b) the Lessor shall not be liable to the Lessee or to any other person for any injury, loss or damage to any person or property on or about the demised premises or the

building of which the demised premises are a part or the approaches or the sidewalks appurtenant or adjacent thereto or any elevators or other appurtenances used in connection therewith from and against any and all loss, damage or liability arising from any omission, neglect or default of the Lessee; and (c) the Lessee will save the Lessor as owner of the demised premises or as owner, agent or otherwise of any other premises, harmless and indemnified from and against all loss or damage occasioned by the use or misuse or abuse of water or of plumbing, heating, elevators or other apparatus, electric, gas or other

fixtures, trap doors, bulkheads, coal holes or covers or by bursting or leaking of any pipes or occasioned by any nuisance made or suffered on the demised premises or the approaches or sidewalks appurtenant or adjacent thereto, or any elevators or other appurtenances used in connection therewith however caused, and from and against any and all loss, damage or liability arising from any omission, neglect or default of the Lessee; and (e) the Lessee will pay the Lessor, upon demand, for any damage to the elevators, however caused, incurred as a result of the use thereof by or for the Lessee; and (f) no waiver, expressed or implied, by the Lessor of any breach of any covenant, agreement or duty on the part of the Lessee shall ever be held or construed as a waiver of any other breach or the same or any other covenant, agreement or duty; and (g) any notice from the Lessor to the Lessee, relating to the demised premises or the occupancy thereof, shall be deemed duly served if left at or mailed to the demised premises addressed to the Lessee.

VI. PROVIDED ALWAYS, that in case the demised premises, or any part thereof, or the whole or any part of the building or buildings of which they are a part, shall be taken for any street or other public use or by other exercise of the power of eminent domain, or shall be destroyed or damaged by fire or unavoidable casualty, or by the action of the city or other authorities, or shall receive any direct or consequential damage for which the Lessor and/or the Lessee shall be entitled to compensation by reason of anything lawfully done in pursuance of any public authority, or if the Lessor shall be obligated by law or order of any public authority to make any change, alteration or addition to any part of said building on their appurtenances requiring an expenditure deemed by the Lessor to be imprudent, after the execution hereof and before the expiration of said term, then this lease and the said term shall terminate at the election of the Lessor, and such election may be made in case of any such taking, notwithstanding the entire interest of the Lessor may have been divested by such taking; and if the Lessor shall not so elect, then in case of any such taking or destruction of or damage to the demised premises, rendering the same or any part thereof unfit for use and occupation, a just portion of the rent herein before reserved, according to the nature and extent of the injury sustained by the demised premises, shall be suspended or abated until the demised premises, or, in case of such a taking, what may remain thereof shall have been put in proper condition for the use and occupation; and the Lessee hereby assigns to the Lessor any and all claims and demands for damages on account of any such taking and/or for any compensation for anything lawfully done in pursuance of any public authority, and covenants with the Lessor that the Lessee will from time to time execute and deliver to the Lessor such further instruments of assignment of any such claims and demands as the Lessor shall request.

VII. PROVIDED ALSO, and this Lease is upon the condition, that if the Lessee shall neglect or fail to perform or observe any of the Lessee's covenants contained herein or any obligation under any prior Lease or agreement relating to the demised premises, of if the estate hereby or thereby created shall be taken on execution, or by other process of law, or if a petition shall be filed by or against the Lessee under Federal Bankruptcy Act to acts amendatory thereof or supplemental thereto, or if any assignment shall be made of the Lessee's property for the benefit of creditors, or if a receiver, guardian, conservator or other similar officer shall be appointed to take charge of all or any part of the Lessee's property by a court of competent jurisdiction, then, and in any of the said cases (notwithstanding any license of any former breach of covenant or waiver of the benefit hereof or consent in a former instance), the Lessor lawfully may, immediately, or at any time thereafter, and without demand or notice, enter into and upon the demised premises or any part thereof in the name of the whole, and repossess the same as of the Lessor's former estate and expel the Lessee and those claiming through or under the Lessee and remove their effects (forcibly, if necessary) without being deemed guilty of any manner of trespass, and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant, and upon entry as aforesaid this lease shall determine; and the Lessee covenants that in case of such termination, or in case of termination under the provisions of statute by reason of default on the part of the Lessee, the Lessee will indemnify the Lessor against all loss of rent and other payments which the Lessor may incur by reason of such termination [during the residue of said term; or at the election of the Lessor the Lessee will upon such termination] pay to the Lessor as damages such a sum as at the time of such termination represents the excess of the rent and taxes, if any, to be paid hereunder by the Lessee above the rental value of the premises for the remainder of said term.

