AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 4, 1996

REGISTRATION NO. 333-12233

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

AMENDMENT NO. 1

TO
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:

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BOSTON, MASSACHUSETTS 02110
(617) 248-7563

KEITH F. HIGGINS, ESQ.
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ONE INTERNATIONAL PLACE
BOSTON, MASSACHUSETTS 02110
(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................	$32,200,000	$2,483(2)

</TABLE>

(1) Estimated solely for purposes of determining the registration fee pursuant to Rule 457(a).

(2) A registration fee of $8,621 was previously paid in connection with the initial filing of the Registration Statement.

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.

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 October 4, 1996

2,000,000 Shares

[LOGO]

COMMON STOCK

OF THE 2,000,000 SHARES OF COMMON STOCK BEING OFFERED HEREBY, 1,715,000 SHARES ARE BEING SOLD BY THE COMPANY AND 285,000 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 $12.00 AND $14.00 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 SECURITIESAND 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)......................	$	$	$	$

</TABLE>

- -----

(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 $850,000.

(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 300,000 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 and pay-per-view movie markets, 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 6 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...........	2,000,000 shares, including 1,715,000 shares by the Company and 285,000 shares by the Selling Stockholders
Common Stock to be outstanding after this offering...........	12,752,012 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)

<TABLE>
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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	JUNE 30, 1996 AS ADJUSTED(3)
<S>	<C>	<C>
CONSOLIDATED BALANCE SHEET DATA:		
Working capital..	$ 1,369	$21,253
Total assets...	23,857	43,742
Long-term liabilities..................................	--	--
Redeemable convertible preferred stock..................	4,008	--
Total stockholders' equity.............................	1,373	25,265

</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 1,715,000 shares of Common Stock offered by the Company hereby at an assumed initial public offering price of $13.00 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 significant 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 66.8% 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. In addition to the 2,000,000 shares offered hereby, approximately 298,000 shares of Common Stock outstanding as of August 31, 1996, 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 6,530,000 additional shares of Common Stock will be available for sale in the public market, subject to the provisions of Rule 144 or Rule 701 under the Securities Act. At August 31, 1996, approximately 48,000 shares of Common Stock were issued or issuable pursuant to vested options under the Company's stock plans. Shares issued or issuable upon exercise of options under these plans generally will be eligible for sale in the public market, subject to the Lock-Up Agreements. In addition, the holders of approximately 1,093,000 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 1,715,000 shares of Common Stock offered by the Company hereby are estimated to be approximately $19,884,350 ($21,032,900 if the Underwriters' over-allotment option is exercised in full) assuming an initial public offering price of $13.00 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, as of the date of this Prospectus, the Company has no commitments or agreements with respect to any significant acquisitions, 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's credit facility prohibits the Company from paying cash dividends without the bank's consent. 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 1,715,000 shares of Common Stock offered by the Company hereby, at an assumed initial public offering price of $13.00 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, 12,751,074 shares issued and outstanding as adjusted(2)....	96	$ 119	$ 136
Additional paid-in capital.....	414	4,399	24,266
Retained earnings.............	3,394	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	25,265
Total capitalization.......	$ 5,381	$ 5,381	$ 25,265

</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 1,715,000 shares of Common Stock offered by the Company hereby (at an assumed initial public offering price of $13.00 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 $24,642,600, or $1.93 per share. This represents an immediate increase in the pro forma net tangible book value of $1.50 per share to existing stockholders and an immediate dilution of $11.07 per share to new investors. The following table illustrates the per share dilution:

Assumed initial public offering price per share		$13.00
Pro forma net tangible book value per share before the offering	$.43	
Increase in pro forma net tangible book value per share attributable to new investors	1.50	
Pro forma net tangible book value per share after the offering		1.93
Dilution per share to new investors		$11.07

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 $13.00 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:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders(1)(2)	11,037,012	86.6%	$ 1,957,105	8.1%	$ .18
New investors	1,715,000	13.4	22,295,000	91.9	13.00
Total	12,752,012	100.0%	$24,252,105	100.0%	

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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 10,752,012, or approximately 84.3%, and will increase the number of shares held by the new investors to 2,000,000, or approximately 15.7% 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>
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	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>

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	DECEMBER 31, 1993	DECEMBER 31, 1994	DECEMBER 31, 1995	JUNE 30, 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,	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1993	1994	1995	1995	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,	JUNE 30,	SEPT. 30,	DEC. 31,	MARCH 31,	JUNE 30,

	1995	1995	1995	1995	1996	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

<CAPTION>

	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. In September 1996 the Company entered into a $6.0 million revolving line of credit and a $1.5 million equipment line of credit (the "Lines of Credit") with a bank. The revolving line of credit expires on September 24, 1997 and the equipment line of credit expires on March 31, 1997. Borrowings under the Lines of Credit are secured by substantially all of the Company's assets. Loans made under the revolving line of credit will bear interest at a rate per annum equal to, at the Company's option, the bank's base rate or the LIBOR rate plus an applicable margin. Loans made under the equipment line of credit will bear interest at a rate per annum equal to the bank's base rate. The loan agreement relating to the Lines of Credit requires that the Company provide the bank with certain periodic financial reports and comply with certain financial ratios. As of September 30, 1996, the Company had not borrowed against either of these lines.

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 and pay-per-view movie markets 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 6 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 a 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 August 31, 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 is installing Media Management Software for one customer for use at multiple sites with 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 SeaChange Movie System has been ordered by

one customer for use with the Guestnet movie programming and the Company expects to begin marketing the integrated system 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 pay-per-view movies. Pay-per-view movies are presented at regular intervals 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 pay-per-view movies and has received an order for one system from a customer with 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 August 31, 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 September 30, 1996, the Company had an installed base of more than 100 digital video insertion systems in the United States and 6 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 DESIGINATING 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 August 31, 1996, the Company's selling and marketing organization consisted of 12 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 August 31, 1996, 41 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 August 31, 1996, the Company employed 104 persons, including 41 in research and development, 28 in customer service and support, 12 in selling and marketing, 12 in manufacturing and 11 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 small sales and support offices in Burlingame, California and St. Louis, Missouri. 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:

<TABLE>
<CAPTION>

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.	44	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

</TABLE>

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(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

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(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				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(4)	
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	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
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%	--	1,781,454	14.0%
Edward J. Delaney, Jr.(3).................	1,353,000	12.3	--	1,353,000	10.6
Edward J. McGrath(4)....	1,218,600	11.0	--	1,218,600	9.6
Mark Sanders(5).........	772,141	7.0	--	772,141	6.1
Paul H. Saunders(6).....	757,031	6.9	--	757,031	5.9
Summit Partners(7)	722,364	6.5	239,851	482,513	3.8
Alan R. Lathrop(8)......	638,550	5.8	--	638,550	5.0
Thomas Franeta(9).......	600,001	5.4	--	600,001	4.7
Carmine Vona(10)........	319,881	2.9	--	319,881	2.5
Bruce E. Mann...........	300,000	2.7	--	300,000	2.4
Advent International(11)................	180,595	2.1	45,149	135,446	1.1
Martin R. Hoffmann(12)..	167,174	1.5	--	167,174	1.3
Beat Marti(13)..........	151,050	1.4	--	151,050	1.2
Joseph S. Tibbetts, Jr.(14)................	30,000	*	--	30,000	*
All executive officers and directors as a group (11 persons)(15)(16)...	7,316,741	66.0	--	7,316,741	57.2

</TABLE>

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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 shares of Common Stock and shares of Common Stock issuable upon conversion of all outstanding shares of the Company's Preferred Stock. 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, 360,000 shares of Common Stock held by The Delaney Family Limited Partnership of which Mr. Delaney is both a general and a limited partner, 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 of which Mr. McGrath is both a general and a limited partner, 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.

(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 02210.

(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 36,120 shares owned by Adtel Limited Partnership, 903 shares owned by Advent International Investors II Limited Partnership, 36,120 shares owned by Advent Partners Limited Partnership, 36,120 shares owned by Adwest Limited Partnership and 71,332 shares owned by Golden Gate Development & Investment Limited Partnership, in each case prior to the sale of shares in this offering, of which 26,899, 673, 26,899, 26,899 and 53,125, 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 Advent International is 101 Federal Street, Boston, MA 02108.

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) The above table assumes no exercise of the over-allotment option. If the Underwriters exercise their over-allotment option in full, the number of shares sold, the number of shares beneficially owned and the percentage of ownership after the offering for each of the persons listed in the above table would be: (a) William C. Styslinger, III--32,821, 1,748,633, 13.7%; (b) Edward J. Delaney, Jr.--36,000, 1,317,000, 10.3%; (c) Edward J. McGrath--61,650, 1,156,950, 9.1%; (d) Mark Sanders--23,130, 749,011, 5.9%; (e) Paul H. Saunders--0, 757,031, 5.9%; (f) Summit Partners--0, 482,513, 3.8%; (g) Alan R. Lathrop--6,000, 632,550, 5.0%; (h) Thomas Franeta--0, 600,001, 4.7%; (i) Carmine Vona--0, 319,881, 2.5%; (j) Bruce E. Mann--0, 300,000, 2.4%; (k) Advent International--0, 135,446, 1.1%; (l) Martin R. Hoffmann--0, 167,174, 1.3%; (m) Beat Marti--0, 151,050, 1.2%; (n) Joseph S. Tibbetts, Jr.--0, 30,000, *; and (o) all executive officers and directors as a group (11 persons)--136,471, 7,180,270, 56.1%. In addition, if the over-allotment option is exercised in full, seven other Selling Stockholders, who are all employees of the Company, who beneficially own in the aggregate 1,122,060 shares or 10.2% prior to the offering will sell an aggregate of 45,399 shares of Common Stock. Such Selling Stockholders would beneficially own in the aggregate 1,076,661 or 8.4% after the offering.

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 60 stockholders of record. Based upon the number of shares outstanding as of that date and giving effect to the issuance of the 1,715,000 shares of Common Stock offered by the Company hereby, there will be 12,752,012 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 12,752,012 shares of Common Stock outstanding (assuming no exercise of outstanding options). Of these shares, the 2,000,000 shares (2,300,000 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 10,752,012 shares of Common Stock outstanding upon completion of this offering are deemed "Restricted Shares" under Rule 144 or Rule 701 under the Securities Act. Subject to the lock-up agreements described below (the "Lock-up Agreements"), approximately 6,386,000 Restricted Shares will be eligible for sale in the public market pursuant to Rule 144 or Rule 701 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 127,520 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. Rule 701 provides that currently outstanding shares of Common Stock acquired under the Company's employee compensation 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.

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 also 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 681,400 additional shares, of which options to purchase 41,102 shares were exercisable as of August 31, 1996, 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, the executive officers and directors, the Selling Stockholders and certain other stockholders 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 Morgan Stanley & Co. Incorporated. 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 1,092,753 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:

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

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 300,000 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, the Selling Stockholders 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.

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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 October 4, 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
				(UNAUDITED)
<S>	<C>	<C>	<C>	<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,	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1993	1994	1995	1995	1996
				(UNAUDITED)	
<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

	SERIES B REDEEMABLE CONVERTIBLE PREFERRED STOCK	
	NUMBER OF SHARES	AMOUNT
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).....	--	$ --

STOCKHOLDERS' EQUITY (DEFICIT)

STOCKHOLDERS' (DEFICIT)	SERIES A CONVERTIBLE PREFERRED STOCK NUMBER OF SHARES	SERIES A CONVERTIBLE PREFERRED STOCK AMOUNT	COMMON STOCK NUMBER OF SHARES	COMMON STOCK PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TREASURY STOCK	NOTES RECEIVABLE FROM STOCKHOLDERS	TOTAL EQUITY
Issuance of common stock.....	--	$ --	3,150,000	$ 31,500	$ --	$ (31,100)	$ --	$ --	$ 400
Net loss.........	--	--	--	--	--	(17,900)	--	--	(17,900)
Balance at December 31, 1993...........	--	--	3,150,000	31,500	--	(49,000)	--	--	(17,500)
Issuance of common stock.....	--	--	6,159,615	61,600	--	(45,100)	--	--	16,500
Conversion of notes payable to Series A preferred stock..	5,000	--	--	--	128,500	--	--	--	128,500
Issuance of Series A preferred stock..	6,808	100	--	--	238,200	--	--	--	238,300
Purchase of treasury stock...	--	--	--	--	--	--	(3,600)	--	(3,600)
Net income.......	--	--	--	--	--	154,800	--	--	154,800
Balance at December 31, 1994...........	11,808	100	9,309,615	93,100	366,700	60,700	(3,600)	--	517,000
Issuance of common stock.....	--	--	316,125	3,200	6,900	--	--	--	10,100
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...........	11,808	100	9,625,740	96,300	373,600	1,271,500	(3,600)	(795,000)	942,900
Issuance of common stock pursuant to exercise of stock options.........	--	--	5,678	100	4,400	--	--	--	4,500
Compensation expense associated with stock options....	--	--	--	--	36,200	--	--	--	36,200
Purchase of treasury stock...	--	--	--	--	--	--	(2,527,600)	795,000	(1,732,600)
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	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	DECEMBER 31, 1993	1994	1995	1995	1996
				(UNAUDITED)	
<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 stock,					

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

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

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	ESTIMATED USEFUL LIFE (YEARS)	DECEMBER 31, 1994	DECEMBER 31, 1995	JUNE 30, 1996
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

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:

	DECEMBER 31, 1994	DECEMBER 31, 1995	JUNE 30, 1996
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

6. INCOME TAXES

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

	YEAR ENDED DECEMBER 31, 1994	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1996
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, 1994	DECEMBER 31, 1995	JUNE 30, 1996
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, 1994	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1996
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:

	YEAR ENDED DECEMBER 31, 1995		SIX MONTHS ENDED JUNE 30, 1996	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
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	

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:

	OPTIONS OUTSTANDING		
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT JUNE 30, 1996	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
$ .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		

	OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER EXERCISABLE AT JUNE 30, 1996	WEIGHTED AVERAGE EXERCISE PRICE
$ .50	30,330	$ .50

1.23-1.36	--	--
4.19-5.00	--	--
6.67-7.33	3,380	7.33
	33,710	

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:

	YEAR ENDED DECEMBER 31, 1995	SIX MONTHS ENDED JUNE 30, 1996
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

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:

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

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	$ 11,104
NASD filing fee	3,720
Nasdaq National Market listing fee	*
Printing and engraving expenses	100,000
Legal fees and expenses	300,000
Accounting fees and expenses	350,000
Blue Sky fees and expenses (including legal fees)	15,000
Transfer agent and registrar fees and expenses	5,000
Miscellaneous	*
Total	$850,000

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
<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.
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.
10.8	--Loan and Security Agreement, dated September 25, 1996, between the Company and BayBank, N.A.
10.9	--Working Capital Line of Credit-Master Note, dated September 25, 1996, between the Company and BayBank, N.A.
10.10	--Equipment Line of Credit-Master Note, dated September 25, 1996, between the Company and BayBank, N.A.
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.

** Previously filed.

(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 AMENDMENT NO. 1 TO FORM S-1 TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE TOWN OF MAYNARD, MASSACHUSETTS, ON THE 4TH DAY OF OCTOBER, 1996.

SeaChange International, Inc.

/s/ Joseph S. Tibbetts, Jr.

By: _________________________________

JOSEPH S. TIBBETTS, JR. VICE PRESIDENT, FINANCE AND

ADMINISTRATION, CHIEF FINANCIAL OFFICER AND TREASURER

POWER OF ATTORNEY AND SIGNATURES

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
* WILLIAM C. STYSLINGER, III	President, Chief Executive Officer, Chairman of the Board and Director (Principal Executive Officer)	October 4, 1996
/s/ Joseph S. Tibbetts, Jr. JOSEPH S. TIBBETTS, JR.	Vice President, Finance and Administration, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	October 4, 1996
* MARTIN R. HOFFMANN	Director	October 4, 1996
* EDWARD J. MCGRATH	Director	October 4, 1996
* PAUL SAUNDERS	Director	October 4, 1996
* CARMINE VONA	Director	October 4, 1996

/s/ Joseph S. Tibbetts, Jr.
By: ___________________________
JOSEPH S. TIBBETTS, JR. ATTORNEY-IN-FACT

SCHEDULE II

SEACHANGE INTERNATIONAL, INC.

VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS AND WRITE-OFFS	BALANCE AT END OF PERIOD
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

EXHIBIT INDEX

(A) EXHIBITS:

EXHIBIT NO.	DESCRIPTION
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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.
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27.1**	--Financial Data Schedule.

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* To be filed by amendment.

** Previously filed.

EXHIBIT 1.1

____________ Shares

SEACHANGE INTERNATIONAL, INC.

COMMON STOCK ($.01 PAR VALUE PER SHARE)

UNDERWRITING AGREEMENT

_________, 1996

MORGAN STANLEY & CO. INCORPORATED
ALEX. BROWN & SONS INCORPORATED
MONTGOMERY SECURITIES

_________, 1996

Morgan Stanley & Co. Incorporated
Alex. Brown & Sons Incorporated
Montgomery Securities
c/o Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036

Dear Sirs and Mesdames:

SeaChange International, Inc., a Delaware corporation (the "Company"), proposes to issue and sell to the several Underwriters named in Schedule II hereto (the "Underwriters"), and certain shareholders of the Company (the "Selling Shareholders") named in Schedule I hereto severally propose to sell to the several Underwriters, an aggregate of ___________ shares of the common stock ($.01 par value per share) of the Company (the "Firm Shares"), of which __________ shares are to be issued and sold by the Company and __________ shares are to be sold by the Selling Shareholders, each Selling Shareholder selling the amount set forth opposite such Selling Shareholder's name in Schedule I hereto.