VIII. It is understood and expressly agreed, and it is a condition upon which this instrument is given and accepted, (a) that if the Lessor acts as a trustee or in any other representative or fiduciary capacity in making this Lease, only the estate for which the Lessor acts shall be bound hereby and neither the Lessor nor any shareholder or beneficiary of any trust shall be personally liable under any of the covenants or agreements of the Lessor expressed herein or implied hereunder or otherwise because of anything arising from or connected with the use and occupation of the demised premises; (b) that the named Lessor and the estate for which the named Lessor acts shall not be liable for breach of any covenant herein, express or implied, occurring after the named Lessor or said estate ceases to be the owner of the demised premises;

(c) that this Lease is subject to existing easements, agreements and encumbrances of record, if any, relating to the demised premises and the Lessor shall be under no liability whatsoever to the Lessee for damages resulting from any action taken by the holder of any such easement, agreement or encumbrance pursuant thereto; (d) if the Lessee shall enter into occupancy of the demised premises after the execution hereof and prior to the beginning of said term, such occupancy shall be subject to all the conditions and obligations contained herein except the obligation to pay rent; and (e) if any provision of this lease or portion of such provision or the application thereof to any person or circumstance is hold and

invalid the remainder of the lease (or the remainder of such provision) and the application thereof to other persons or circumstances shall be affected thereby.

IX. Reference in this lease to the Lessor or to the Lessee and all expressions referring thereto mean the persons, natural or corporate, named above as Lessor or as Lessee, as the case may be, and the heirs, executors, administrator, successors and assigns of such person or persons, and those claiming through or under them, or any of them, unless repugnant to the context. If the Lessee be several persons, natural or corporate, or a firm, the Lessee's covenants are joint and several, as individuals and/or as a firm.

WITNESS the execution hereof under seal by the parties hereto, the day and year first above written.

Landlord ALDEN ENGINEERING CO.

By /s/ Alden T. Greenwood

Alden T. Greenwood, owner

Tenant SEACHANGE TECHNOLOGY, INC

By /s/ Bill Styslinger

Bill Styslinger, President

OPTION

The top floor of the Otis Mill together with the area of the stairway, elevator and entrance will be available to Sea Change Technology to lease for a period of 1 year beginning on September 1, 1995. At the rate of $4.00/Sq. Ft. the first year, $4.00/Sq. Ft. the second year and $4.00/Sq. Ft. the third year. All terms and conditions set forth in this Lease Agreement apply. This Option will be available to Sea Change Technology from September 1, 1995 to March 1, 1995 and then will expire.

The lessor agrees that in the event of a sale of the Otis Mill, the terms of the sale will include protection of the lessee to continue to occupy the leased space for the term of the lease. The term of this lease is 3 years.

/s/ Alden T. Greenwood

Oct. 1, 1995

EXHIBIT 10.6

SeaChange International, Inc.
124 Acton Street, 2nd Floor
Maynard, Massachusetts 01754

June 12, 1996

Mr. Joseph S. Tibbetts, Jr.
116 Farm Street
Dover, MA 02030

Re: SeaChange International, Inc.

Dear Joe:

It is with great pleasure that I offer you a position at SeaChange International, Inc. (the "Company") as Vice President, Finance and Administration, Chief Financial Officer and Treasurer (collectively, "CFO"). As CFO, you would be reporting directly to me as President and Chief Executive Officer of the Company and, as appropriate, directly to the Board of Directors. As we have discussed previously, we would like to extend to you this offer of employment under the following terms.

No later than June 30, 1996, you will commence employment with the Company. Your initial salary will be $16,666.66 per month, equal to $200,000 on an annualized basis. Such salary shall be paid in conformance with the Company's customary practice as established or modified from time to time. Currently, salaries are paid on a semi-monthly basis.

Subject to the approval of the Company's Board of Directors, you will be granted an option to purchase 124,550 shares of Common Stock, $.01 par value, of the Company (which represents 1.5% of the 8,304,337 shares of Common Stock issued and outstanding assuming (i) the issuance of all of the 468,500 shares of Common Stock reserved under the Company's 1995 Stock Option Plan and (ii) the conversion of all Series A and Series B Preferred Stock at a 100-for-1 ratio and a 1-for-1 ratio, respectively. The option will be an incentive stock option (to the extent permissible) and will be subject to the Company's standard Incentive Stock Option Agreement, a copy of which has been delivered to you, including vesting at the rate of 20% of the shares per year, except that (i) 20,000 shares will immediately become exercisable in the event of the initial public offering of shares of the Company's Common Stock (which 20,000 shares will be allocated equally among the remaining vesting periods); and (ii) in the event of a "change in control" of the Company, all of the shares will become immediately exercisable. For purposes of the preceding sentence, a "change in control" shall mean: the Company's merger or consolidation with or into another corporation where the Company is not the surviving corporation; a sale, liquidation, disposal or transfer by the Company of all or substantially all of its assets; an acquisition by any unrelated party or group acting in concert of 50% or more (in the aggregate) of the Company's capital stock; any acquisition of interests in the Company in

connection with which the former directors of the Company become a minority of the members of the Board of directors; or any functionally similar change to any of the foregoing to the ownership or management of the Company.

You will also be entitled to participate in the Company's benefit plans to the same extent as, and subject to the same terms, conditions and limitations applicable to, other employees of the Company of similar rank. Our current benefits package includes comprehensive medical coverage, dental insurance, life and AD&D, and long term disability. The medical insurance is 90% paid for by the Company with a choice of three health care carriers. The Company pays 50% of the individual rate for the dental insurance. The life and AD&D insurance is 100% paid by the Company at two times salary. The long term disability insurance is employee paid. We also offer participation in a 401(k) plan with open enrollment on January 1 and July 1. These benefits are subject to change.

Upon your request, the Company will lend you $50,000 at any time prior to June 30, 1997 and an additional $50,000 at any time between July 1, 1997 and June 30, 1998 for a five year term. Such loans will bear an interest rate equal to the Applicable Federal Rate determined under Section 1274(d) of the Internal Revenue Code and will be full recourse loans.

In the event the Company terminates your employment without "cause" (as defined below) or you terminate your employment with the Company involuntarily (as defined below) (including, in each case, a termination by the Company's

successor after the acquisition of the Company, or its business or assets) (i) at any time prior to June 30, 1997, the Company or its successor, as applicable, will pay you severance equal to 12 months salary continuation at your then current base salary and (ii) thereafter, the Company or its successor, as applicable, will pay you severance equal to six months salary continuation at your then current base salary, and, in each such case, (a) during the applicable 12 month or 6 month period, you will continue to participate in the company's medical insurance plan and, to the extent permissible under such plans, the Company's other benefit plans, to the same extent as prior to such termination, and (b) vesting under your stock option agreement will be accelerated by 12 months or 6 months, under (i) and (ii) above, respectively. Such severance will be paid in equal installments in accordance with the Company's customary payroll practices. For purposes hereof, termination by the Company shall be considered termination for "cause" if such termination is for one or more of the following reasons: (i) your conviction in a court of law of any felony; (ii) dishonesty or willful misconduct which materially adversely affects the reputation or business activities of the Company or (iii) your continuing material failure or refusal to perform your duties as an employee of the Company or to carry out in all material respects the lawful directives of the Company, after notice of such failure or refusal and failure to cure such failure or refusal within 30 days of such notice. For purposes hereof, your termination of your employment by the Company will be considered involuntary if you terminate upon the occurrence of any one or

more of the following events: (i) a reduction in your base salary; (ii) a substantial reduction in your benefits without a similar reduction of the benefits of the other executive officers of the Company; or (iii) without your express written consent, your assignment to duties substantially inconsistent with your titles as set forth above, or a substantial reduction in your duties.

With the exception of the matters set forth in the preceding paragraph, the above employment terms are not contractual. They are a summary of our at-will employment relationship at the time you commence employment and, as such, are subject to later modification as business interests warrant. The Company believes that such an "at-will" relationship is in the best interests of both the Company and its employees.

Lastly, as a condition of employment with SeaChange, you will be required to sign a standard Employee Noncompetition, Nondisclosure and Inventions Agreement, a copy of which is attached for your review.

It will be a great pleasure to welcome you to SeaChange. I anticipate that you will be able to make a key contribution to the Company's success.

Very truly yours,

/s/ Bill Styslinger

Bill Styslinger

Enclosures

EXHIBIT 10.7

LICENSE AGREEMENT

This License Agreement (the "Agreement"), dated as of this 30th day of May, 1996, is between SUMMIT SOFTWARE SYSTEMS, INC. ("Licensor"), with an address of 1966 13th Street, Suite 200, Boulder, Colorado 80302, and SEA CHANGE INTERNATIONAL, INC. ("Licensee"), with an address of 124 Acton Street, Maynard, Massachusetts 01754.

Licensor is the owner of computer software and desires to license the software to Licensee for the purpose of resale and possibly modifying and enhancing the software for further resale.

In consideration of the foregoing, the covenants herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Licensor and Licensee agree as follows:

1. Definition of Terms.

1.1 Licensed Software. The term "Licensed Software" means any copy of the source code or object code version of the proprietary computer software identified on Schedule A of this Agreement, and all Bug Fixes to such software implemented by Licensor within six months of the date of this Agreement.

1.2 Bug Fixes. The term "Bug Fixes" shall refer to all modifications to correct errors in the Licensed Software, if any, identified by Licensee in writing or by Licensor within six months of the date of this Agreement and shall mean and include any modifications and enhancements developed by Licensor and released to Licensor's customers within such six-month period.

1.3 Derivative Work. The term "Derivative Work" means a work created by Licensee and based on or incorporating the Licensed Software and/or the Documentation, including, but not limited to, translations, abridgments, condensations, improvements, updates, enhancements, or any other form in which the Licensed Software and/or the Documentation may be recast, transformed, adapted, or revised, in each case to the extent that the work would constitute an infringement of Licensor's rights if created without the license granted hereby.