The Company also proposes to issue and sell to the several Underwriters not more than an additional __________ shares of its common stock ($.01 par value per share) (the "Additional Shares") if and to the extent that you, as Managers of the offering, shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 3 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "Shares." The shares of common stock ($.01 par value per share) of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "Common Stock." The Company and the Selling Shareholders are hereinafter sometimes collectively referred to as the "Sellers."

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the

"Securities Act"), is hereinafter referred to as the "Registration Statement"; the prospectus in the form first used to confirm sales of Shares is hereinafter referred to as the "Prospectus." If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement.

I. Representations and Warranties of the Company. The Company

----
represents and warrants to and agrees with each of the Underwriters that:

(a). The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b). (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph 1(b) do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(c). The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(d). Each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly

qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(e). This Agreement has been duly authorized, executed and delivered by the Company.

(f). The authorized capital stock of the Company conforms as to legal matters to the description thereof contained in the Prospectus.

(g). The shares of Common Stock (including the Shares to be sold by the Selling Shareholders) outstanding prior to the issuance of the Shares to be sold by the Company have been duly authorized and are validly issued, fully paid and non-assessable.

(h). The Shares to be sold by the Company have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(i). The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law or the certificate of incorporation or by-laws of the Company or any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(j). There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements

thereto subsequent to the date of this Agreement).

(k). There are no legal or governmental proceedings pending or, to the best of the Company's knowledge after due inquiry, threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of

the Company or any of its subsidiaries is subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(l). Each preliminary prospectus filed as part of the registration statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(m). The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(n). The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole. The Company, in its reasonable judgment, has concluded that any costs or liabilities associated with the effect of Environmental Laws on its business, operations and properties (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) would not, singly or in the aggregate, have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(o). Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, (i) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction not in the ordinary course of business; (ii) the Company has not purchased any of its outstanding capital stock, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (iii) there has not been any material change in the capital stock, short-term debt or long-term

debt of the Company and its consolidated subsidiaries, except in each case as would not reasonably be expected to result in any material adverse change in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries taken as a whole or as described in or contemplated by the Prospectus.

(p). The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases or subleases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in or contemplated by the Prospectus.

(q). The Company and its subsidiaries own or possess, or can acquire on reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information,

systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, in the Company's reasonable judgment, would result in any material adverse change in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole.

(r). No material labor dispute with the employees of the Company or any of its subsidiaries exists, except as described in or contemplated by the Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that could result in any material adverse change in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole.

(s). The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are

engaged; neither the Company nor any such subsidiary has been refused any insurance coverage sought or applied for; and neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not materially and adversely affect the condition, financial or otherwise, or the earnings, business or operations of the Company and its subsidiaries, taken as a whole, except as described in or contemplated by the Prospectus.

(t). The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither the Company nor any such subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a material adverse change in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, except as described in or contemplated by the Prospectus.

(u). The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(v). The accountants who have certified or shall certify the financial statements filed or to be filed with the Commission as part of the Registration Statement and the Prospectus are independent accountants as required by the Securities Act. The consolidated financial statements of the Company and its subsidiaries (together with the related notes thereto) included in the Registration Statement present fairly the financial position and results of operations of the Company and its subsidiaries at the respective dates and for the respective periods to which they apply, subject to normal year-end adjustments. Such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved except as otherwise stated therein. The pro forma financial information of the Company and its subsidiaries included in the Registration Statement has been prepared in accordance with the Commission's rules and guidelines with respect to pro forma

financial statements, has been properly compiled on the bases described therein and, in the opinion of the Company and its subsidiaries, the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

(w). The Shares have been approved for listing on the Nasdaq National Market, subject to official notice of issuance.

(x). Except as described in the Prospectus, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement, and the right of each person who is a party to any contract, agreement or understanding so described to include such securities pursuant to the Registration Statement has been effectively satisfied or waived.

(y). The Company has complied with all provisions of Section 517.075, Florida Statutes relating to doing business with the Government of Cuba or with any person or affiliate located in Cuba.

2. Representations and Warranties of the Selling Shareholders. Each of the Selling Shareholders acting severally and not jointly represents and warrants to and agrees with each of the Underwriters that:

(a). This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Shareholder.

(b). The execution and delivery by such Selling Shareholder of, and the performance by such Selling Shareholder of its obligations under, this Agreement, the Custody Agreement signed by such Selling Shareholder and ChaseMellon Shareholder Services, L.L.C., as Custodian, relating to the deposit of the Shares to be sold by such Selling Shareholder (the "Custody Agreement") and the Power of Attorney appointing certain individuals as such Selling Shareholder's attorneys-in-fact to the extent set forth therein, relating to the transactions contemplated hereby and by the Registration Statement (the "Power of Attorney") will not contravene any provision of applicable law, or the certificate of incorporation or by-laws of such Selling Shareholder (if such Selling Shareholder is a corporation), or the partnership agreement of such Selling Shareholder (if such Selling Shareholder is a partnership), or any agreement or other instrument binding upon such Selling Shareholder or any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Shareholder, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by such Selling Shareholder of its obligations under this Agreement

or the Custody Agreement or Power of Attorney of such Selling Shareholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares.

(c). Such Selling Shareholder has, and on the Closing Date will have, valid title to the Shares to be sold by such Selling Shareholder and the legal right and power, and all authorization and approval required by law, to enter into this Agreement, the Custody Agreement and the Power of Attorney and to sell, transfer and deliver the Shares to be sold by such Selling Shareholder.

(d). The Custody Agreement and the Power of Attorney have been duly authorized, executed and delivered by such Selling Shareholder and are valid and binding agreements of such Selling Shareholder.

(e). Delivery of the Shares to be sold by such Selling Shareholder pursuant to this Agreement will pass title to such Shares free and clear of any security interests, claims, liens, equities and other encumbrances.

(f). If the Selling Shareholder is an officer or director of the Company, (i) the Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder and (iii) the Prospectus does not contain and, as amended or supplemented, if applicable, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph 2(f) do not apply to statements or omissions in the Registration Statement or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(g). For each Selling Shareholder other than those making a representation and warranty pursuant to paragraph 2(f) above, all

information relating to such Selling Shareholder furnished to the Company in writing by or on behalf of such Selling Shareholder for use in the Registration Statement and the Prospectus is, and on the Closing Date will be, true, correct, and complete, and does not, and on the Closing Date will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make such information not misleading.

3. Agreements to Sell and Purchase. Each Seller, severally and not jointly, hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from such Seller at $______ a share (the "Purchase Price") the number of Firm Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the number of Firm Shares to be sold by such Seller as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have a one time right to purchase, severally and not jointly, up to __________ Additional Shares at the Purchase Price. If you, on behalf of the Underwriters, elect to exercise such option, you shall so notify the Company in writing not later than 30 days after the date of this Agreement, which notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Such date may be the same as the Closing Date (as defined below) but not earlier than the Closing Date nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 5 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. If any Additional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of Firm Shares set forth in Schedule II hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

Each Seller hereby agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the Prospectus, (i) 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 (provided that such shares or securities are either now owned by such Seller or are hereafter acquired prior to or in connection with the offering of the Shares under this Agreement) or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Shares to be sold hereunder, (B) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the Underwriters have been advised in writing, (C) the issuance by the Company of shares of Common Stock other than upon

the exercise of an option or warrant referred to in clause (B) or options to purchase shares of Common Stock pursuant to the Company's existing stock option and purchase plans, (D) the transfer of shares of Common Stock by a Selling Shareholder as a gift or gifts; and (E) the transfer of shares of Common Stock by a Selling Shareholder to the Selling Shareholder's affiliates, as such term is defined in Rule 405 under the Securities Act; provided, that, in the case of clause (C) (other than with respect to options not exercisable and shares subject to restrictions that will not vest within the 180 day period), (D) or (E) above, the recipient(s), donee(s) or transferee(s), respectively, agrees in writing as a condition precedent to such issuance, gift or transfer to be bound by the terms of this paragraph. In addition, each Selling Shareholder, agrees that, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the Underwriters, it will not, during the period commencing on the date hereof and ending 180 days after the date of the Prospectus, make any demand for, or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock.

4. Terms of Public Offering. The Sellers are advised by you that the Underwriters propose to make a public offering of their respective portions

of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Sellers are further advised by you that the Shares are to be offered to the public initially at $_______ a share (the "Public Offering Price") and to certain dealers selected by you at a price that represents a concession not in excess of $_______ a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $______ a share, to any Underwriter or to certain other dealers.

5. Payment and Delivery. Payment for the Firm Shares to be sold by each Seller shall be made to such Seller in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 A.M., New York City time, on ___________,1996, or at such other time on the same or such other date, not later than _______________, 1996, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "Closing Date." The closing of the offering and sale of the Firm Shares will be held at the offices of Ropes & Gray, One International Place, Boston, Massachusetts.

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 A.M., local time, on the date specified in the notice described in Section 3 or on such other date, in any event not later than ____________, 1996, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "Option Closing Date." The closing of the offering and sale of the Additional Shares will be held at the offices of Ropes & Gray, One International Place, Boston, Massachusetts.

Certificates for the Firm Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as you shall request in writing not later than two full business days prior to the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and Additional Shares shall be delivered to you on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters, with any transfer taxes payable in connection with the transfer of the Shares to the Underwriters duly paid, against payment of the Purchase Price therefor.

6. Conditions to the Underwriters' Obligations. The obligations of the Sellers to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than [________________] (New York time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a). Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i). if any of the Company's securities are rated by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act, there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any such securities; and

(ii). there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement) that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

(b). The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed by an executive officer of the Company, to the effect set forth in clause (a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

The officer signing and delivering such certificate may rely upon the best

of his or her knowledge as to proceedings threatened.

(c). The Underwriters shall have received on the Closing Date an opinion of Testa, Hurwitz & Thibeault, LLP, outside counsel for the Company, dated the Closing Date, to the effect that:

(i). the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing in _____, _____ and _____, which are the only jurisdictions in which the Company maintains an office or owns or leases property;

(ii). each subsidiary of the Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has the corporate power and authority to own its property and to conduct its business as described in the Prospectus and is duly qualified to transact business and is in good standing _____, _____ and _____, which are the only jurisdictions in which such subsidiary maintains an office or owns or leases property;

(iii). the authorized capital stock of the Company conforms as to legal matters to the description thereto contained in the Prospectus under the caption "Description of Capital Stock" and the Shares have been duly authorized for quotation on the Nasdaq National Market;

(iv). the shares of Common Stock (including the Shares to be sold by the Selling Shareholders) outstanding prior to the issuance of the Shares to be sold by the Company have been duly authorized and are validly issued, fully paid and non-assessable;

(v). the Shares to be sold by the Company have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive rights under the General Corporation Law of the State of Delaware or, to such counsel's knowledge, similar rights granted by contract;

(vi). this Agreement has been duly authorized, executed and delivered by the Company;

(vii). the execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene any provision of applicable law (except that counsel need express no opinion as to state securities or blue sky laws) or the certificate of incorporation or by-laws of the Company or, to the best of such counsel's knowledge, any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except that counsel need express no opinion as to state securities or blue sky laws;

(viii). no shares of Common Stock are required pursuant to any agreement or other right to be registered under the Registration Statement, and no person has the right to require such registration, except such rights that have either been satisfied or validly waived;

(ix). the statements (A) in the Prospectus under the captions "Risk Factors -- Potential Adverse Effects of Anti-Takeover Provisions," "Management -- Director Compensation," "--Executive Compensation," "--Stock Plans," "Description of Capital Stock," "Shares Eligible for Future Sale," and "Underwriters" and (B) in the Registration Statement in Items 14 and 15, in each case insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present in all material respects the information called for with respect to such legal matters, documents and proceedings and fairly summarize the matters referred to therein;

(x). after due inquiry, such counsel does not know of any legal or governmental proceedings pending or threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject that

are required to be described in the Registration Statement or the Prospectus and are not so described or of any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required;

(xi). the Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus, will not be an "investment company" as such term is defined in the Investment Company Act of 1940, as amended;

(xii). such counsel (A) is of the opinion that the Registration Statement and Prospectus (except for financial statements and schedules and other financial and statistical data included therein as to which such counsel need not express any opinion) comply as to form in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (B) has no reason to believe that (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) the Registration Statement and the prospectus included therein at the time the Registration Statement became effective contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (C) has no reason to believe that (except for financial statements and schedules and other financial and statistical data as to which such counsel need not express any belief) the Prospectus contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

d. The Underwriters shall have received on the Closing Date an opinion of Testa, Hurwitz & Thibeault, LLP, counsel for the Selling Shareholders, dated the Closing Date, to the effect that:

(i). this Agreement has been duly authorized, executed and delivered by or on behalf of each of the Selling Shareholders;

(ii). the execution and delivery by each Selling Shareholder of, and the performance by such Selling Shareholder of its obligations under, this Agreement and the Custody Agreement and Powers of Attorney of such Selling Shareholder will not contravene any provision of applicable law, or the certificate of incorporation or by-laws of such Selling Shareholder (if such Selling Shareholder is a corporation) or the certificate of partnership or partnership agreement (if such Selling Shareholder is a partnership), or, to the best of such counsel's knowledge, any agreement or other instrument binding upon such Selling Shareholder or, to the best of such counsel's knowledge, any judgment, order or decree of any governmental body, agency or court having jurisdiction over such Selling Shareholder, and no consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by such Selling Shareholder of its obligations under this Agreement or the Custody Agreement or Power of Attorney of such Selling Shareholder, except such as may be required by the securities or Blue Sky laws of the various states in connection with offer and sale of the Shares;

(iii). each of the Selling Shareholders is the record owner of the Shares to be sold by such Selling Shareholder and has the legal right and power, and all authorization and approval required by law, to enter into this Agreement and the Custody Agreement and Power of Attorney of such Selling Shareholder and to sell, transfer and deliver the Shares to be sold by such Selling Shareholder;

(iv). the Custody Agreement and the Power of Attorney of each Selling Shareholder have been duly authorized, executed and delivered by such Selling Shareholder and are valid and binding agreements of such Selling Shareholder;

(v). each Underwriter that is a "bona fide purchaser" within the meaning of Article 8 of the Massachusetts Uniform Commercial Code (the "Code") will acquire, upon payment for the Shares as provided in this Agreement, its interest in the Shares, free of any adverse claim, as defined in the Code.

(e). The Underwriters shall have received on the Closing Date an opinion of Fish & Richardson, patent counsel for the Company, dated the Closing Date, in form and substance reasonably satisfactory to the

Underwriters, with respect to such matters as the Underwriters may reasonably request.

(f). The Underwriters shall have received on the Closing Date an opinion of Ropes & Gray, counsel for the Underwriters, dated the Closing Date, covering the matters referred to in subparagraphs (v), (vi), (viii) (but only as to the statements in the Prospectus under "Description of Capital Stock" and "Underwriters") and (xii) of paragraph (c) above.

With respect to subparagraph (xii) of paragraph (c) above, Testa, Hurwitz & Thibeault, LLP and Ropes & Gray may state that their opinion and belief are based upon their participation in the preparation of the Registration Statement and Prospectus and any amendments or supplements thereto and review and discussion of the contents thereof, but are without independent check or verification, except as specified. With respect to paragraph (d) above, Testa, Hurwitz & Thibeault, LLP may rely upon an opinion or opinions of counsel for any Selling Shareholders and, with respect to factual matters and to the extent such counsel deems appropriate, upon the representations of each Selling Shareholder contained herein and in the Custody Agreement and Power of Attorney of such Selling Shareholder and in other documents and instruments; provided that (A) each such counsel for the Selling Shareholders is satisfactory to your counsel, (B) a copy of each opinion so relied upon is delivered to you and is in form and substance satisfactory to your counsel, (C) copies of such Custody Agreements and Powers of Attorney and of any such other documents and instruments shall be delivered to you and shall be in form and substance satisfactory to your counsel and (D) shall state in their opinion that they are justified in relying on each such other opinion.

The opinions of Testa, Hurwitz & Thibeault, LLP described in paragraphs (c) and (d) above (and any opinions of counsel for any Selling Shareholder referred to in the immediately preceding paragraph) shall be rendered to the Underwriters at the request of the Company or one or more of the Selling Shareholders, as the case may be, and shall so state therein.

(g). The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Price Waterhouse LLP independent public accountants, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus; provided that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(h). The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain shareholders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the Option Closing Date of such documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares and other matters related to the issuance of the Additional Shares.

7. <u>Covenants of the Company</u>. In further consideration of the agreements of the Underwriters herein contained, the Company covenants with each Underwriter as follows:

(a). To furnish to you, without charge, four signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 A.M. local time on the business day next succeeding the date of this Agreement and during the period mentioned in paragraph (c) below, as many copies of the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b). Before amending or supplementing the Registration Statement or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which

you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c). If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law.

(d). To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request.