1.4 Documentation. The term "Documentation" means the manuals for the Licensed Software prepared by Licensor and identified on Schedule A of this Agreement.

1.5 Customer. The term "Customer" means any end user to whom Licensee sublicenses an object copy of the Licensed Software or Derivative Work.

1.6 Sublicense Agreement. The term "Sublicense Agreement" means a contract between Licensee and a Customer whereby the Customer is granted the right to use all or a part of any object code version of the Licensed Software or Derivative Works and which contains the terms specified in Schedule B.

1.7 Third-Party Software. The Licensed Software as delivered to Licensee requires the use of software which Licensor did not develop and owns no rights in. This software, listed in Schedule A, is available to Licensee from other commercial sources and is not included in any of the licensing terms, warranties or other representations or conditions of this Agreement. Licensee and Customers must make separate agreements to license such software.

2. License Grant.

2.1 Right to Modify. Subject to the terms of this Agreement, Licensor hereby grants to Licensee a nonexclusive, nontransferable license to use and copy the Licensed Software and Documentation and to modify the Licensed Software and Documentation to create Derivative Works. These rights may be exercised solely by Licensee and its contractors and consultants and only at Licensee's place of business or at the premises of Customers if appropriate safeguards have been taken by Licensee to ensure that only Licensee's employees, contractors and consultants have any access to source code of the Licensed Software and

Derivative Works and if such source code is only at a Customer's premises briefly and only while Licensee's programming staff is physically on site.

2.2 Right to Sublicense. Subject to the terms of this Agreement, Licensor grants Licensee a nonexclusive, nontransferable license to sublicense Customers to use an executable version or object library version of the Licensed Software, and that portion of the Documentation comprising the operator's and installer's instructions, and an exclusive license to use and sublicense Customers to use an executable version or object library version of Derivative Works, provided that:

(a) the Licensed Software and Derivative Works are sublicensed in executable version or object library version only; and

(b) Licensee has its Customer execute a Sublicense Agreement.

Licensee shall have no right to sublicense the source code version of the Licensed Software, the Derivative Works, or any technical documentation.

2.3 Exclusivity. Except as otherwise provided herein, the license granted herein is a nonexclusive license; provided, however, Licensor agrees that it shall not license the Licensed Software, or any modified or enhanced version or derivative work thereof, to or for sublicense or resale by, any person or entity that is at the time of such license a vendor of digital commercial insertion equipment.

3. Term.

Provided Licensee complies with the terms of this Agreement, the license granted herein shall be perpetual.

4. Fees and Payments.

4.1 Source Code License Fee. In return for the right to use, copy, and modify the source code for the Licensed Software and the right to create Derivative Works from such source code, Licensee agrees to pay Licensor the Source Code License Fee in the amount and as specified in Schedule A.

4.2 Sublicense Fee. Within thirty days after the end of each calendar quarter, beginning within two years from the date of this Agreement, Licensee will deliver to Licensor a report indicating the number of copies of the Licensed Software and Derivative Works which have been installed during the prior quarter and the number of copies (whether installed in the prior quarter or earlier) for which payment was received by Licensee during the prior quarter. With respect to each copy for which Licensee has received at least 50 percent of the initial license fees (excluding ongoing royalties and maintenance of support charges), at the time such report is delivered Licensee will remit payment of the appropriate Sublicense Fee as set forth in Schedule A. The obligation to pay Sublicense Fees shall be limited to installations made within two years of the date of this Agreement, but shall exist without regard to when payments from customers are received.

4.3 Taxes. Licensee will pay all taxes of any type that are imposed on this Agreement or on the use, modification, or sublicensing of the Licensed Software, Documentation, and Derivative Works by Licensee, other than taxes based on Licensor's net income.

4.4 Late Charges. Any payment or part of a payment that is not paid when due shall bear interest at the rate of 1.5 percent per month, or at the highest contract rate allowed by law, whichever is less, from its due date until paid.

4.5 Records and Audit. Licensee shall maintain accurate records relating to the copying, modification, distribution, and sublicensing of the Licensed Software and Derivative Works so as to establish the payments due to Licensor hereunder, to identify the location of all copies of the Licensed Software and Derivative Works, to identify all Sublicenses, and to otherwise verify Licensee's compliance with the terms of this Agreement. Such books and records shall be available upon reasonable notice at their place of keeping for inspection during business hours by an independent auditor chosen and paid by Licensor subject to the reasonable approval of Licensee for the purposes of determining whether the correct Sublicense Fees have been paid to Licensor and whether Licensee has otherwise complied with the terms of this Agreement. The auditor will be required to execute a confidentiality agreement with Licensee prior to commencing the inspection.

5. Delivery.

Licensor shall deliver a copy of the source code for the Licensed Software and a copy of the Documentation to Licensee pursuant to the schedule in Schedule A. Except for Bug Fixes, Licensor shall have no responsibility for delivering to Licensee any subsequent versions of the Licensed Software that it may develop in the future. Licensee is responsible for delivering the

object code version of the Licensed Software and the Derivative Works, as well as the permitted portion of the Documentation, to its Customers.

6. Training.

6.1 For Licensee. Licensor shall provide (a) five business days of training to Licensee at Licensor's offices at a mutually agreeable time to assist and train Licensee's employees regarding the programming and design of the Licensed Software and (b) five business days of training to Licensee at Licensor's offices at a mutually agreeable time to assist and train Licensee's employees in the installation, use, and maintenance of the Licensed Software. A syllabus for each training session will be prepared by Licensor at least 14 days prior to the training session (unless a shorter period is approved by Licensee), subject to the approval of Licensee in advance of the session, which approval shall not unreasonably be withheld or delayed.

6.2 For Customers. It is understood and agreed that any training necessary for Licensee's Customers shall be provided by Licensee. Licensor will assist in training, if requested by Licensee, on a mutually agreeable schedule and according to Licensor's then-current consulting rates, terms, and conditions.

7. Support.

7.1 Technical Support. Subject to the availability of its personnel, Licensor will provide reasonable technical assistance to Licensee, upon request, at Licensor's then-current rates, terms and conditions. Current rates are $600 per day plus expenses.

7.2 Quotes for New Projects. Subject to the availability of its personnel, Licensor will, upon request by Licensee, submit a bid or quote for work relating to the modification or enhancement of the Licensed Software which Licensee desires to accomplish. Current rates for additional work on system design are $120 per hour.

8. Ownership and Notices.

8.1 Licensor. Licensee acknowledges that the Licensed Software and Documentation as delivered hereunder are the sole and exclusive property of Licensor and that Licensee has not rights in the foregoing except those expressly granted by this Agreement. Licensee shall not remove, alter, cover, or obfuscate any copyright notice or other proprietary rights notice placed in or on machine language or human readable form. Licensee shall ensure that such notices continue to appear or exist in all copies of the Licensed Software (or portions thereof) made by Licensee.

8.2 Licensee. Licensor acknowledges that Derivative Works are the sole and exclusive property of Licensee, subject to Licensor's ownership of the Licensed Software and the license granted hereunder. Licensee shall ensure that an appropriate copyright or other proprietary rights notice with respect to Licensor's rights in any Derivative Work will appear in all copies of such Derivative Work.

9. Confidentiality.

Licensee acknowledges that the Licensed Software and certain portions of the Documentation contain, and the Derivative Works may contain, valuable trade secrets which are the sole and exclusive property of Licensor. Licensee agrees that it will not disclose this information to anyone other than its own employees, contractors and consultants who require access, that it will maintain and protect the confidentiality of this information, and that it will take all necessary and proper precautions to prevent any unauthorized use or disclosure of this information. Licensee agrees that if this Agreement is breached the remedy at law may be inadequate, and therefore, without limiting any other remedy available at law or in equity, an injunction, specific performance, or other forms of equitable relief or money damages or any combination thereof shall be available. All rights, powers, and remedies provided for herein are cumulative, and not exclusive, of any and all rights, powers, and remedies existing at law or in equity, and Licensor shall, in addition to the rights,

powers, and remedies herein conferred, be entitled to avail itself of all such other rights, powers, and remedies as may now or hereafter exist, including the Uniform Trade Secrets Act and similar statues and rules of law pertaining to trade secrets and confidential and proprietary information.

10. Warranty and Disclaimer.

Except for Licensor's obligation to provide Bug Fixes, Licensor makes no warranties and the Licensed Software is licensed "AS IS." LICENSOR SPECIFICALLY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

11. Limitation of Liability.

IT IS UNDERSTOOD AND AGREED THAT LICENSOR'S LIABILITY FOR ANY DAMAGES SUFFERED BY LICENSEE OR ITS CUSTOMERS (OTHER THAN PURSUANT TO SECTION 12 HEREOF) WHETHER IN CONTRACT, IN TORT, UNDER ANY WARRANTY THEORY, IN NEGLIGENCE, OR OTHERWISE SHALL BE LIMITED TO THE AMOUNT PAID TO LICENSOR BY LICENSEE PURSUANT TO SECTION 4.1 OF THIS AGREEMENT, REDUCED RATABLY OVER A TWO-YEAR TERM FROM THE DATE HEREOF. UNDER NO CIRCUMSTANCES SHALL LICENSOR BE LIABLE FOR ANY SPECIAL, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS) OF LICENSEE, ANY CUSTOMER, OR ANY OTHER THIRD PARTY, EVEN IF LICENSOR HAS BEEN PREVIOUSLY ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, NO ACTION, REGARDLESS OF FORM, ARISING OUT OF THE TRANSACTIONS UNDER THIS AGREEMENT MAY BE BROUGHT BY EITHER PARTY MORE THAN TWO YEARS AFTER SUCH PARTY KNEW OR SHOULD HAVE KNOWN OF THE OCCURRENCE OF THE EVENT(S) WHICH GAVE RISE TO THE CAUSE OF ACTION.