(e). To make generally available to the Company's security holders and to you as soon as practicable an earning statement covering the twelve-month period ending December 31, 1997 that satisfies the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(f). Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Prospectus and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 7(d)

hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by the National Association of Securities Dealers, Inc., (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Common Stock and all costs and expenses incident to listing the Shares on the Nasdaq National Market, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered in connection with the road show, and (ix) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 9 entitled "Indemnity and Contribution", and the last paragraph of Section 11 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

8. Expenses of Selling Shareholders. Each Selling Shareholder, severally and not jointly, agrees to pay or cause to be paid all taxes, if any, on the transfer and sale of the Shares being sold by such Selling Shareholder.

9. Indemnity and Contribution.

(a). The Company and each Selling Shareholder who is a director or officer of the Company (as designated with an asterisk "*" on Schedule I) on the date of this Agreement jointly and severally, agree to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by 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, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(b). Each Selling Shareholder severally agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by 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, but only insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any such Selling Shareholder furnished to the Company in writing by such Selling Shareholder expressly for use therein.

(c). Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the Selling Shareholders, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company or any Selling Shareholder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus or the Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by 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, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus or any amendments or supplements thereto.

(d). The aggregate liability of any Selling Shareholder under the representations and warranties contained in Section 2(g) hereof and for

indemnification under Section 9 shall in no event exceed the net proceeds received by such Selling Shareholder from the Underwriters in the offering of the Shares; provided, however, that the aggregate liability of any Selling Shareholder under the representations and warranties contained in Section 2(f) hereof and for indemnification under Section 9(a) shall in no event exceed the lesser of (i) the net proceeds received by such Selling Shareholder from the Underwriters in the offering of the Shares and (ii) that proportion of the total of such losses, claims, damages and liabilities equal to the proportion of the Shares being sold by such Selling Shareholders to the total Shares being sold hereunder

(e). In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to paragraph (a), (b) or (c) of this Section 9, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing and the indemnifying party, upon request of the indemnified

party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for (i) all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, (ii) the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section and (iii) all Selling Shareholders and all persons, if any, who control any Selling Shareholder within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Underwriters and such control persons of the Underwriters, such firm shall be designated in writing by Morgan Stanley & Co. Incorporated. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. In the case of any such separate firm for the Selling Shareholders and such controlling persons of the Selling Shareholders, such firm shall be designated in writing by the persons named as attorneys-in-fact for the Selling Shareholders under the Powers of

Attorney. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(f). To the extent the indemnification provided for in paragraph (a), (b) or (c) of this Section 9 is unavailable to a indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Sellers on the one hand and the Underwriters on the other hand from the offering of the Shares or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claim damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Sellers on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses) received by each Seller and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Sellers on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact

relates to information supplied by the Sellers or by the Underwriters

and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 9 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(g). The Sellers and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in paragraph (e) of this Section 9. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, (i) no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, (ii) no Selling Shareholder covered by paragraph (a) of this Section 9 shall be required to contribute in respect of any losses, claims, damages or liabilities covered by such paragraph (a) any amount by which the excess of the lesser of (A) the net proceeds received by such Selling Shareholder from the Underwriters in the offering of the Shares and (B) that proportion of the total of such losses, claims, damages and liabilities equal to the proportion of the Shares being sold by such Selling Shareholders to the total Shares being sold hereunder exceeds the amount of indemnification payments made by such Selling Shareholder pursuant to paragraph (a) of this Section 9, and (iii) no Selling Shareholder shall be required to contribute in respect of any losses, claims, damages or liabilities covered by paragraph (b) of this Section 9 any amount in excess of the difference between the product of the number of Shares sold by such Selling Shareholder and the initial public offering price of the Shares as set forth in the Prospectus, and the amount of any indemnification payments made by such Selling Shareholder pursuant to paragraph (b) of this Section 9. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(h). The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company and the Selling Shareholders contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii)

any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, any Selling Shareholder or any person controlling any Selling Shareholder, or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

10. <u>Termination</u>. This Agreement shall be subject to termination by notice given by you to the Company, if (a) after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on or by, as the case may be, any of the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, Inc., the Chicago Board of Options Exchange, the Chicago Mercantile Exchange or the Chicago Board of Trade, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities or (iv) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and (b) in the case of any of the events specified in clauses (a)(i) through (iv), such event, singly or together with any other such event, makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Prospectus.

11. <u>Effectiveness; Defaulting Underwriters</u>. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or the Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule II bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; _provided_ that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 11 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased, and arrangements satisfactory to you, the Company and the Selling Shareholders for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter, the Company or the Selling Shareholders.

In any such case either you or the relevant Sellers shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement and in the Prospectus or in any other documents or arrangements may be effected. If, on the Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase Additional Shares or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of any Seller to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason any Seller shall be unable to perform its obligations under this Agreement, the Sellers will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder.

12. _Counterparts_. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. _Applicable Law_. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

14. _Headings_. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

Very truly yours,

SEACHANGE INTERNATIONAL, INC.

By___________________________
Name:
Title:

The Selling Shareholders
named in Schedule I hereto,
acting severally

By_________________________________
Attorney-in-Fact

Accepted as of the date hereof

Morgan Stanley & Co. Incorporated
Alex. Brown & Sons Incorporated
Montgomery Securities

Acting severally on behalf
of themselves and the
several Underwriters named
herein.

By: Morgan Stanley & Co.
Incorporated

By:_________________________
Name:
Title:

SCHEDULE I

Selling Shareholder	Number of Firm Shares To Be Sold
[NAMES OF SELLING SHAREHOLDERS]	
Total	

[*=director or officer]

SCHEDULE II

Underwriter	Number of Firm Shares To Be Purchased
Morgan Stanley & Co. Incorporated	
Alex. Brown & Sons Incorporated	
Montgomery Securities	
[NAMES OF OTHER UNDERWRITERS]	
Total	

EXHIBIT 3.2

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

SEACHANGE INTERNATIONAL, INC.

SeaChange International, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), DOES HEREBY CERTIFY AS FOLLOWS:

FIRST: That the Board of Directors of the Corporation, at a meeting held on September 6, 1996, duly adopted a resolution (i) proposing an amendment to the Certificate of Incorporation of the Corporation, (ii) declaring such amendment to be advisable and in the best interests of the Corporation, and (iii) directing that such amendment be submitted to the stockholders of the Corporation for approval thereby. The resolution setting forth the amendment and directing that such amendment be submitted to the stockholders is as follows:

RESOLVED: That, subject to stockholder approval, the Board of Directors of the Corporation has determined that it is advisable and in the best interest of all of the Corporation's stockholders to increase the authorized capital stock of this Corporation from 10,000,000 shares of Common Stock, $.01 par value per share, to 15,000,000 shares; that in order to effect said increase the proper officers of this Corporation are hereby authorized and directed to prepare, execute and file with the Secretary of State of the State of Delaware an appropriate Certificate of Amendment to the Certificate of Incorporation of this Corporation; and that the Board of Directors is hereby authorized to issue all or any part of the authorized but unissued capital stock of this Corporation at such times, to such persons, upon such terms, and for such consideration as the Board may in its discretion determine.

RESOLVED: That a Written Consent in Lieu of Meeting of Stockholders authorizing the increase in the authorized capital stock of this Corporation be submitted to the stockholders of the Corporation for their consideration and approval.

SECOND: That the stockholders of the 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.

THIRD: That in accordance with the aforementioned resolution, the Certificate of Incorporation of this Corporation is hereby amended by deleting the first sentence of Article

FOURTH thereof in its entirety and replacing it with a new sentence so that, as amended, the first sentence of Article FOURTH shall read as follows:

"The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 16,000,000, of which (i) 15,000,000 shares shall be Common Stock, par value of One Cent ($.01) per share ("Common Stock"); and (ii) 1,000,000 shares shall be of preferred stock, par value One Cent ($.01) per share ("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."

FOURTH: 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, SeaChange International, Inc. has caused this certificate to be signed by William C. Styslinger, III, its President and attested by William B. Simmons, Jr., its Assistant Secretary, as of this __ day of __________, 1996.

SEACHANGE INTERNATIONAL, INC.

By:___________________________
William C. Styslinger, III
President

ATTEST:

By: ______________________________
William B. Simmons, Jr.
Assistant Secretary

EXHIBIT 3.3

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

SEACHANGE INTERNATIONAL, INC.

INCORPORATED JULY 9, 1993
AS SEAVIEW TECHNOLOGY, INC.

* * * * * *

I, William C. Styslinger, III, President of SeaChange International, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, do hereby certify that the Certificate of Incorporation of SeaChange International, Inc., as amended, originally incorporated under the name Seaview Technology, Inc., has been further amended, and restated as amended, in accordance with provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware, and, as amended and restated, is set forth in its entirety as follows:

FIRST. The name of the Corporation is SeaChange International, Inc.

SECOND. The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, Wilmington, New Castle County, 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 the State of Delaware.

FOURTH. The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 55,000,000 shares, consisting of 50,000,000 shares of Common Stock with a par value of $.01 per share (the "Common Stock") and 5,000,000 shares of Preferred Stock with a par value of $.01 per share (the "Preferred Stock").

A description of the respective classes of stock and a statement of the designations, powers, preferences and rights, and the qualifications, limitations and restrictions of the Preferred Stock and Common Stock are as follows:

A. COMMON STOCK

1. GENERAL. All shares of Common Stock will be identical and will entitle the holders thereof to the same rights, powers and privileges. The rights, powers and privileges of

the holders of the Common Stock are subject to and qualified by the rights of holders of the Preferred Stock.

2. DIVIDENDS. Dividends may be declared and paid on the Common Stock from funds lawfully available therefor as and when determined by the Board of Directors and subject to any preferential dividend rights of any then outstanding Preferred Stock.

3. DISSOLUTION, LIQUIDATION OR WINDING UP. In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, each issued and outstanding share of Common Stock shall entitle the holder thereof to receive an equal portion of the net assets of the Corporation available for distribution to the holders of Common Stock, subject to any preferential rights of any then outstanding Preferred Stock.

4. VOTING RIGHTS. Except as otherwise required by law or this Amended and Restated Certificate of Incorporation, each holder of Common Stock shall have one vote in respect of each share of stock held of record by such holder on the books of the Corporation for the election of directors and on all matters submitted to a vote of stockholders of the Corporation. Except as otherwise required by law or provided herein, holders of Common Stock shall vote together with holders of the Preferred Stock as a single class, subject to any special or preferential voting rights of any then outstanding Preferred Stock. There shall

be no cumulative voting.

B. PREFERRED STOCK

The Preferred Stock may be issued in one or more series at such time or times and for such consideration or considerations as the Board of Directors of the Corporation may determine. Each series shall be so designated as to distinguish the shares thereof from the shares of all other series and classes. Except as otherwise provided in this Amended and Restated Certificate of Incorporation, different series of Preferred Stock shall not be construed to constitute different classes of shares for the purpose of voting by classes.

The Board of Directors is expressly authorized to provide for the issuance of all or any shares of the undesignated Preferred Stock in one or more series, each with such designations, preferences, voting powers (or special, preferential or no voting powers), relative, participating, optional or other special rights and privileges and such qualifications, limitations or restrictions thereof as shall be stated in the resolution or resolutions adopted by the Board of Directors to create such series, and a certificate of said resolution or resolutions (a "Certificate of Designation") shall be filed in accordance with the General Corporation Law of the State of Delaware. The authority of the Board of Directors with respect to each such series shall include, without limitation of the foregoing, the right to provide that the shares of each such series may be: (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; (iv) convertible into, or

exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock of the Corporation at such price or prices or at such rates of exchange and with such adjustments, if any; (v) entitled to the benefit of such limitations, if any, on the issuance of additional shares of such series or shares of any other series of Preferred Stock; or (vi) entitled to such other preferences, powers, qualifications, rights and privileges, all as the Board of Directors may deem advisable and as are not inconsistent with law and the provisions of this Amended and Restated Certificate of Incorporation.

FIFTH. The Corporation is to have perpetual existence.

SIXTH. The following provisions are included for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its Board of Directors and stockholders:

1. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors of the Corporation.

2. The Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal the By-laws of the Corporation, subject to any limitation thereof contained in the By-laws. The stockholders shall also have the power to adopt, amend or repeal the By-laws of the Corporation; *provided, however*, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least seventy-five percent (75 %) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of the By-laws of the Corporation.

3. Stockholders of the Corporation may not take any action by written consent in lieu of a meeting.

4. Special meetings of stockholders may be called at any time only by the President, the Chairman of the Board of Directors (if any) or a majority of the Board of Directors. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

5. The books of the Corporation may be kept 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.

SEVENTH. No director (including any advisory director) of the Corporation shall be personally liable to the Corporation or its stockholders for monetary

damages for breach of fiduciary duty as a director notwithstanding any provision of law imposing such liability; provided, however, that, to the extent provided by applicable law, this provision shall not eliminate the liability of a director (i) for any breach of the 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 the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

EIGHTH. The Board of Directors of the Corporation, when evaluating any offer of another party (a) to make a tender or exchange offer for any equity security of the Corporation or (b) to effect a business combination, shall, in connection with the exercise of its judgment in determining what is in the best interests of the Corporation as whole, be authorized to give due consideration to any such factors as the Board of Directors determines to be relevant, including, without limitation:

(i) the interests of the Corporation's stockholders, including the possibility that these interests might be best served by the continued independence of the Corporation;

(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 Corporation, but also to the market price for the capital stock of the Corporation over a period of years, the estimated price that might be achieved in a negotiated sale of the Corporation 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 Corporation'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 Corporation, upon the communities in which the Corporation conducts its business and upon the economy of the state, region and nation.

In connection with any such evaluation, the Board of Directors is authorized to conduct such investigations and engage in such legal proceedings as the Board of Directors may determine.

NINTH.

1. ACTIONS, SUITS AND PROCEEDINGS OTHER THAN BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify each 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, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) (all

such persons being referred to hereafter as an "Indemnitee"), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, 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 proceeding, 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. Notwithstanding anything to the contrary in this Article, except as set forth in Section 6 below, the Corporation shall not indemnify an Indemnitee seeking indemnification in connection with a proceeding (or part thereof) initiated by the Indemnitee unless the initiation thereof was approved by the Board of Directors of the Corporation.

2. ACTIONS OR SUITS BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify any Indemnitee 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, or has agreed to become, a director or officer of the Corporation, or is or was serving, or has agreed to serve, at the request of the Corporation, as a director, officer or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, 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, 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 to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses (including attorneys' fees) which the Court of Chancery of Delaware or such other court shall deem proper.

3. INDEMNIFICATION FOR EXPENSES OF SUCCESSFUL PARTY. Notwithstanding the other provisions of this Article, to the extent that an Indemnitee has been successful, on the merits or otherwise, in defense of any action, suit or proceeding referred to in Sections 1 and 2 of this Article, or in defense of any claim, issue or matter therein, or on appeal from any such action, suit or proceeding, he shall be indemnified against all expenses (including attorneys' fees) actually and reasonably incurred by him or on his behalf in connection therewith. Without limiting the foregoing, if any action, suit or proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to the Indemnitee, (ii) an adjudication that the Indemnitee was liable to the Corporation, (iii) a plea of

guilty or nolo contendere by the Indemnitee, (iv) an adjudication that the Indemnitee did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and (v) with respect to any criminal proceeding, an adjudication that the Indemnitee had reasonable cause to believe his conduct was unlawful, the Indemnitee shall be considered for the purpose hereof to have been wholly successful with respect thereto.

4. NOTIFICATION AND DEFENSE OF CLAIM. As a condition precedent to his right to be indemnified, the Indemnitee must notify the Corporation in writing as soon as practicable of any action, suit, proceeding or investigation involving him for which indemnity will or could be sought. With respect to any action, suit, proceeding or investigation of which the Corporation is so notified, the Corporation will be entitled to participate therein at its own expense and/or to assume the defense thereof at its own expense, with legal counsel reasonably acceptable to the Indemnitee. After notice from the Corporation to the Indemnitee of its election so to assume such defense, the Corporation shall not be liable to the Indemnitee for any legal or other expenses subsequently incurred by the Indemnitee in connection with such claim, other than as provided below in this Section 4. The Indemnitee shall have the right to employ his own counsel in connection with such claim, but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of the Indemnitee unless (i) the employment of counsel by the Indemnitee has been authorized by the Corporation, (ii) counsel to the Indemnitee shall have reasonably concluded that there may be a conflict of interest or position on any significant issue between the Corporation and the Indemnitee in the conduct of the defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of counsel for the Indemnitee shall be at the expense of the Corporation, except as otherwise expressly provided by this Article. The Corporation shall not be entitled, without the consent of the Indemnitee, to assume the defense of any claim brought by or in the right of the Corporation or as to which counsel for the Indemnitee shall have reasonably made the conclusion provided for in clause (ii) above.

5. ADVANCE OF EXPENSES. Subject to the provisions of Section 6 below, in the event that the Corporation does not assume the defense pursuant to Section 4 of this Article of any action, suit, proceeding or investigation of which the Corporation receives notice under this Article, any expenses (including attorneys' fees) incurred by an Indemnitee in defending a civil or criminal action, suit, proceeding or investigation or any appeal therefrom shall be paid

by the Corporation in advance of the final disposition of such matter, provided, however, that the payment of such expenses incurred by an Indemnitee in advance of the final disposition of such matter shall be made only upon receipt of an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that the indemnitee is not entitled to be indemnified by the Corporation as authorized in this Article. Such undertaking may be accepted without reference to the financial ability of such person to make such repayment.