12. Infringement Indemnity.

12.1 Representation. Licensor represents that it owns all copyrighted material contained in and all trade secrets with respect to the Licensed Software and Documentation, except for the Third-Party Software identified on Schedule A, and that the Licensed Software and Documentation does not infringe the copyrights or trade secrets of any third party, and that Licensor is not aware of any claims that the Licensed Software or Documentation infringes any copyrights or trade secrets of any third party.

12.2 Indemnification. In the event that any suit is brought against Licensee based on a breach of the representation made in Section 12.1 or a claim that the Licensed Software in the form delivered to Licensee under this Agreement infringes any existing copyright or trade secret, Licensor agrees that it will:

(a) defend the suit at its expense, as long as Licensor is notified promptly in writing and is given complete authority and information required to defend the suit;

(b) pay all damages and costs awarded against Licensee; provided that Licensor's obligation to pay damages and costs shall not exceed the total sum paid by Licensee to Licensor hereunder, and provided that Licensor will not be responsible for any cost, expense, or compromise made by Licensee without Licensor's written consent; and

(c) allow Licensee to participate in the defense of the suit at its own expense, if it so elects.

In no event shall Licensor shave any liability for any claim based on (i) anything that Licensee provided which is incorporated into the unmodified version of the Licensed Software originally delivered by Licensor to Licensee, including, without limitation, Derivative Works prepared by Licensee, (ii)(a) any portion of the Licensed Software that has been modified after the unmodified version of the Licensed Software is originally delivered by Licensor, or (b) the use or license of the Licensed Software or any portion thereof, in each case where the original version of the Licensed Software delivered by Licensee would not, by itself, be infringing; or (iii) any portion of the Licensed Software used, licensed, or transported outside the United States, or for or in connection with any claim, suit, or proceeding based upon the laws of a foreign jurisdiction.

12.3 Licensor's Options. Should the Licensed Software or any part thereof become, or, in Licensor's opinion, be likely to become, the subject of a claim for infringement, Licensor may, at its own expense and option, either procure for Licensee the right to continue using such Licensed Software or replace the same with non-infringing software or modify the Licensed Software so that it becomes non-infringing. If neither of these options is reasonably practical, Licensor may require that the Licensed Software and all Derivative Works be returned and this Agreement terminated upon a refund to Licensee a ratable portion of the source Code License Fee paid hereunder prorated over a two-year period. Licensor shall have no obligation with respect to any such claim based

upon Licensee modification of the Licensed Software or its

combination, operation or use with equipment, data, or software not furnished by Licenser. Licensee shall have the option to procure continued use at its own expense.

13. Indemnification by Licensee.

Licensee shall indemnify Licensor from all claims, losses, and damages, including attorneys' fees, which may arise from Licensee's marking, installation, or support of the Licensed Software and all Derivative Works, including claims based on representations, warranties, or misrepresentations made by Licensee, inadequate installation, support, or assistance by Licensee, or any other act or failure to act on the part of licensee. Licensee shall have the right to participate in the defense of any such claim at its own expense.

14. Licensee Development of Replacement Product.

Licensor understands and acknowledges that Licensee intends and has already commenced the development of its own product (the "Licensee Software") which will have substantially the functionality of the Licensed Software, and that it is intended that the Licensed Software, including modifications or enhancements, be an interim product for sublicense by the Licensee until the Licensee software is available. The Licensor understands that the same employees, contractors and/or consultants that are developing the Licensee Product may also work on modifying or enhancing the Licensor Software or creating Derivative Works. Except to the extent the Licensee Software is developed wholly independently of the Licensed Software, it is expected that the Licensee Software will be a Derivative Work. In addition, it is possible that portions of the Licensed Software (i.e., billing and accounting) may be utilized or included in the Licensee Software. If and to the extent that the Licensee Software is a Derivative Work or contains a portion of the Licensed Software, for the remainder of the 2-year period referred to in Section 4.2, the Licensee will pay a Sublicense Fee with respect to the Licensee Software, such Sublicense Fee to be prorated based on the relative proportion of the portion of the Licensed Software contained in the Licensee Software to the Licensee Software as a whole.

15. Termination.

15.1 By Licensor. Licensor may terminate this Agreement on the occurrence of any of the following events:

(a) The failure of Licensee to pay any sum due hereunder within fifteen days of the date due if such amount is not paid within 15 days after notice from Licensor;

(b) Licensee's material violation of the confidentiality provisions of this Agreement;

(c) Any other material default by Licensee which has not been cured within thirty days of written notice given to Licensee by Licensor;

(d) If Licensee ceases to do business or comes insolvent;

(e) If Licensee attempts to assign this Agreement without the prior written approval of Licensor, which approval shall be not unreasonably withheld.

15.2 By Licensee. Licensee may terminate this Agreement at any time (subject to the payment of all amounts accrued hereunder to the effective date of termination) by giving 30 days' written notice to Licensor, or as otherwise provided in this Agreement.

15.3 Duties on Termination. Upon expiration or termination of this Agreement, Licensee agrees to cease using, modifying, and sublicensing the Licensed Software, Derivative Works, and Documentation and to return to Licensor all copies of the Licensed Software, and Documentation in its possession. The obligation of confidentiality set forth in this Agreement shall remain in effect notwithstanding any termination of this Agreement. Licensee shall retain all sublicense agreements and records pertaining to sublicense payments due to Licensor for a period of three years after termination.

15.4 Customer Rights on Termination. Termination of this Agreement shall not affect the rights of any Customer to sue the Licensed Software.

16. Assignment.

This Agreement may not be assigned by Licensee or Licensor without the

prior written approval of the other party, which approval shall not be unreasonably withheld.

17. Entire Agreement.

The parties agree that this Agreement constitutes the complete and exclusive statement of the agreement between them which supersedes all proposals, oral or written, and all other communications between them relating to the license and use of the Licensed Software.

18. Notices.

All notices and other communications under this Agreement shall be in writing and shall be deemed given upon the earlier of: actual delivery, five days after being mailed by registered or certified mail, return receipt requested with postage prepaid, or when sent by telecopy with receipt confirmed by telephone, to the parties at the following addresses or to such other addresses as a party may from time to time notify the other parties pursuant hereto:

If to Licensor: Summit Software Systems, Inc.
1966 13th Street, Suite 200
Boulder, Colorado 80302
Attention: Paul W. Adams, President
Telecopy No.: (303) 443-9934

If to Customer: Sea Change International, Inc.
124 Acton Street
Maynard, Massachusetts 01759

Attention: Bill Styslinger
Telecopy No.: (508) 897-0132

19. Amendments.

This Agreement may only be amended, changed, or modified in a writing signed by both parties.

20. Governing Law and Jurisdiction.

20.1 Dispute Resolution. This Agreement will be governed by and construed in accordance with the laws of the State of Colorado without giving effect to the conflict of laws provisions thereof. The parties consent to the exclusive jurisdiction and venue in any court of competent jurisdiction sitting in either the state courts or the federal district court in Colorado or Massachusetts, and to service of process under the statutes of Colorado and Massachusetts.

20.2 Arbitration. Any dispute, controversy or claim of any kind arising out of or in connection with this Agreement or the performance hereof (including questions as to whether the right to arbitrate exists) will be determined and settled by binding arbitration, which shall be the sole remedy for resolution thereof. Unless the parties agree otherwise, the arbitration will occur under the auspices of the American Arbitration Association, under its commercial arbitration rules. The arbitration shall be held in Boulder, Colorado (if initiated by Licensee) or Boston, Massachusetts (if initiated by Licensor), and shall be held before a single arbitrator. If the parties cannot agree on a single arbitrator within ten business days after the request of either party, such arbitrator shall be appointed by the American Arbitration Association in accordance with its rules, except as modified in this Section. As part of the arbitration, each party shall be entitled to engage in limited discovery (one set of interrogatories containing no more than fifty questions without subparts delivered at one time and no more than five business days of depositions each). The arbitration hearing shall be conducted no more than 60 days following submission of the matter to arbitration, with a decision to be rendered no more than 30 days after the close of the hearing by written opinion. Any award rendered will be final and conclusive upon the parities and shall not be appealable except on the limited grounds set forth in the U.S. Arbitration Act, and a judgment thereon may be entered in a court having competent jurisdiction. The arbitrators will have no power to vary or ignore the terms of this Agreement, will be bound to follow controlling law, may award compensation for attorneys' fees and costs to the prevailing party, but may not award any punitive or exemplary damages. The arbitrator in any dispute which is determined by arbitration pursuant to this Section will be authorized to apportion the costs of arbitration, excluding attorneys' fees, as part of the award, taking into consideration which, if any, party is the prevailing party in such arbitration. Nothing in this Section 20 shall prevent a party from seeking a temporary restraining order or other interim injunctive or provisional relief that would otherwise be available pending completion of the arbitration proceedings. The arbitrator's decision shall address the continuance or modification of any such interim relief.

21. Waiver.

The failure of either party to enforce any of the provisions hereof shall not be construed to be a waiver of the right of such party thereafter to enforce such provisions.

22. Relationship of the Parties.

Each party is acting as an independent contractor and not as agent, partner, or joint venturer with the other party for any purpose. Except as provided in this Agreement, neither party shall have any right, power, or authority to act or to create any obligation, express or implied, on behalf of the other.