6. PROCEDURE FOR INDEMNIFICATION. In order to obtain indemnification or advancement of expenses pursuant to Section 1, 2, 3 or 5 of this Article, the Indemnitee shall submit to the Corporation a written request, including in such request such documentation and

information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification or advancement of expenses. Any such indemnification or advancement of expenses shall be made promptly, and in any event within 60 days after receipt by the Corporation of the written request of the Indemnitee, unless with respect to requests under Section 1, 2 or 5 the Corporation determines, by clear and convincing evidence, within such 60-day period that the Indemnitee did not meet the applicable standard of conduct set forth in Section 1 or 2, as the case may be. Such determination shall be made in each instance by (a) a majority vote of the directors of the Corporation who are not at that time parties to the action, suit or proceeding in question ("disinterested directors"), even though less than a quorum, (b) if there are no such disinterested directors, or if such disinterested directors so direct, by independent legal counsel (who may be regular legal counsel to the corporation) in a written opinion, (c) a majority vote of a quorum of the outstanding shares of stock of all classes entitled to vote for directors, voting as a single class, which quorum shall consist of stockholders who are not at that time parties to the action, suit or proceeding in question, or (d) a court of competent jurisdiction.

7. REMEDIES. The right to indemnification or advances as granted by this Article shall be enforceable by the Indemnitee in any court of competent jurisdiction if the Corporation denies such request, in whole or in part, or if no disposition thereof is made within the 60-day period referred to above in Section 6. Unless otherwise provided by law, the burden of proving that the Indemnitee is not entitled to indemnification or advancement of expenses under this Article shall be on the Corporation. Neither the failure of the Corporation to have made a determination prior to the commencement of such action that indemnification is proper in the circumstances because the Indemnitee has met the applicable standard of conduct, nor an actual determination by the Corporation pursuant to Section 6 that the Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the Indemnitee has not met the applicable standard of conduct. The Indemnitee's expenses (including attorneys' fees) incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the Corporation.

8. SUBSEQUENT AMENDMENT. No amendment, termination or repeal of this Article or of the relevant provisions of the General Corporation Law of the State of Delaware or any other applicable laws shall affect or diminish in any way the rights of any Indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of such amendment, termination or repeal.

9. OTHER RIGHTS. The indemnification and advancement of expenses provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), agreement or vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in any other capacity while holding office for the Corporation, and shall continue as to an Indemnitee who has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of the Indemnitee.

Nothing contained in this Article shall be deemed to prohibit, and the Corporation is specifically authorized to enter into, agreements with officers and directors providing indemnification rights and procedures different from those set forth in this Article. In addition, the Corporation may, to the extent authorized from time to time by its Board of Directors, grant indemnification rights to other employees or agents of the Corporation or other persons serving the Corporation and such rights may be equivalent to, or greater or less than, those set forth in this Article.

10. PARTIAL INDEMNIFICATION. If an Indemnitee is entitled under any provision of this Article to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any action, suit, proceeding or investigation and any appeal therefrom but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify the Indemnitee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnitee is entitled.

11. INSURANCE. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise (including any employee benefit plan) against any expense, liability or loss 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 such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

12. MERGER OR CONSOLIDATION. If the Corporation is merged into or consolidated with another corporation and the Corporation is not the surviving corporation, the surviving corporation shall assume the obligations of the Corporation under this Article with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the date of such merger or consolidation.

13. SAVINGS CLAUSE. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each Indemnitee as to any expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any action, suit, proceeding or investigation, whether civil, criminal or administrative, including an action by or in the right of the Corporation, to the fullest extent permitted by an applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

14. DEFINITIONS. Terms used herein and defined in Section 145(h) and Section 145(i) of the General Corporation Law of the State of Delaware shall have the respective meanings assigned to such terms in such Section 145(h) and Section 145(i).

15. SUBSEQUENT LEGISLATION. If the General Corporation Law of the State of Delaware is amended after adoption of this Article to expand further the indemnification permitted to Indemnitees, then the Corporation shall indemnify such persons to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended.

TENTH. The Corporation reserves the right to amend or repeal any provision contained in this Amended and Restated Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation, provided, however, that in addition to any vote of the holders of any class or series of stock of the Corporation required by law, this Amended and Restated Certificate of Incorporation or a Certificate of Designation with respect to a series of Preferred Stock, the affirmative vote of the holders of shares of voting stock of the Corporation representing at least seventy-five percent (75%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to (i) reduce or eliminate the number of authorized shares of Common Stock or the number of authorized shares of Preferred Stock set forth in Article FOURTH or (ii) amend or repeal, or adopt any provision inconsistent with, Parts A and B of Article FOURTH and Articles FIFTH, SIXTH, SEVENTH, EIGHTH, NINTH and this Article TENTH of this Amended and Restated Certificate of Incorporation.

IN WITNESS WHEREOF, the undersigned has hereunto signed his name and affirms that the statements made in this Amended and Restated Certificate of Incorporation are true under the penalties of perjury this ____ day of ____, 1996.

____
William C. Styslinger, III
President

EXHIBIT 3.5

AMENDED AND RESTATED

BY-LAWS

OF

SEACHANGE INTERNATIONAL, INC.

BY-LAWS

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AMENDED AND RESTATED

BY-LAWS

OF

SEACHANGE INTERNATIONAL, INC. (the "Corporation")

ARTICLE 1 - STOCKHOLDERS

1.1 PLACE OF MEETINGS. All meetings of stockholders shall be held at such place within or without the State of Delaware as may be designated from time to time by the Chairman of the Board (if any), the board of directors of the Corporation (the "Board of Directors") or the President or, if not so designated, at the registered office of the Corporation.

1.2 ANNUAL MEETING. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on a date to be fixed by the Chairman of the Board (if any), Board of Directors or the President (which date shall not be a legal holiday in the place where the meeting is to be held) at the time and place to be fixed by the Chairman of the Board, the Board of Directors or the President and stated in the notice of the meeting.

1.3 SPECIAL MEETINGS. Special meetings of stockholders may be called at any time by the Chairman of the Board (if any), a majority of the Board of Directors or the President and shall be held at such place, on such date and at such time as shall be fixed by the Board of Directors or the person calling the meeting. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

1.4 NOTICE OF MEETINGS. Except as otherwise provided by law, written notice of each meeting of stockholders, whether annual or special, shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting. The notices of all meetings shall state the place, date and hour of the meeting. The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If mailed, notice is given when deposited in the United States mail,

postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Corporation.

1.5 VOTING LIST. The officer who has charge of the stock ledger of the Corporation shall prepare, at least 10 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 10 days prior to the meeting,

either at a place within the city 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 of the meeting, and may be inspected by any stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

1.6 QUORUM. Except as otherwise provided by law, the Certificate of Incorporation or these By-Laws, the holders of a majority of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. Shares held by brokers which such brokers are prohibited from voting (pursuant to their discretionary authority on behalf of beneficial owners of such shares who have not submitted a proxy with respect to such shares) on some or all of the matters before the stockholders, but which shares would otherwise be entitled to vote at the meeting ("Broker Non-Votes") shall be counted, for the purpose of determining the presence or absence of a quorum, both (a) toward the total voting power of the shares of capital stock of the Corporation and (b) as being represented by proxy. If a quorum has been established for the purpose of conducting the meeting, a quorum shall be deemed to be present for the purpose of all votes to be conducted at such meeting, provided that where a separate vote by a class or classes, or series thereof, is required, a majority of the voting power of the shares of such class or classes, or series, present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the voting power of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

1.7 ADJOURNMENTS. Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these By-Laws by the stockholders present or represented at the meeting and entitled to vote, although less than a quorum, or, if no stockholder is present, by any officer entitled to preside at or to act as Secretary of such meeting. It shall not be necessary to notify any stockholder of any adjournment of less than 30 days if the time and place of the adjourned meeting are announced at the meeting at which adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

1.8 VOTING AND PROXIES. At any meeting of the stockholders, each stockholder shall have one vote for each share of stock entitled to vote at such meeting held of record by such stockholder and a proportionate vote for each fractional share so held, unless otherwise provided in the Certificate of Incorporation. Each stockholder of record entitled to vote at a meeting of stockholders, or to express consent or dissent to corporate action in writing without a meeting (to the extent not otherwise prohibited by the Certificate of Incorporation or these By-laws), may vote or express such consent or dissent in person or may authorize another person or persons to vote or act for such stockholder by written proxy executed by such stockholder or his or her authorized agent or by a transmission permitted by law and delivered to the Secretary of the

Corporation. No such proxy shall be voted or acted upon after three years from the date of its execution, unless the proxy expressly provides for a longer period. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Section 1.8 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or reproduction shall be a complete reproduction of the entire original writing or transmission.

All voting, including on the election of directors but excepting where otherwise required by law or the Certificate of Incorporation, may take place via a voice vote. Any vote not taken by voice shall be taken by ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedure established for the meeting.

1.9 ACTION AT MEETING. When a quorum is present at any meeting of stockholders, the holders of a majority of the stock present or represented and voting on a matter (or if there are two or more classes of stock entitled to vote as separate classes, then in the case of each such class, the holders of a majority of the stock of that class present or represented and voting on such matter) shall decide any matter to be voted upon by the stockholders at such meeting (other than the election of directors), except when a different vote is required by express provision of law, the Certificate of Incorporation or these By-Laws. Any election of directors by the stockholders shall be determined by a plurality of the votes cast by the stockholders entitled to vote at such election, except as otherwise provided by the Certificate of Incorporation. For the purposes of this paragraph, Broker Non-Votes represented at the meeting but not permitted to vote on a particular matter shall not be counted, with respect to the vote on such matter, in the number of (a) votes cast, (b) votes cast affirmatively, or (c) votes cast negatively.

1.10 INTRODUCTION OF BUSINESS AT MEETINGS.

A. ANNUAL MEETINGS OF STOCKHOLDERS.

(1) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Section 1.10, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.10.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (A)(1) of this Section 1.10, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the

close of business on the one hundred twentieth (120th) day nor earlier than the close of business on the one hundred fiftieth (150th) day 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 thirty (30) days before or more than sixty (60) days after such an anniversary date or (ii) no proxy statement was delivered to stockholders in connection with the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of capital stock of the Corporation that are owned beneficially and held of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph

(A)(2) of this Section 1.10 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least seventy (70) days prior to the first anniversary of the preceding year's annual meeting (or, if the annual meeting is held more than thirty (30) days before or sixty (60) days after such anniversary date, at least seventy (70) days prior to such annual meeting), a stockholder's notice required by this Section 1.10 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive office of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

B. SPECIAL MEETINGS OF STOCKHOLDERS. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice of the special meeting, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.10. If the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (A)(2) of this Section 1.10 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the ninetieth (90th) day prior to such special meeting nor later than the later of (x) the close of business on the sixtieth (60th) day prior to such special meeting or (y) the close of business on the tenth (10th) day following the day on which public announcement is first made of the date of such special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

C. GENERAL.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 1.10 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.10. Except as otherwise provided by law, the Certificate of Incorporation or these By-Laws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.10 and, if any proposed nomination or business is not in compliance herewith, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Section 1.10, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 1.10 shall be deemed to affect any rights (i) of stockholders to

request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under specified circumstances.

1.11 ACTION WITHOUT MEETING. Stockholders of the Corporation may not

take any action by written consent in lieu of a meeting. Notwithstanding any other provision of law, the Certificate of Incorporation or these By-Laws, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast at any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Section 1.11.

ARTICLE 2 - DIRECTORS

2.1 GENERAL POWERS. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate of Incorporation. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law or the Certificate of Incorporation, may exercise the powers of the full Board of Directors until the vacancy is filled. Without limiting the foregoing, the Board of Directors may:

(a) declare dividends from time to time in accordance with law;

(b) purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;

(c) authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, to borrow funds and guarantee obligations, and to do all things necessary in connection therewith;

(d) remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;

(e) confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;

(f) adopt from time to time such stock option, stock purchase, bonus or other compensation plans for directors, officers, employees, consultants and agents of the Corporation and its subsidiaries as it may determine;

(g) adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees, consultants and agents of the Corporation and its subsidiaries as it may determine; and

(h) adopt from time to time regulations, not inconsistent herewith, for the management of the Corporation's business and affairs.

2.2 NUMBER; ELECTION AND QUALIFICATION. The number of directors which shall constitute the whole Board of Directors shall be determined by resolution of the Board of Directors, but in no event shall be less than three. The number of directors may be decreased at any time and from time to time by a majority of the directors then in office, but only to eliminate vacancies existing by reason of the death, resignation, removal or expiration of the term of one or more directors. The directors shall be elected at the annual meeting of stockholders (or, if so determined by the Board of Directors pursuant to Section 10 hereof, at a special meeting of stockholders), by such stockholders as have the right to vote on such election. Directors need not be stockholders of the Corporation.

2.3 CLASSES OF DIRECTORS. The Board of Directors shall be and is divided into three classes: Class I, Class II and Class III. No one class shall have more than one director more than any other class.

2.4 TERMS IN OFFICE. Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected provided, however, that each initial director in Class I shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 1996; each initial director in Class II shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 1997; and each initial director in Class III shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 1998.

2.5 ALLOCATION OF DIRECTORS AMONG CLASSES IN THE EVENT OF INCREASES OR DECREASES IN THE NUMBER OF DIRECTORS. In the event of any increase or decrease

in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as a director of the class of which he or she is a member until the expiration of such director's current term or his or her prior death, removal or resignation and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors, subject to the second sentence of Section 2.3. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided for from time to time by resolution adopted by a majority of the directors then in office, although less than a quorum. No decrease in the number of directors constituting the whole Board of Directors shall shorten the term of an incumbent Director.

2.6 TENURE. Notwithstanding any provisions to the contrary contained herein, each director shall hold office until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

2.7 VACANCIES. Unless and until filled by the stockholders, any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement thereof, may be filled by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, if any, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of directors of the class for which such director was chosen and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

2.8 RESIGNATION. Any director may resign by delivering his or her written resignation to the Corporation at its principal office or to the President 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.

2.9 REGULAR MEETINGS. Regular meetings of the Board of Directors may be held without notice at such time and place, either within or without the State of Delaware, as shall be determined from time to time by the Board of Directors; provided that any director who is absent when such a determination is made shall be given notice of the determination. Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

2.10 SPECIAL MEETINGS. Special meetings of the Board of Directors may be held at any time and place, within or without the State of Delaware, designated in a call by the Chairman of the Board (if any), the President, two or more directors, or by one director in the event that there is only a single director in office.

2.11 NOTICE OF SPECIAL MEETINGS. Notice of any special meeting of directors shall be given to each director by the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director (i) by giving notice to such director in person or by telephone at least 48 hours in advance of the meeting, (ii) by sending a telegram or delivering written notice by facsimile transmission or by hand, to his or her last known business or home address at least 48 hours in advance of the meeting, or (iii) by mailing written notice to his or her last known business or home address at least 72 hours in advance of the meeting. A notice or waiver of notice of a meeting of the Board of Directors need not specify the purposes of the meeting.

2.12 MEETINGS BY TELEPHONE CONFERENCE CALLS. Directors or any members of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall be deemed to constitute presence in person at such meeting.

2.13 QUORUM. A majority of the total number of the whole Board of Directors shall constitute a quorum at all meetings of the Board of Directors.

In the event one or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one for each such director so disqualified; provided, however, that in no case shall less than one-third (1/3) of the total number of the whole Board of Directors constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

2.14 ACTION AT MEETING. At any meeting of the Board of Directors at which a quorum is present, the vote of a majority of those present shall be sufficient to take any action, unless a different vote is specified by law, the Certificate of Incorporation or these By-Laws.

2.15 ACTION BY WRITTEN CONSENT. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board of Directors may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent to such action in writing, and the written consents are filed with the minutes of proceedings of the Board of Directors or committee.

2.16 REMOVAL. Unless otherwise provided in the Certificate of Incorporation, any one or more or all of the directors may be removed, only for cause, by the holders of at least seventy-five percent (75%) of the shares then entitled to vote at an election of directors.

2.17 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 of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members of such committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at such meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of the General Corporation Law of the State of Delaware, 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. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine or as provided herein, 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 Board of Directors. Adequate provisions shall be made for notice to members of all meeting of committees. One-third (1/3) of the members of any committee shall constitute a quorum unless the committee shall consist of one (1) or two (2) members, in which event one (1) member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

2.18 COMPENSATION OF DIRECTORS. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board of Directors may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary corporations in any other capacity and receiving compensation for such service.

2.19 AMENDMENTS TO ARTICLE. Notwithstanding any other provisions of law, the Certificate of Incorporation or these By-Laws, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of a least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast at any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Article 2.

ARTICLE 3 - OFFICERS

3.1 ENUMERATION. The officers of the Corporation shall consist of a

President, a Secretary, a Treasurer and such other officers with such other titles as the Board of Directors shall determine, including, but not limited to, a Chairman of the Board, a Vice-Chairman of the Board, and one or more Vice Presidents, Assistant Treasurers and Assistant Secretaries. The Board of Directors may appoint such other officers as it may deem appropriate.