23. Escrow.

Notwithstanding anything herein to the contrary, Licensor agrees that if required by Licensee's Customers, Licensee may enter into an escrow agreement with an escrow agent (the "Escrow Agent") reasonably satisfactory to Licensor pursuant to which the source code for the Licensed Software and/or Derivative Works and Documentation (collectively, the "Escrowed Materials") will be delivered to Escrow Agent for the benefit of the Customers. Licensor hereby authorizes the release of the Escrowed Materials to the Customers upon the occurrence of any one of the following events described below or any substantially similar event:

(i) Licensee shall cease conducting business in the normal course; be adjudicated insolvent; make a general assignment for the benefit of creditors; petition, apply for, suffer or permit with or without its consent the appointment of a custodian, receiver, trustee in bankruptcy or similar officer for all or any substantial part of its business or assets; or avail itself or become subject to any proceeding under the Federal Bankruptcy Code or any similar state, federal or foreign statute relating to bankruptcy, insolvency, reorganization, receivership, arrangement, adjustment of debts, dissolution or liquidation, which proceeding is not dismissed within one hundred and twenty (120) days of commencement thereof; or

(ii) default shall be made by Licensee in the observance or performance of any material term, covenant or agreement contained in a Sublicense Agreement with any Customer for a period of thirty (30) days from the date of receipt of written notice from the Customer advising of such default and Licensee has not cured such default within such thirty (30) day period.

As a condition to receipt of the Escrowed Materials, a Customer must execute an agreement in a form reasonably satisfactory to Licensor, agreeing to use the Escrowed Materials for the sole limited purpose of correcting software bugs, modifying the software, or taking other actions permitted under the terms of its end-user license agreement, to maintain the confidential nature of the Escrowed Materials, and not to disclose or to make any other use of the Escrowed Materials.

This Agreement is executed on the dates set forth below, to be effective as of the date first set forth above.

LICENSOR:		CUSTOMER:	
SUMMIT SOFTWARE SYSTEMS, INC.		SEACHANGE INTERNATIONAL, INC.	
By:	/s/ Paul W. Adams	By:	/s/ Bill Styslinger
Name:	Paul W. Adams	Name:	Bill Styslinger
Title:	President	Title:	President
Date:	5/31/96	Date:	5/30/96

EXHIBIT 11.1

SEACHANGE INTERNATIONAL, INC.

COMPUTATION OF NET INCOME (LOSS) PER SHARE(1)

<TABLE>
<CAPTION>

	JULY 9, 1993 (INCEPTION) THROUGH DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1996
<S>	<C>	<C>	<C>	<C>
Weighted average common and common equivalent shares:				
Weighted average common shares outstanding during the period.....	1,076,730	4,657,487	9,125,588	8,584,714
Weighted average common equivalent shares.....	--	885,600	1,328,400	1,867,513
Dilutive effect of common equivalent shares issued subsequent to September 1995(2).....	678,208	678,208	1,053,428	1,062,628
	1,754,937	6,221,295	11,507,416	11,514,855
Net income (loss).....	$ (17,900)	$ 154,800	$ 1,210,800	$ 2,122,100
Primary net income (loss) per share.....	$ (.01)	$ .02	$ .11	$ .18

</TABLE>

- --------

(1) Fully diluted net income (loss) per share has not been separately presented, as the amounts would not be materially different from primary net income (loss) per share.

(2) Common share equivalents are comprised of common stock options and convertible preferred stock and have been included in the calculation to the extent their effect is dilutive, except that pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83, common share equivalents issued at prices below the anticipated initial public offering price in the twelve months preceding the anticipated initial public offering have been included in the calculation for all periods presented.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in the Prospectus constituting part of this Registration Statement on Form S-1 of our report dated September 12, 1996, relating to the consolidated financial statements of SeaChange International, Inc., which appears in such Prospectus. We also consent to the application of such report to the Financial Statement Schedule for the period July 9, 1993 (inception) through June 30, 1996 listed under Item 16(b) of this Registration Statement when such schedule is read in conjunction with the consolidated financial statements referred to in our report. The audits referred to in such report also included this schedule. We also consent to the references to us under the headings "Experts" and "Selected Financial Data" in such Prospectus. However, it should be noted that Price Waterhouse LLP has not prepared or certified such "Selected Financial Data."

Price Waterhouse LLP

Boston, Massachusetts
September 17, 1996

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<FN>
<F1> Series B redeemable convertible preferred stock, $.01 par value; 1,000,000 shares of preferred stock authorized: 650,487 shares designated, issued and outstanding at June 30, 1996, at issuance price, net of issuance costs: 4,008,100
<F2> Series A convertible preferred stock, $.01 par value; 1,000,000 shares of preferred stock authorized: 30,000 shares designated, 11,808 shares issued at June 30, 1996, at issuance price: 100
<F3> Additional paid-in capital: 414,200
Retained earnings: 3,393,600
</FN>

</TABLE>