3.2 ELECTION. The President, Treasurer and Secretary shall be elected annually by the Board of Directors at its first meeting following the annual meeting of stockholders. Other officers may be appointed by the Board of Directors at such meeting or at any other meeting.

3.3 QUALIFICATION. No officer need be a stockholder. Any two or more offices may be held by the same person.

3.4 TENURE. Except as otherwise provided by law, by the Certificate of Incorporation or by these By-Laws, each officer shall hold office until his or her successor is elected and qualified, unless a different term is specified in the vote choosing or appointing such officer, or until his or her earlier death, resignation or removal.

3.5 RESIGNATION AND REMOVAL. Any officer may resign by delivering his or her written resignation to the Chairman of the Board (if any), to the Board of Directors at a meeting thereof, to the Corporation at its principal office or to the President 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 officer may be removed at any time, with or without cause, by vote of a majority of the entire number of directors then in office.

Except as the Board of Directors may otherwise determine, no officer who resigns or is removed shall have any right to any compensation as an officer for any period following his or her resignation or removal, or any right to damages on account of such removal, whether his or her compensation be by the month or by the year or otherwise, unless such compensation is expressly provided in a duly authorized written agreement with the Corporation.

3.6 VACANCIES. The Board of Directors may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled for such period as it may determine any offices other than those of President, Treasurer and Secretary. Each such successor shall hold office for the unexpired term of his predecessor and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

3.7 CHAIRMAN OF THE BOARD AND VICE-CHAIRMAN OF THE BOARD. The Chairman of the Board, if any, shall preside at all meetings of the Board of Directors and stockholders at which he or she is present and shall perform such duties and possess such powers as are designated by the Board of Directors. If the Board of Directors appoints a Vice-Chairman of the Board, he or she shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board and shall perform such other duties and possess such other powers as may from time to time be designated by the Board of Directors.

3.8 PRESIDENT. The President shall, subject to the direction of the Board of Directors, have general charge and supervision of the business of the Corporation. Unless otherwise provided by the Board of Directors, and provided that there is no Chairman of the Board or that the Chairman and Vice-Chairman, if any, are not available, the President shall preside at all meetings of the stockholders, and, if a director, at all meetings of the Board of Directors. Unless the Board of Directors has designated another officer as the Chief Executive Officer, the President shall be the Chief Executive Officer of the Corporation. The President shall perform such other duties and shall have such other powers as the Board of Directors may from time to time prescribe. The President shall have the power to enter into contracts and otherwise bind the Corporation in matters arising in the ordinary course of the Corporation's business.

3.9 VICE PRESIDENTS. Any Vice President shall perform such duties and possess such powers as the Board of Directors or the President may from time to time prescribe. In the event of the absence, inability or refusal to act of the President, the Vice President (or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors) shall perform the duties of the President and, when so performing, shall have all the powers of

and be

subject to all the restrictions upon the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board of Directors. Unless otherwise determined by the Board of Directors, any Vice President shall have the power to enter into contracts and otherwise bind the Corporation in matters arising in the ordinary course of the Corporation's business.

3.10 SECRETARY AND ASSISTANT SECRETARIES. The Secretary shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board of Directors, to attend all meetings of stockholders and the Board of Directors and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents.

Any Assistant Secretary shall perform such duties and possess such powers as the Board of Directors, the President or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one, the Assistant Secretaries in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Secretary.

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 secretary to keep a record of the meeting.

3.11 TREASURER AND ASSISTANT TREASURERS. The Treasurer shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation the duty and power to keep and be responsible for all funds and securities of the Corporation, to deposit funds of the Corporation in depositories selected in accordance with these By-Laws, to disburse such funds as ordered by the Board of Directors, to make proper accounts for such funds, and to render as required by the Board of Directors statements of all such transactions and of the financial condition of the Corporation.

The Assistant Treasurers shall perform such duties and possess such powers as the Board of Directors, the President or the Treasurer may from time to time prescribe. In the event of the absence, inability or refusal to act of the Treasurer, the Assistant Treasurer (or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Treasurer.

3.12 SALARIES. Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors.

3.13 ACTION WITH RESPECT TO SECURITIES OF OTHER CORPORATIONS. Unless otherwise directed by the Board of Directors, the President or any officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which the Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE 4 - CAPITAL STOCK

4.1 ISSUANCE OF STOCK. Unless otherwise voted by the stockholders and subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any issued, authorized capital stock of the Corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

4.2 CERTIFICATES OF STOCK. Every holder of stock of the Corporation

shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board of Directors, certifying the number and class of shares owned by such stockholder in the Corporation. Each such certificate shall be signed by, or in the name of the Corporation by, the Chairman or Vice-Chairman, if any, 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. Any or all of the signatures on such certificate may be a facsimile.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, the By-Laws, applicable securities laws or any agreement among any number of shareholders or among such holders and the Corporation shall have conspicuously noted on the face or back of such certificate either the full text of such restriction or a statement of the existence of such restriction.

4.3 TRANSFERS. Except as otherwise established by rules and regulations adopted by the Board of Directors, and subject to applicable law, shares of stock may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate representing such shares, properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the Corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these By-Laws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-Laws.

4.4 LOST, STOLEN OR DESTROYED CERTIFICATES. The Corporation may issue a new certificate of stock in place of any previously issued certificate alleged to have been lost, stolen, or destroyed, upon such terms and conditions as the President may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity as the President may require for the protection of the Corporation or any transfer agent or registrar.

4.5 RECORD DATE. The Board of Directors may fix in advance a date as a record date for the determination of the stockholders entitled to notice of or to vote at any meeting of stockholders or, to the extent permitted by the Certificate of Incorporation and these By-laws, to express consent (or dissent) to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action. Such record date shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action to which such record date relates.

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. The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting (to the extent permitted by the Certificate of Incorporation and these By-laws) when no prior action by the Board of Directors is necessary, shall be the day on which the first written consent is expressed. The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose.

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.

ARTICLE 5 - GENERAL PROVISIONS

5.1 FISCAL YEAR. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

5.2 CORPORATE SEAL. The corporate seal shall be in such form as shall be approved by the Board of Directors.

5.3 NOTICES. Except as otherwise specifically provided herein or required by law or the Certificate of Incorporation, all notices required to be given to any stockholder, director, officer, employee or agent of the Corporation shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or facsimile transmission. Any such

notice shall be addressed to such stockholder, director, officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received shall be deemed to be the time of the giving of the notice.

5.4 WAIVER OF NOTICE. Whenever any notice whatsoever is required to be given by law, by the Certificate of Incorporation or by these By-Laws, a waiver of such notice either in writing signed by the person entitled to such notice or such person's duly authorized attorney, or by telegraph, facsimile transmission or any other available method, whether before, at or after the time stated in such waiver, or the appearance of such person or persons at such meeting in person or by proxy, shall be deemed equivalent to such notice.

5.5 EVIDENCE OF AUTHORITY. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall, as to all persons who rely on the certificate in good faith, be conclusive evidence of such action.

5.6 FACSIMILE SIGNATURES. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these By-Laws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

5.7 RELIANCE UPON BOOKS, REPORTS AND RECORDS. Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

5.8 TIME PERIODS. In applying any provision of these By-Laws that requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

5.9 CERTIFICATE OF INCORPORATION. All references in these By-Laws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and in effect from time to time.

5.10 TRANSACTIONS WITH INTERESTED PARTIES. No contract or transaction between the Corporation and one or more of the directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of the directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because such director or officer is present at or participates in the

meeting of the Board of Directors or a committee of the Board of Directors which authorizes the contract or transaction or solely because his, her or their votes are counted for such purpose, if:

(1) The material facts as to his or her 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 vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum;

(2) The material facts as to his or her 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

(3) 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 of the Board of Directors, or the stockholders.

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.

5.11 SEVERABILITY. Any determination that any provision of these By-Laws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these By-Laws.

5.12 PRONOUNS. All pronouns used in these By-Laws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the persons or persons so designated may require.

ARTICLE 6 - AMENDMENTS

6.1 BY THE BOARD OF DIRECTORS. Except as is otherwise set forth in these By-Laws, these By-Laws may be altered, amended or repealed, or new by-laws may be adopted, by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present.

6.2 BY THE STOCKHOLDERS. Except as otherwise set forth in these By-Laws, these By-Laws may be altered, amended or repealed or new by-laws may be adopted by the affirmative vote of the holders of seventy-five percent (75%) of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at any regular meeting of stockholders, or at any special meeting of stockholders, provided notice of such alteration, amendment, repeal or adoption of new by-laws shall have been stated in the notice of such special meeting.

EXHIBIT 10.1

SEACHANGE INTERNATIONAL, INC.

AMENDED AND RESTATED

1995 STOCK OPTION PLAN

1. PURPOSE. The purpose of this Amended and Restated 1995 Stock Option Plan (the "Plan") is to encourage employees of SeaChange International, Inc. (the "Company") and of any present or future parent or subsidiary of the Company (collectively, "Related Corporations"), and other individuals who render services to the Company or a Related Corporation, by providing opportunities to purchase stock in the Company pursuant to options granted hereunder which qualify as "incentive stock options" ("ISOs") under Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code") and options which do not qualify as ISOs ("Non-Qualified Options"). Both ISOs and Non-Qualified Options are referred to hereafter individually as an "Option" and collectively as "Options." As used herein, the terms "parent" and "subsidiary" mean "parent corporation" and "subsidiary corporation," respectively, as those terms are defined in Section 424 of the Code.

2. ADMINISTRATION OF THE PLAN.

A. BOARD OR COMMITTEE ADMINISTRATION. The Plan shall be administered by the Board of Directors of the Company (the "Board") or by a committee appointed by the Board (the "Committee").Hereinafter, all references in this Plan to the "Committee" shall mean the Board if no Committee has been appointed. Subject to ratification of the grant or authorization of each Option by the Board (if so required by applicable state law), and subject to the terms of the Plan, the Committee shall have the authority to (i) determine to whom (from among the class of employees eligible under paragraph 3 to receive ISOs) ISOs shall be granted, and to whom (from among the class of individuals and entities eligible under paragraph 3 to receive Non-Qualified Options) Non-Qualified Options may be granted; (ii) determine the time or times at which Options shall be granted; (iii) determine the exercise price of shares subject to each Option, which price shall not be less than the minimum price specified in paragraph 6; (iv) determine whether each Option granted shall be an ISO or a Non-Qualified Option; (v) determine (subject to paragraph 7) the time or times when each Option shall become exercisable and the duration of the exercise period; (vi) extend the period during which outstanding Options may be exercised; (vii) determine whether restrictions such as repurchase options are to be imposed on shares subject to Options and the nature of such restrictions, if any; and (viii) interpret the Plan and prescribe and rescind rules and regulations relating to it. If the Committee determines to issue a Non-Qualified Option, it shall take whatever actions it deems necessary, under Section 422 of the Code and the regulations promulgated thereunder, to ensure that such Option is not treated as an ISO. The interpretation and construction by the Committee of any provisions of the Plan or of any Option granted under it shall be final unless otherwise determined by the Board. The Committee may from time to time adopt such rules and regulations for carrying out the Plan as it may deem advisable. No member of the Board or the Committee shall be liable for any action

or determination made in good faith with respect to the Plan or any Option granted under it.

B. COMMITTEE ACTIONS. The Committee may select one of its members as its chairman, and shall hold meetings at such time and places as it may determine. A majority of the Committee shall constitute a quorum and acts by a majority of the members of the Committee at a meeting at which a quorum is present, or acts reduced to or approved in writing by a majority of the members of the Committee (if consistent with applicable state law), shall constitute the valid acts of the Committee. From time to time the Board may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan.

C. GRANT OF OPTIONS TO BOARD MEMBERS. Options may be granted to members of the Board. All grants of Options to members of the Board shall in all respects be made in accordance with the provisions of this Plan applicable to other eligible persons. Members of the Board who either (i)

are eligible to receive grants of Options pursuant to the Plan or (ii) have been granted Options may vote on any matters affecting the administration of the Plan or the grant of any Options pursuant to the Plan, except that no such member shall act upon the granting to himself or herself of Options, but any such member may be counted in determining the existence of a quorum at any meeting of the Board during which action is taken with respect to the granting to such member of Options.

D. PERFORMANCE-BASED COMPENSATION. The Board, in its discretion, may take such action as may be necessary to ensure that Options granted under the Plan qualify as "qualified performance-based compensation" within the meaning of Section 162(m) of the Code and applicable regulations promulgated thereunder ("Performance-Based Compensation"). Such action may include, in the Board's discretion, some or all of the following (i) if the Board determines that Options granted under the Plan generally shall constitute Performance-Based Compensation, the Plan shall be administered, to the extent required for such Options to constitute Performance-Based Compensation, by a Committee consisting solely of two or more "outside directors" (as defined in applicable regulations promulgated under Section 162(m) of the Code), (ii) if any Non-Qualified Options with an exercise price less than the fair market value per share of Common Stock are granted under the Plan and the Board determines that such Options should constitute Performance-Based Compensation, such Options shall be made exercisable only upon the attainment of a pre-established, objective performance goal established by the Committee, and such grant shall be submitted for, and shall be contingent upon shareholder approval and (iii) Options granted under the Plan may be subject to such other terms and conditions as are necessary for compensation recognized in connection with the exercise or disposition of such Option or the disposition of Common Stock acquired pursuant to such Option, to constitute Performance-Based Compensation.

3. ELIGIBLE EMPLOYEES AND OTHERS. ISOs may be granted only to employees of the Company or any Related Corporation. Non-Qualified Options may be granted to any employee, officer or director (whether or not also an employee) or consultant of the Company or any Related Corporation. The Committee may take into consideration a recipient's individual circumstances in determining whether to grant an ISO or a Non-Qualified Option. The granting of any Option to any individual or entity shall neither entitle that individual or entity to, nor disqualify such individual or entity from, participation in any other grant of Options.

4. STOCK. The stock subject to Options shall be authorized but unissued shares of Common Stock of the Company, par value $0.01 per share (the "Common Stock"), or shares of Common Stock reacquired by the Company in any manner. The aggregate number of shares which may be issued pursuant to the Plan is 1,300,000, subject to adjustment as provided in paragraph 13. If any Option granted under the Plan shall expire or terminate for any reason without having been exercised in full or shall cease for any reason to be exercisable in whole or in part or shall be repurchased by the Company, the shares subject to such Option shall again be available for grants of Options under the Plan.

No employee of the Company or any Related Corporation may be granted Options to acquire, in the aggregate, more than 910,000 shares of Common Stock under the Plan during any fiscal year of the Company. If any Option granted under the Plan shall expire or terminate for any reason without having been exercised in full or shall cease for any reason to be exercisable in whole or in part or shall be repurchased by the Company, the shares subject to such Option shall be included in the determination of the aggregate number of shares of Common Stock deemed to have been granted to such employee under the Plan.

5. GRANTING OF OPTIONS. Options may be granted under the Plan at any time after August 25, 1995 and prior to August 24, 2005. The date of grant of an Option under the Plan will be the date specified by the Committee at the time it grants the Option; provided, however, that such date shall not be prior to the date on which the Committee acts to approve the grant.

6. MINIMUM OPTION PRICE; ISO LIMITATIONS.

A. PRICE FOR NON-QUALIFIED OPTIONS. Subject to Paragraph 2D (relating to compliance with Section 162(m) of the Code), the exercise price per share specified in the agreement relating to each Non-Qualified Option granted under the Plan shall in no event be less than the minimum legal consideration required therefor under the laws of any jurisdiction in which the Company or its successors in interest may be organized.

B. PRICE FOR ISOs. The exercise price per share specified in the

agreement relating to each ISO granted under the Plan shall not be less than the fair market value per share of Common Stock on the date of such grant. In the case of an ISO to be granted to an employee owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Related Corporation, the price per share specified in the agreement relating to such ISO shall not be less than one hundred ten percent (110%) of the fair market value per share of Common Stock on

the date of grant. For purposes of determining stock ownership under this paragraph, the rules of Section 424(d) of the Code shall apply.

C. $100,000 ANNUAL LIMITATION ON ISO VESTING. Each eligible employee may be granted Options treated as ISOs only to the extent that, in the aggregate under this Plan and all incentive stock option plans of the Company and any Related Corporation, ISOs do not become exercisable for the first time by such employee during any calendar year with respect to stock having a fair market value (determined at the time the ISOs were granted) in excess of $100,000. The Company intends to designate any Options granted in excess of such limitation as Non-Qualified Options.

D. DETERMINATION OF FAIR MARKET VALUE. 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 date of grant or, if the prices or quotes discussed in this sentence are unavailable for such date, the last business day for which such prices or quotes are available prior to the date of grant 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. 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. OPTION DURATION. Subject to earlier termination as provided in paragraphs 9 and 10 or in the agreement relating to such Option, each Option shall expire on the date specified by the Committee, but not more than (i) ten years from the date of grant in the case of Options generally and (ii) five years from the date of grant in the case of ISOs granted to an employee owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Related Corporation, as determined under paragraph 6(B). Subject to earlier termination as provided in paragraphs 9 and 10, the term of each ISO shall be the term set forth in the original instrument granting such ISO, except with respect to any part of such ISO that is converted into a Non-Qualified Option pursuant to paragraph 16.

8. EXERCISE OF OPTION. Subject to the provisions of paragraphs 9 through 12, each Option granted under the Plan shall be exercisable as follows:

A. VESTING. The Option shall either be fully exercisable on the date of grant or shall become exercisable thereafter in such installments as the Committee may specify.

B. FULL VESTING OF INSTALLMENTS. Once an installment becomes exercisable it shall remain exercisable until expiration or termination of the Option, unless otherwise specified by the Committee.

C. PARTIAL EXERCISE. Each Option or installment may be exercised at any time or from time to time, in whole or in part, for up to the total number of shares with respect to which it is then exercisable.

D. ACCELERATION OF VESTING. The Committee shall have the right to accelerate the date on which any installment of any Option becomes exercisable; provided that the Committee shall not, without the consent of an optionee, accelerate the permitted exercise date of any installment of

any Option granted to any employee as an ISO (and not previously converted into a Non-Qualified Option pursuant to paragraph 16) if such acceleration would violate the annual vesting limitation contained in Section 422(d) of the Code, as described in paragraph 6(C).

9. TERMINATION OF EMPLOYMENT. Unless otherwise specified in the agreement relating to such ISO, if an ISO optionee ceases to be employed by the Company and all Related Corporations other than by reason of death or disability as defined in paragraph 10, no further installments of his or her ISOs shall become exercisable, and his or her ISOs shall terminate after the passage of three months from the date of termination of his or her employment, but in no event later than on their specified expiration dates, except to the extent that such ISOs (or unexercised installments thereof) have been converted into Non-Qualified Options pursuant to paragraph 16. For purposes of this paragraph 9, employment shall be considered as continuing uninterrupted during any bona fide leave of absence (such as those attributable to illness, military obligations or governmental service) provided that the period of such leave does not exceed 90 days or, if longer, any period during which such optionee's right to reemployment is guaranteed by statute or by contract. A bona fide leave of absence with the written approval of the Committee shall not be considered an interruption of employment under this paragraph 9, provided that such written approval contractually obligates the Company or any Related Corporation to continue the employment of the optionee after the approved period of absence. ISOs granted under the Plan shall not be affected by any change of employment within or among the Company and Related Corporations, so long as the optionee continues to be an employee of the Company or any Related Corporation. Nothing in the Plan shall be deemed to give any optionee the right to be retained in employment or other service by the Company or any Related Corporation for any period of time.

10. DEATH; DISABILITY.

A. DEATH. If an ISO optionee ceases to be employed by the Company and all Related Corporations by reason of his or her death, any ISO owned by such optionee may be exercised, to the extent otherwise exercisable on the date of death, by the estate, personal representative or beneficiary who has acquired the ISO by will or by the laws of

descent and distribution, until the earlier of (i) the specified expiration date of the ISO or (ii) 180 days from the date of the optionee's death.

B. DISABILITY. If an ISO optionee ceases to be employed by the Company and all Related Corporations by reason of his or her disability, such optionee shall have the right to exercise any ISO held by him or her on the date of termination of employment, to the extent of the number of shares with respect to which he or she could have exercised it on that date, until the earlier of (i) the specified expiration date of the ISO or (ii) 180 days from the date of the termination of the optionee's employment. For the purposes of the Plan, the term "disability" shall mean "permanent and total disability" as defined in Section 22(e)(3) of the Code or any successor statute.

11. ASSIGNABILITY. No ISO shall be assignable or transferable by the optionee except by will, or by the laws of descent and distribution, and during the lifetime of the optionee shall be exercisable only by such optionee. Options other than ISOs shall be transferable to the extent set forth in the agreement relating to such Option.

12. TERMS AND CONDITIONS OF OPTIONS. Options shall be evidenced by instruments (which need not be identical) in such forms as the Committee may from time to time approve. Such instruments shall conform to the terms and conditions set forth in paragraphs 6 through 11 hereof and may contain such other provisions as the Committee deems advisable which are not inconsistent with the Plan, including restrictions applicable to shares of Common Stock issuable upon exercise of Options. The Committee may specify that any Non-Qualified Option shall be subject to the restrictions set forth herein with respect to ISOs, or to such other termination and cancellation provisions as the Committee may determine. The Committee may from time to time confer authority and responsibility on one or more of its own members and/or one or more officers of the Company to execute and deliver such instruments. The proper officers of the Company are authorized and directed to take any and all action necessary or advisable from time to time to carry out the terms of such instruments.

13. ADJUSTMENTS. Upon the occurrence of any of the following events, an optionee's rights with respect to Options granted to such optionee hereunder shall be adjusted as hereinafter provided, unless otherwise specifically

provided in the written agreement between the optionee and the Company relating to such Option:

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. CONSOLIDATIONS OR MERGERS. If the Company is to be consolidated with or acquired by another entity in a merger or other reorganization in which the holders of the

outstanding voting stock of the Company immediately preceding the consummation of such event, shall, immediately following such event, hold, as a group, less than a majority of the voting securities of the surviving or successor entity, or in the event of a sale of all or substantially all of the Company's assets or otherwise (each, an "Acquisition"), the Committee or the board of directors of any entity assuming the obligations of the Company hereunder (the "Successor Board"), shall, as to outstanding Options, either (i) make appropriate provision for the continuation of such Options by substituting on an equitable basis for the shares then subject to such Options either (a) the consideration payable with respect to the outstanding shares of Common Stock in connection with the Acquisition, (b) shares of stock of the surviving or successor corporation or (c) such other securities as the Successor Board deems appropriate, the fair market value of which shall not materially exceed the fair market value of the shares of Common Stock subject to such Options immediately preceding the Acquisition; or (ii) upon written notice to the optionees, provide that all Options must be exercised, to the extent then exercisable or to be exercisable as a result of the Acquisition, within a specified number of days of the date of such notice, at the end of which period the Options shall terminate; or (iii) terminate all Options in exchange for a cash payment equal to the excess of the fair market value of the shares subject to such Options (to the extent then exercisable or to be exercisable as a result of the Acquisition) over the exercise price thereof.

C. RECAPITALIZATION OR REORGANIZATION. In the event of a recapitalization or reorganization of the Company (other than a transaction described in subparagraph B above) pursuant to which securities of the Company or of another corporation are issued with respect to the outstanding shares of Common Stock, an optionee upon exercising an Option shall be entitled to receive for the purchase price paid upon such exercise the securities he or she would have received if he or she had exercised such Option prior to such recapitalization or reorganization.

D. MODIFICATION OF ISOs. Notwithstanding the foregoing, any adjustments made pursuant to subparagraphs A, B or C with respect to ISOs shall be made only after the Committee, after consulting with counsel for the Company, determines whether such adjustments would constitute a "modification" of such ISOs (as that term is defined in Section 424 of the Code) or would cause any adverse tax consequences for the holders of such ISOs. If the Committee determines that such adjustments made with respect to ISOs would constitute a modification of such ISOs or would cause adverse tax consequences to the holders, it may refrain from making such adjustments.

E. DISSOLUTION OR LIQUIDATION. In the event of the proposed dissolution or liquidation of the Company, each Option will terminate immediately prior to the consummation of such proposed action or at such other time and subject to such other conditions as shall be determined by the Committee.

F. 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.

G. FRACTIONAL SHARES. No fractional shares shall be issued under the Plan and the optionee shall receive from the Company cash in lieu of such fractional shares.

H. ADJUSTMENTS. Upon the happening of any of the events described in subparagraphs A, B or C above, the class and aggregate number of shares set forth in paragraph 4 hereof that are subject to Options which previously have been or subsequently may be granted under the Plan shall also be appropriately adjusted to reflect the events described in such subparagraphs. The Committee or the Successor Board shall determine the specific adjustments to be made under this paragraph 13 and, subject to paragraph 2, its determination shall be conclusive.

14. MEANS OF EXERCISING OPTIONS. An Option (or any part or installment thereof) shall be exercised by giving written notice to the Company at its principal office address, or to such transfer agent as the Company shall designate. Such notice shall identify the Option being exercised and specify the number of shares as to which such Option is being exercised, accompanied by full payment of the purchase price therefor either (a) in United States dollars in cash or by check, (b) at the discretion of the Committee, through delivery of shares of Common Stock having a fair market value equal as of the date of the exercise to the cash exercise price of the Option, (c) at the discretion of the Committee, by delivery of the optionee's personal recourse note bearing interest payable not less than annually at no less than 100% of the lowest applicable Federal rate, as defined in Section 1274(d) of the Code, (d) at the discretion of the Committee and 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, or (e) at the discretion of the Committee, by any combination of (a), (b), (c) and (d) above. If the Committee exercises its discretion to permit payment of the exercise price of an ISO by means of the methods set forth in clauses (b), (c), (d) or (e) of the preceding sentence, such discretion shall be exercised in writing at the time of the grant of the ISO in question. The holder of a Option shall not have the rights of a shareholder with respect to the shares covered by his Option until the date of issuance of a stock certificate to such holder for such shares. Except as expressly provided above in paragraph 13 with respect to changes in capitalization and stock dividends, no adjustment shall be made for dividends or similar rights for which the record date is before the date such stock certificate is issued.

15. TERM AND AMENDMENT OF PLAN. The 1995 Stock Option Plan was adopted by the Board on August 25, 1995 and approved by the stockholders of the Company on October 23, 1995. This Plan was adopted by the Board on September 6, 1996, subject, with respect to the validation of ISOs granted under the Plan in excess of 468,500 shares, to approval of the Plan by the stockholders of the Company at the next Meeting of Stockholders or, in lieu thereof, by written consent. If the approval of stockholders of the Amended and Restated Plan is not obtained prior to September 6, 1997, any grants of ISOs under the Plan in excess of 468,500

shares made prior to that date will be rescinded. The Plan shall expire at the end of the day on August 24, 2005 (except as to Options outstanding on that date). Subject to the provisions of paragraph 5 above, Options may be granted under the Plan prior to the date of stockholder approval of the Plan. The Board may terminate or amend the Plan in any respect at any time, except that, without the approval of the stockholders obtained within 12 months before or after the Board adopts a resolution authorizing any of the following actions: (a) the total number of shares that may be issued under the Plan may not be increased (except by adjustment pursuant to paragraph 13); (b) the provisions of paragraph 3 regarding eligibility for grants of ISOs may not be modified; (c) the provisions of paragraph 6(B) regarding the exercise price at which shares may be offered pursuant to ISOs may not be modified (except by adjustment pursuant to paragraph 13); and (d) the expiration date of the Plan may not be extended. Except as otherwise provided in this paragraph 15, in no event may action of the Board or stockholders alter or impair the rights of an optionee, without such optionee's consent, under any Option previously granted to such optionee.

16. MODIFICATIONS OF ISOs; CONVERSION OF ISOs INTO NON-QUALIFIED OPTIONS. Subject to Paragraph 13D, without the prior written consent of the holder of an ISO, the Committee shall not alter the terms of such ISO (including the means of exercising such ISO) if such alteration would constitute a modification (within the meaning of Section 424(h)(3) of the Code). The Committee, at the written request or with the written consent of any optionee, may in its discretion take such actions as may be necessary to convert such optionee's ISOs (or any installments or portions of installments thereof) that have not been exercised on the date of conversion into Non-Qualified Options at any time prior to the expiration of such ISOs, regardless of whether the optionee is an employee of

the Company or a Related Corporation at the time of such conversion. Such actions may include, but shall not be limited to, extending the exercise period or reducing the exercise price of the appropriate installments of such ISOs. At the time of such conversion, the Committee (with the consent of the optionee) may impose such conditions on the exercise of the resulting Non-Qualified Options as the Committee in its discretion may determine, provided that such conditions shall not be inconsistent with this Plan. Nothing in the Plan shall be deemed to give any optionee the right to have such optionee's ISOs converted into Non-Qualified Options, and no such conversion shall occur until and unless the Committee takes appropriate action. Upon the taking of such action, the Company shall issue separate certificates to the optionee with respect to Options that are Non-Qualified Options and Options that are ISOs.

17. <u>APPLICATION Of FUNDS</u>. The proceeds received by the Company from the sale of shares pursuant to Options granted under the Plan shall be used for general corporate purposes.

18. <u>NOTICE TO COMPANY OF DISQUALIFYING DISPOSITION</u>. By accepting an ISO granted under the Plan, each optionee agrees to notify the Company in writing immediately after such optionee makes a Disqualifying Disposition (as described in Sections 421, 422 and 424 of the Code and regulations thereunder) of any stock acquired pursuant to the exercise of ISOs granted under the Plan. A Disqualifying Disposition is generally any disposition occurring on or before the later of (a) the date two years following the date the ISO was granted or (b) the date one year following the date the ISO was exercised.

19. <u>WITHHOLDING OF ADDITIONAL INCOME TAXES</u>. Upon the exercise of a Non-Qualified Option, the transfer of a Non-Qualified Stock Option pursuant to an arm's-length transaction, the making of a Disqualifying Disposition (as defined in paragraph 18), the vesting or transfer of restricted stock or securities acquired on the exercise of a Option hereunder, or the making of a distribution or other payment with respect to such stock or securities, the Company may withhold taxes in respect of amounts that constitute compensation includible in gross income. The Committee in its discretion may condition (i) the exercise of an Option, (ii) the transfer of a Non-Qualified Stock Option, or (iii) the vesting or transferability of restricted stock or securities acquired by exercising an Option, on the optionee's making satisfactory arrangement for such withholding. Such arrangement may include payment by the optionee in cash or by check of the amount of the withholding taxes or, at the discretion of the Committee, by the optionee's delivery of previously held shares of Common Stock or the withholding from the shares of Common Stock otherwise deliverable upon exercise of a Option shares having an aggregate fair market value equal to the amount of such withholding taxes.

20. <u>GOVERNMENTAL REGULATION</u>. The Company's obligation to sell and deliver shares of the Common Stock under this Plan is subject to the approval of any governmental authority required in connection with the authorization, issuance or sale of such shares.

Government regulations may impose reporting or other obligations on the Company with respect to the Plan. For example, the Company may be required to send tax information statements to employees and former employees that exercise ISOs under the Plan, and the Company may be required to file tax information returns reporting the income received by optionees in connection with the Plan.

21. <u>GOVERNING LAW</u>. The validity and construction of the Plan and the instruments evidencing Options shall be governed by the laws of the Commonwealth of Massachusetts, or the laws of any jurisdiction in which the Company or its successors in interest may be organized.

Exhibit 10.8

LOAN AND SECURITY AGREEMENT BAYBANK, N.A.

September 25, 1996

THIS AGREEMENT is made between

BAYBANK, N.A. (hereinafter, the "LENDER"), a national banking association with offices at 7 New England Executive Park, Burlington, Massachusetts 01803

and

SEACHANGE INTERNATIONAL, INC. (hereinafter, the "BORROWER"), a Delaware corporation with its principal executive offices at 124 Acton Street, Maynard, Massachusetts in consideration of the mutual covenants contained herein and benefits to be derived herefrom.

WITNESSETH:

ARTICLE 1 - THE REVOLVING CREDIT.

1-1. Establishment of Revolving Working Capital Credit.

(a) The Lender hereby establishes a revolving working capital line of credit (hereinafter, the "WORKING CAPITAL LINE") in the Borrower's favor pursuant to which the Lender, subject to, and in accordance with, the within Agreement, shall make loans and advances and otherwise provide financial accommodations to and for the account of the Borrower as provided herein. The amount of the Working Capital Line shall be determined by the Lender by reference to Working Capital Line Availability (as defined below), as determined by the Lender from time to time hereafter. All loans made by the Lender under this Agreement, and all of the Borrower's other Liabilities (as defined below) to the Lender under or pursuant to this Agreement, are payable as provided in Article 12 hereof.

(b) As used herein, the term "WORKING CAPITAL LINE AVAILABILITY" refers at any time to the lesser of (i) or (ii), below, where:

(i) Is up to: Six Million Dollars ($6,000,000.00) (the "Working Capital Line Amount").

(ii) Is

(A) 80% of the face amount of each of the Borrower's domestic based Acceptable Accounts (as defined below),

plus

(B) 70% of the face amount of each of the Borrower's blue-chip international Acceptable Accounts (defined herein) with a Standard & Poors (or similar rating organization acceptable to Lender) rating of no less than A1P1. Notwithstanding the foregoing, the amount computed in (b)(ii)(B) shall not exceed either (1) $1,000,000.00, or (2) twenty-five percent (25%) of the amount of the Working Capital Line Availability (as defined herein).

(c) Working Capital Line Availability shall be based upon Borrowing Certificates furnished as provided in Section 8-3, below, the Compliance Certificate furnished as provided in Section 8-10, below, or such other information which may be required by the Bank.

(d) The proceeds of borrowings under the Working Capital Line shall be used solely for working capital purposes of the Borrower.

(e) The Lender shall not be obligated to issue letters of credit in the aggregate amount of more than Two Million Dollars ($2,000,000.00) outstanding at any time during the term of this Loan. The amounts of such letters of credit shall be considered loans made hereunder.

1-2. Establishment of Revolving Equipment Line of Credit.

(a) The Lender hereby establishes a revolving equipment line of credit (hereinafter, the "EQUIPMENT LINE") in the Borrower's favor pursuant to which the Lender, subject to, and in accordance with, the within Agreement, shall make

loans and advances and otherwise provide financial accommodations to and for the account of the Borrower as provided herein. The amount of the Equipment Line shall be determined by the Lender by reference to Equipment Line Availability (as defined below), as determined by the Lender from time to time hereafter. All loans made by the Lender under this Agreement, and all of the Borrower's other Liabilities (as defined below) to the Lender under or pursuant to this Agreement, are payable as provided in Article 12 hereof.

(b) As used herein, the term "EQUIPMENT LINE AVAILABILITY" refers at any time to the lesser of (i) or (ii), below, where:

(i) Is up to: One Million Five Hundred Thousand Dollars ($1,500,000.00) (the "Equipment Line Amount").

(ii) Is (A) 80% of the lesser of (1) the price shown on the invoices for such amounts, or (2) actual cost, excluding, in each case, any associated "soft" charges (including, without limitation, professional fees, installation fees, extended warranty charges, training, and the like).

(c) Equipment Line Availability shall also be based upon the Compliance Certificate furnished as provided in Section 8-10, below, or such other information which may be required by the Bank.

(d) The proceeds of borrowings under the Equipment Line shall be used solely for the purchase of computer equipment, furniture, and other general fixed assets, subject to the Lender's prior approval in each instance and also subject to the granting of first perfected security interests, acceptable to the Lender, in the Acquired Assets.

1-3. Advances in Excess of Availability. The Lender does not have any obligation to make any loan or advance, or otherwise to provide any credit for the benefit of the Borrower such that the outstanding principal balance of the Loan Account (defined below) would exceed Availability. The making of loans, advances, and credits and the providing of financial accommodations by the Lender in excess of Availability is for the benefit of the Borrower and does not limit the obligations of the Borrower hereunder; such loans constitute Liabilities. The making of any such loans, advances, and credits and the providing of financial accommodations in excess of Availability on any one occasion shall not obligate the Lender to make any such loans, credits, or advances or to provide any financial accommodation on any other occasion nor to permit such loans, credits, or advances to remain outstanding.

1-4. Risks of Value of Assets. The Lender's reference to a given asset for monitoring concerning the Lender's making of loans, credits, and advances and the providing of financial accommodations under the Revolving Credit shall not be deemed a determination by the Lender relative to the actual value of the asset in question. All risks of the creditworthiness of all Accounts and Accounts Receivable are and remain upon the Borrower. Reference by the Lender to a particular Account owed by a particular Account Debtor for guidance and/or monitoring shall not obligate the Lender to rely upon any other Account owed by the same Account Debtor to be acceptable for the Lender or to continue to rely upon that account. All Collateral (defined below) secures the prompt, punctual, and faithful performance of the Liabilities whether or not relied upon by the Lender in connection with the making of loans, credits, and advances and the providing of financial accommodations under the Revolving Credit.

1-5. Procedures Under Revolving Credit.

(a) The Borrower may request loans and advances under the Revolving Credit from time to time hereunder, in each instance in accordance with the terms of this Agreement or such procedures as may from time to time be acceptable to the Lender.

(b) With respect to loans and advances:

(i) The Borrower may request a Libor Rate Loan (as defined herein) by making such request in writing, at least two (2) business days prior to any disbursement hereunder;

(ii) The Borrower may request any Base Rate Loan (as defined herein) by making such request, in writing, by 12:00 noon on the day before such disbursement is requested hereunder; and

(iii) There may be partial conversions of the outstanding balances hereunder to loans of another type, subject to the restrictions herein.

(c) Subject to the terms and conditions contained herein, the Borrower

may elect from time to time to convert a loan of one type to a loan of another type provided that (i) with respect to any such conversion to a Libor Rate Loan, written notice of such election shall be given to the Lender at least two (2) Business Days' prior to such election, and (ii) with respect to any conversion to, or rollover of, a Libor Rate Loan, the Borrower may only convert to or rollover such loans in minimum amounts of $1,000,000.00, and, if greater, in minimum increments of $250,000.00, and (iii) with respect to any conversion from a Libor Rate Loan, such conversion may only be effective at the expiration of the subject Interest Period.

(d) The Lender, subject to the terms and conditions of the within Agreement, will provide the Borrower with the loan so requested, as follows:

(i) Each request for a Libor Rate Loan under the Working Capital Line shall be in minimum amounts of $1,000,000.00, and if greater, in $250,000.00 increments.

(ii) Each request for a Base Rate Loan shall be in minimum amounts of $250,000.00.

(iii) Provided that there is sufficient Availability to support the same, (but subject, however, to Subsection 1-5(g), below (which deals with the effect of a Suspension Event)), a loan or advance under the Revolving Credit so requested by the Borrower shall be made by the transfer of the proceeds of such loan or advance to an account maintained by the Borrower with the Lender.

(iv) A loan or advance shall be deemed to have been made under the Revolving Credit upon the charging of the amount of such loan to the Loan Account.

(v) There shall not be any recourse to, nor liability of, the Lender on account of any of the following:

(A) any delay in the Lender's making of any loan or advance requested under the Revolving Credit.

(B) any delay in the proceeds of any such loan or advance constituting collected funds; or

(C) any delay in the receipt, and/or any loss, of funds which constitute a loan or advance under the Revolving Credit, the wire transfer of which was properly

initiated by the Lender in accordance with wire instructions provided to the Lender by the Borrower.

(vi) The Lender may rely on any request for a loan or advance or financial accommodation which the Lender, in good faith, believes to have been made by a person duly authorized to act on behalf of the Borrower and may decline to make any such requested loan or advance or to provide any such financial accommodation pending the Lender's being furnished with such documentation concerning that person's authority to act as may be satisfactory to the Lender.

(e) A request by the Borrower for any financial accommodation under the Revolving Credit shall be irrevocable and shall constitute certification by the Borrower that as of the date of such request, each of the following is true and correct:

(i) There has been no material adverse change in the Borrower's financial condition from the most recent financial information furnished the Lender pursuant to this Agreement.

(ii) The Borrower is in compliance with, and has not breached any of its covenants contained in this Agreement, unless the Bank is advised of such breach, in writing, contemporaneously with such request for financial accommodation.

(iii) Each representation which is made herein or in any of the Loan Documents (defined below) is then true and complete as of and as if made on the date of such request.

(iv) No Suspension Event (defined herein) is then extant.

(f) The Borrower shall immediately become indebted to the Lender for the amount of each loan under or pursuant to this Agreement when such loan is deemed to have been made.

(g) Upon the occurrence from time to time of any Suspension Event, the Lender may suspend advances under the Revolving Credit immediately and shall not be obligated, during such suspension, to make any loans or to provide any financial accommodation hereunder, except that letters of credit previously issued and outstanding shall remain outstanding until their stated expiration.

1-6. The Loan Account.

(a) An account (hereinafter, the "LOAN ACCOUNT") may be opened on the books of the Lender, in which Loan Account a record may be kept of all loans made by the Lender to the Borrower under or pursuant to this Agreement and of all payments thereon.

(b) The Lender may also keep a record (either in the Loan Account or elsewhere, as the Lender may from time to time elect) of all interest, fees, service charges, costs,

expenses, and other debits owed the Lender on account of the Liabilities and of all credits against such amounts so owed.

(c) All credits against the Liabilities shall be conditional upon final payment to the Lender of the items giving rise to such credits. The amount of any item credited against the Liabilities which is charged back against the Lender for any reason or is not so paid shall be a Liability and shall be added to the Loan Account, whether or not the item so charged back or not so paid is returned.

(d) Except as otherwise provided herein, all fees, service charges, costs, and expenses for which the Borrower is obligated hereunder are payable ON DEMAND. In the determination of Availability, the Lender may deem fees, service charges, accrued interest, and other payments as having been advanced under the Revolving Credit whether or not such amounts are then due and payable.

(e) The Lender, without the request of the Borrower, may advance under the Revolving Credit any interest, fee, service charge, or other payment to which the Lender is entitled from the Borrower pursuant hereto and may charge the same to the Loan Account notwithstanding that such amount so advanced may result in Availability's being exceeded. Such action on the part of the Lender shall not constitute a waiver of the Lender's rights under Section 1-8(c), below. Any amount which is added to the principal balance of the Loan Account as provided in this Subsection shall bear interest at the interest rate applicable from time to time to the unpaid principal balance of the Loan Account.

(f) Any statement rendered by the Lender to the Borrower concerning the Liabilities shall be considered correct and accepted by the Borrower and shall be conclusively binding upon the Borrower unless the Borrower provides the Lender with written objection thereto within thirty (30) days from the mailing of such statement, which written objection shall indicate, with particularity, the reason for such objection. The Loan Account and the Lender's books and records concerning the loan arrangement contemplated herein and the Liabilities shall be prima facie evidence and proof of the items described therein.

1-7. The Master Notes. The obligation to repay loans and advances under the Revolving Credit, with interest as provided herein, shall be evidenced by notes (hereinafter, the "MASTER NOTES") in the forms executed by the Borrower this date. Neither the original nor a copy of the Master Note shall be required, however, to establish or prove any Liability. In the event that the Master Note is ever lost, mutilated, or destroyed, the Borrower shall execute a replacement thereof and deliver such replacement to the Lender upon receipt of a certification by the Lender as to the loss, mutilation, or destruction of said Master Note or Notes.

1-8. Payment of Loan Account.

(a) Working Capital Line. The Borrower may repay all or any portion of the principal balance of the Working Capital Line from time to time until the termination of the Working Capital Line (as to which, see Article 12, below).

(b) Equipment Line. The Borrower may repay all or any portion of the principal balance of the Equipment Line from time to time until the termination of the Equipment Line (as to which, see Article 12, below). Any advances made by the Lender after such date, if any, shall be payable ON DEMAND. The Borrower shall repay the outstanding principal and interest under the Equipment Line beginning on the first day of the seventh (7th) calendar month after the execution of this Agreement, and continuing on the first day of every calendar month thereafter, in thirty (30) monthly payments of (i) principal, which payments shall be computed by the Lender based upon (A) the then outstanding principal balance of the Equipment Line, and (B) an amortization schedule of equal monthly principal payments over thirty (30) months, plus (ii) interest on the outstanding principal balance of the Equipment Line. The final payment

shall be equal to the principal amount outstanding, together with all other amounts outstanding under the Equipment Line.

(c) The Borrower, without notice or demand from the Lender, shall pay the Lender that amount, from time to time, which is necessary so that the principal balance of the subject Loan Account does not exceed the applicable Availability.

(d) The Borrower shall repay the then entire unpaid balance of the Loan Account as provided in Article 12 hereof.

1-9. Interest.

(a) Calculation. The unpaid amount of each loan advance credited to the Loan Account shall bear interest, until repaid (calculated based upon a 360-day year and actual days elapsed), at the applicable interest rate specified below:

(i) Working Capital Line. Except as otherwise provided below, all loans and advances made to the Borrower under the Working Capital Line shall bear interest, until repaid, at the Borrower's option (to be exercised as provided below) (the "Interest Rate Option") of either:

(1) the Lender's "Base Rate" of interest (as defined below) (each advance under the Revolving Credit bearing interest calculated based on a Base Rate is hereinafter individually referred to as a "Base Rate Loan" and collectively referred to as the "Base Rate Loans"), or

(2) a per annum interest rate equal to the aggregate of the Libor Rate (as defined below) plus two hundred twenty-five (225) basis points, determined two (2) Libor Business Days prior to the commencement of the applicable Interest Period (as defined below) for either thirty (30), sixty (60), or ninety (90) days, for principal amounts outstanding and/or to be advanced under the Working Capital Line (each advance under the Working Capital Line bearing interest calculated based upon a Libor Rate is hereinafter referred to individually as a "Libor Rate Loan" and collectively as "Libor Rate Loans" and the term selected for any Libor Rate Loan shall be referred to as the "Interest Period"). Unless the Borrower notifies the Lender in writing by 10:00 a.m. Boston, Massachusetts time at least two (2) Libor Business Days before the last day of the Interest Period of a Libor Rate Loan, that Borrower elects to roll over such

Libor Rate Loan for an additional thirty (30), sixty (60), ninety (90) days, at the aggregate of the then current Libor Rate plus two hundred twenty-five (225) basis points, such Libor Rate Loan, unless an Event of Default (as defined herein) is then existing under the Working Capital Line, shall convert to a Base Rate Loan under the Working Capital Line on the first day following the end of such Interest Period.

(ii) Equipment Line. Except as otherwise provided below, all advances made to the Borrower under the Equipment Line shall bear interest until repaid, at the Lender's "Base Rate" of interest (as defined herein).

(iii) Availability of Libor Rate. Notwithstanding anything to the contrary contained herein, if there exists any period of time for which a Libor Rate is not available, for any reason as determined by the Lender, all such requests for Libor Rate Loans under the Working Capital Line shall accrue interest (based upon a 360-day year and actual day months) at the Lender's Base Rate.

(iv) Election of Libor Rate or Base Rate. The Borrower shall elect either a Libor Rate Loan or a Base Rate Loan at the time of each borrowing request, pursuant to the terms and conditions of Section 1-5, above. Subject to other restrictions contained in this Agreement, the Borrower may elect to treat part of a Working Capital Line as a Libor Rate Loan, and/or a Base Rate Loan.

(v) Indemnification. The Borrower hereby indemnifies the Lender and agrees to hold the Lender harmless from and against any loss, cost, or expense (including loss of anticipated profits) that the Lender may sustain or incur as a consequence of (a) default by the Borrower in payment of any interest on a Libor Rate Loan as and when due and payable, including any such loss or expense arising from interest or fees payable by the Lender to lenders of funds obtained by it in order to maintain a Libor Rate Loan, or (b) the making of any principal payment (whether voluntarily or after acceleration by the Lender pursuant to its rights hereunder) of a Libor Rate Loan on a day that is not the last day of the applicable Interest Period with respect thereto, including

interest or fees payable by the Lender to lenders of funds obtained by it in order to maintain any such Libor Rate Loan.

(vi) Restrictions. All of the forgoing provisions relating to Interest Period are subject to the following:

(1) If any Interest Period with respect to a Libor Rate Loan would otherwise end on a day that is not a Libor Business Day (as defined herein), that Interest Period shall be extended to the next succeeding Libor Business Day and interest shall accrue during such extension;

(2) The Borrower may not request an Interest Period relating to any Libor Rate Loan that would otherwise extend beyond the maturity date of the Working Capital Line.

(b) Interest Payments. All interest payments under the Revolving Credit, including all Libor Rate Loans, shall be payable in arrears on the first day of each month.

(c) Event of Default. Upon the occurrence of an Event of Default (as defined below) and while such Event of Default remains uncured, as provided herein, the outstanding balance of loans and advances under the Revolving Credit shall accrue interest at the aggregate of the Lender's Base Rate plus four percent (4.0%) per annum.

(d) Prepayment Premium. The Borrower shall have the right to prepay, in whole or in part, at any time or times, without penalty or premium, any loans or advances hereunder, with the exception of Libor Rate Loans.

1-10. Facility Fee.

(a) As compensation for the Lender's commitment included herein to make loans and advances to the Borrower and as compensation for the Lender's maintenance of sufficient funds available for such purpose, the Lender shall earn a FACILITY FEE (so referred to herein), which fee shall be paid quarterly, on a calendar year basis, in arrears, for each of the Working Capital Line and the Equipment Line, in an amount equal to one quarter of one percent (.25%) per annum of the average unused portion of the Working Capital Line Amount and Equipment Line Amount (computed on a daily basis), as determined by the Lender, for the subject quarter.

(b) The Borrower shall not be entitled to any credit, rebate or repayment of any Facility Fee previously earned by the Lender pursuant to this Section notwithstanding any termination of the within Agreement or suspension or termination of the Lender's obligation to make loans and advances hereunder.

1-11. Lender's Discretion.

(a) Each reference in the Loan Documents to the Lender's exercise of discretion or the like shall be to the Lender's exercise of its judgement in accordance with its standard practice, in good faith (which shall be presumed), based upon the Lender's consideration of any such factors as the Lender, taking into account information of which the Lender then has actual knowledge, believes:

(i) Will or reasonably could be expected to affect the value of the Collateral, the enforceability of the Lender's security and collateral interests therein, or the amount which the Lender would likely realize therefrom (taking into account delays which may possibly be encountered in the Lender's realizing upon the Collateral and likely Costs of Collection).

(ii) Indicates that any report or financial information delivered to the Lender by or on behalf of the Borrower is incomplete, inaccurate, or misleading in any material manner or was not prepared in accordance with the requirements of the within Agreement.

(iii) Suggests an increase in the likelihood that the Borrower will become the subject of a Bankruptcy or insolvency proceeding.

(iv) Constitutes a Suspension Event.

(b) In the exercise of such judgment in accordance with its standard practice, the Lender also may take into account any of the following factors:

(i) The current financial and business climate of the industry in

which the Borrower competes (having regard for the Borrower's position in that industry).

(ii) General economic conditions which have a material effect on the Borrower's cost structure.

(iii) Such other factors as the Lender determines as having a material bearing on credit risks associated with the providing of loans and financial accommodations to the Borrower.

(c) The burden of establishing the Lender's failure to have acted in a reasonable manner in the Lender's exercise of discretion shall be the Borrower's.

1-12. Charging of Borrower's Account. In addition to the Lender's rights set forth in Section 1-6, above, and the Lender's right of set off set forth in Section 13-14, below, the Borrower authorizes the Lender, without notice, to charge any account which the Borrower maintains with the Lender for any payments due from the Borrower to the Lender on account of the Liabilities. Notwithstanding the foregoing, the Lender shall provide the Borrower with prior notice with respect to scheduled payments of principal and interest hereunder.

ARTICLE 2 - GRANT OF SECURITY INTEREST

2-1. Grant of Security Interest. To secure the Borrower's prompt, punctual, and faithful performance of all and each of the Borrower's Liabilities, the Borrower hereby grants to the Lender a continuing security interest in and to, and assigns to the Lender, the following, and each item thereof, whether now owned or now due, or in which the Borrower has an interest, or hereafter acquired, arising, or to become due, or in which the Borrower obtains an interest, and all products, Proceeds, substitutions, and accessions of or to any of the following (all of which, together with any other property in which the Lender may in the future be granted a security interest, is referred to herein as the "COLLATERAL"):

(a) All Accounts and Accounts Receivable.

(b) All Inventory.

(c) All Contract Rights.

(d) All General Intangibles.

(e) All Equipment.

(f) All Goods.

(g) All Fixtures.

(h) All Chattel Paper.

(i) All books, records, and information relating to the Collateral and/or to the operation of the Borrower's business, and all rights of access to such books, records, and information, and all property in which such books, records, and information are stored, recorded, and maintained.

(j) All Instruments, Documents of Title, Documents, policies and certificates of insurance, Securities, deposits, deposit accounts, impressed accounts, compensating balances, money, cash, or other property;

(k) All insurance proceeds, refunds, and premium rebates, including, without limitation, proceeds of fire and credit insurance, whether any of such proceeds, refunds, and premium rebates arise out of any of the foregoing or otherwise.

(l) All liens, guaranties, rights, remedies, and privileges pertaining to any of the foregoing (a through j) including the right of stoppage in transit.

2-2. Extent and Duration of Security Interest. The within grant of a security interest is in addition to, and supplemental of, any security interest previously granted by the Borrower to the Lender and shall continue in full force and effect applicable to all Liabilities until all Liabilities have been paid and/or satisfied in full and the security interest granted herein is specifically terminated in writing by a duly authorized officer of the Lender.

ARTICLE 3 - DEFINITIONS.

As herein used, the following terms have the following meanings or are defined in the section of the within Agreement so indicated:

"ACCEPTABLE ACCOUNTS":

(a) Such of the Borrower's Accounts and Accounts Receivable (as defined below) as arise in the ordinary course of the Borrower's business for goods sold and/or services rendered by the Borrower, which Accounts and Accounts Receivable have been determined by the Lender to be satisfactory and have been earned by performance and are owed to the Borrower by such of the Borrower's trade customers as the Lender determines to be satisfactory, in the Lender's sole discretion in each instance.

(b) The following is a partial listing of those types of accounts or accounts receivable which are not Acceptable Accounts:

(i) Any which is more than sixty (60) days past due as shown on the agings of the Borrower's accounts receivable furnished the Lender from time to time (each of which agings shall be prepared in accordance with generally accepted auditing standards).

(ii) Any which is owed by any Account Debtor (as defined herein) with respect to which twenty percent (20.0%) or more of whose accounts are not Acceptable Accounts hereunder.

(iii) Any which, when aggregated with all of the accounts of that Account Debtor, exceeds twenty percent (20.0%) of the then aggregate of Acceptable Accounts.

(iv) Any which arises out of the sale by the Borrower of goods consigned or delivered to the Borrower or to the Account Debtor on sale or return terms (whether or not compliance has been made with Section 2-326 of the Uniform Commercial Code).

(v) Any which arises out of any sale made on a basis other than upon terms usual to the business of the Borrower.

(vi) Any which arises out of any sale made on a "bill and hold," dating, a pre-billed basis, or delayed shipping basis.

(vii) Any which is owed by any Account Debtor whose principal place of business is not within the continental United States or the District of Columbia, except those accounts receivable approved by the Lender in writing.

(viii) Any which is owed by any Related Entity.

(ix) Any as to which the Account Debtor holds or is entitled to any claim, counterclaim, set off, or chargeback.

(x) Any which is evidenced by a promissory note.

(xi) Any which is due and payable to the Borrower in more than thirty (30) days from invoice.

(xii) Any which is owed by any person employed by, or a salesperson of, the Borrower.

(xiii) Any which the Lender in its sole discretion considers unacceptable for any reason.

"ACCOUNTS" and "ACCOUNTS RECEIVABLE": include, without limitation, "accounts" as defined in the UCC, and also all: accounts, accounts receivable, credit card receivables, notes, drafts, acceptances, and other forms of obligations and receivables and rights to payment for credit extended and for goods sold or leased, or services rendered, whether or not yet earned by performance; all "contract rights" as formerly defined in the UCC; all Inventory which gave rise thereto, and all rights associated with such Inventory, including the right of stoppage in transit;

all reclaimed, returned, rejected or repossessed Inventory (if any) the sale of which gave rise to any Account.

"ACCOUNT DEBTOR": has the meaning given that term in the UCC.

"ACQUIRED ASSETS": is defined as such equipment to be purchased by the Borrower with the proceeds from the Equipment Line.

"AFFILIATE": means, with respect to any two Persons, a relationship in which (a) one holds, directly or indirectly, not less than Twenty Five Percent (25%) of the capital stock, beneficial interests, partnership interests, or other equity interests of the other; or (b) one has, directly or indirectly,

Control of the other; or (c) not less than Twenty Five Percent (25%) of their respective ownership is directly or indirectly held by the same third Person.

"AVAILABILITY": is defined as the amounts available for borrowing, separately, under the Working Capital Line and/or the Equipment Line, as more particularly described in Sections 1-1(b) and 1-2(b).

"BASE RATE": the Base Rate or Prime Rate announced from time to time by the Lender. Any change in such Base Rate shall be effective, for purposes of the calculation of interest due hereunder, when made effective generally by the Lender.

"BASE RATE LOAN" or "BASE RATE LOANS": are defined in Section 1-9.

"BANKRUPTCY CODE": Title 11, U.S.C., as amended from time to time.

"BORROWER": is defined in the Preamble.

"BUSINESS DAY": any day other than (a) a Saturday, Sunday; (b) a day on which the Lender is not open to the general public to conduct business; or (c) a day on which banks in Boston, Massachusetts generally are not open to the general public for the purpose of conducting commercial banking business.

"CHATTEL PAPER": has the meaning given that term in the UCC.

"COLLATERAL": is defined in Section 2-1.

"COMPLIANCE CERTIFICATE": is defined in Section 8-10.

"CONTRACT RIGHTS": includes, without limitation, "contract rights" as now or formerly defined in the UCC and also any right to payment under a contract not yet earned by performance and not evidenced by an instrument or Chattel Paper.

"CONTROL": Person(s) shall be deemed to Control another Person if such Person(s) directly or indirectly possess the power to direct or cause the direction of the management and policies of such other Person, whether through ownership of voting securities, by contract, or otherwise.

"COSTS OF COLLECTION": includes, without limitation, all attorneys' reasonable fees and reasonable out-of-pocket expenses incurred by the Lender's attorneys, and all reasonable costs incurred by the Lender in the administration of the Liabilities and/or the Loan Documents, including, without limitation, reasonable costs and expenses associated with travel on behalf of the Lender, which costs and expenses are directly or indirectly related to or in respect of the Lender's: administration and management of the Liabilities; negotiation, documentation, and amendment of any Loan Document; or efforts to preserve, protect, collect, or enforce the Collateral, the Liabilities, and/or the Lender's Rights and Remedies and/or any of the Lender's rights and remedies against or in respect of any guarantor or other person liable in respect of the Liabilities (whether or not suit is instituted in connection with such efforts). The Costs of Collection are Liabilities, and at the Lender's option may bear interest at the highest post-default rate which the Lender may charge the Borrower hereunder as if such had been lent, advanced, and credited by the Lender to, or for the benefit of, the Borrower.

"CURRENT LIABILITIES": the total of all indebtedness of the Borrower which properly may be classified as current liabilities in accordance with GAAP (defined below).

"DEBT": the aggregate amount of indebtedness of the Borrower which may be classified as "liabilities" in accordance with GAAP.

"DOCUMENTS": has the meaning given that term in the UCC.

"DOCUMENTS OF TITLE": has the meaning given that term in the UCC.

"EMPLOYEE BENEFIT PLAN": as defined in ERISA.

"ENCUMBRANCE": each of the following:

(a) security interest, mortgage, pledge, hypothecation, lien, attachment, or charge of any kind (including any agreement to give any of the foregoing); the interest of a lessor under a Capital Lease; conditional sale or other title retention agreement; sale of accounts receivable or chattel paper; or other arrangement pursuant to which any Person is entitled to any preference or priority with respect to the property or assets of another Person or the income or profits of such other Person or which constitutes an interest in property to secure an obligation; each of the foregoing whether consensual or non-consensual and whether arising by way of agreement, operation of law, legal process or otherwise.

(b) The filing of any financing statement under the UCC or comparable

law of any jurisdiction.

(c) The placement, location, storage, or warehousing of any Inventory at any place, location, or space where the owner of such place, location, or space has not provided the Lender with a Landlord's Waiver reasonably satisfactory to the Lender.

"ENVIRONMENTAL LAWS":

(a) any and all federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees or requirements which regulates or relates to, or imposes any standard of conduct or liability on account of or in respect to environmental protection matters, including, without limitation, Hazardous Materials, as is now or hereafter in effect; and

(b) the common law relating to damage to Persons or property from Hazardous Materials.

"EQUIPMENT": includes, without limitation, "equipment" as defined in the UCC, and also all motor vehicles, rolling stock, machinery, office equipment, plant equipment, tools, dies, molds, store fixtures, furniture, and other goods, property, and assets which are used and/or were purchased for use in the operation or furtherance of the Borrower's business, and any and all accessions, additions thereto, and substitutions therefor.

"EQUIPMENT LINE": is defined in Section 1-2.

"EQUIPMENT LINE AMOUNT": is defined in Section 1-2(b).

"EQUIPMENT LINE AVAILABILITY": is defined in Section 1-2.

"EQUIPMENT LINE MATURITY DATE": is defined in Section 12 .

"ERISA": the Employee Retirement Security Act of 1974, as amended.

"ERISA AFFILIATE": any Person which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower and which would be treated as a single employer under Section 414 of the Internal Revenue Code of 1986, as amended.

"EVENTS OF DEFAULT": is defined in Article 9.

"FACILITY FEE": is defined in Section 1-9.

"FIXED COSTS": is defined as the mandatory principal payments due (to any lender) within the next twelve (12) months, plus fixed minimum rents with respect to real property or equipment due over the next twelve (12) months, plus payments due or capital and operating leases over the next twelve (12) months, all calculated in accordance with GAAP.

"FIXTURES": has the meaning given that term in the UCC.

"GAAP": principles which are consistent with those promulgated or adopted by the Financial Accounting Standards Board and its predecessors (or successors) in effect and applicable to that accounting period in respect of which reference to GAAP is being made.

"GENERAL INTANGIBLES": includes, without limitation, "general intangibles" as defined in the UCC; and also all: rights to payment for credit extended; deposits; amounts due to

the Borrower; credit memoranda in favor of the Borrower; warranty claims; tax refunds and abatements; insurance refunds and premium rebates; all means and vehicles of investment or hedging, including, without limitation, options, warrants, and futures contracts; records; customer lists; telephone numbers; goodwill; causes of action; judgments; payments under any settlement or other agreement; literary rights; rights to performance; royalties; license and/or franchise fees; rights of admission; licenses; franchises; license agreements, including all rights of the Borrower to enforce same; permits, certificates of convenience and necessity, and similar rights granted by any governmental authority; patents, patent applications, patents pending, and other intellectual property; developmental ideas and concepts; proprietary processes; blueprints, drawings, designs, diagrams, plans, reports, and charts; catalogs; manuals; technical data; computer software programs (including the source and object codes therefor), computer records, computer software, rights of access to computer record service bureaus, service bureau computer contracts, and computer data; tapes, disks, semi-conductors chips and printouts; trade secrets rights, copyrights, mask work rights and interests, and derivative works and interests; user, technical reference, and other manuals and materials; trade names, trademarks, service marks, and all good will relating thereto; applications for registration of the foregoing; and all other general intangible property of the

Borrower in the nature of intellectual property; proposals; cost estimates, and reproductions on paper, or otherwise, of any and all concepts or ideas, and any matter related to, or connected with, the design, development, manufacture, sale, marketing, leasing, or use of any or all property produced, sold, or leased, by the Borrower or credit extended or services performed, by the Borrower, whether intended for an individual customer or the general business of the Borrower, or used or useful in connection with research by the Borrower.

"GOODS": has the meaning given that term in the UCC.

"HAZARDOUS MATERIALS": any (a) hazardous materials, hazardous waste, hazardous or toxic substances, petroleum products, which (as to any of the foregoing) are defined or regulated as a hazardous material in or under any Environmental Law and (b) oil in any state.

"INDEBTEDNESS": all indebtedness and obligations of or assumed by any Person: (i) in respect of money borrowed (including any indebtedness which is non-recourse to the credit of such Person but which is secured by an Encumbrance on any asset of such Person) or evidenced by a promissory note, bond, debenture or other written obligation to pay money; (ii) for the payment, deferred for more than Thirty (30) days, of the purchase price of goods or services (other than current trade liabilities of such Person incurred in the ordinary course of business and payable in accordance with customary practices); (iii) in connection with any letter of credit or acceptance transaction (including, without limitation, the face amount of all letters of credit and acceptances issued for the account of such Person or reimbursement on account of which such Person would be obligated); (iv) in connection with the sale or discount of accounts receivable or chattel paper of the Borrower; (v) on account of deposits or advances; and (vi) as lessee under Capital Leases. "Indebtedness" of any Person shall also include: (x) Indebtedness of others secured by an Encumbrance on any asset of such Person, whether or not such Indebtedness is assumed by such Person; (y) Any guaranty, endorsement, suretyship or other undertaking pursuant to which that Person may be liable on account of any obligation of any

third party; and (z) the Indebtedness of a partnership or joint venture in which such Person is a general partner or joint venturer.

"INDEMNIFIED PERSON": is defined in Section 13-11.

"INSTRUMENTS": has the meaning given that term in the UCC.

"INTEREST PERIOD": is defined in Section 1-9.

"INVENTORY": includes, without limitation, "inventory" as defined in the UCC and also all: packaging, advertising, and shipping materials related to any of the foregoing, and all names or marks affixed or to be affixed thereto for identifying or selling the same; Goods held for sale or lease or furnished or to be furnished under a contract or contracts of sale or service by the Borrower, or used or consumed or to be used or consumed in the Borrower's business; Goods of said description in transit: returned, repossessed and rejected Goods of said description; and all documents (whether or not negotiable) which represent any of the foregoing.

"LEASE": any lease or other agreement, no matter how styled or structured, pursuant to which the Borrower is entitled to the use or occupancy of any space.

"LENDER": is defined in Preamble.

"LENDER'S RIGHTS AND REMEDIES": is defined in Section 10-6.

"LETTER OF CREDIT": is any letter of credit issued by the Lender at the request of the Borrower.

"LIABILITIES": includes, without limitation, all and each of the following, whether now existing or hereafter arising:

(a) Any and all direct and indirect liabilities, debts, and obligations of the Borrower to the Lender, each of every kind, nature, and description.

(b) Each obligation to repay any loan, advance, indebtedness, note, obligation, overdraft, or amount now or hereafter owing by the Borrower to the Lender (including all future advances whether or not made pursuant to a commitment by the Lender), whether or not any of such are liquidated, unliquidated, primary, secondary, secured, unsecured, direct, Indirect, absolute, contingent, or of any other type, nature, or description, or by reason of any cause of action which the Lender may hold against the Borrower.

(c) All notes and other obligations of the Borrower now or hereafter assigned to or held by the Lender, each of every kind, nature, and description.

(d) All interest, fees, and charges and other amounts which may be

charged by the Lender to the Borrower and/or which may be due from the Borrower to the Lender from time to time.

(e) All costs and expenses incurred or paid by the Lender in respect of any agreement between the Borrower and the Lender or instrument furnished by the Borrower to the Lender (including, without limitation, Costs of Collection, attorneys' reasonable fees, and all court and litigation costs and expenses).

(f) Any and all covenants of the Borrower to or with the Lender and any and all obligations of the Borrower to act or to refrain from acting in accordance with any agreement between the Borrower and the Lender or instrument furnished by the Borrower to the Lender.

"LIBOR BUSINESS DAY": is defined as any day on which the Lender is open for business, and commercial lenders are open for international business (including dealings in dollar deposits) in the London interbank market as may be selected by the Lender in its sole discretion acting in good faith.

"LIBOR OFFER RATE: means, for any Interest Period, that rate of interest (rounded upwards, if necessary to the next 1/100th of 1%) determined by the Lender to be the prevailing rate per annum at which deposits in United States Dollars are offered to the Lender two (2) Libor Business Days prior to the beginning of such Interest Period, by first-class banks in the London Interbank Market in which the Lender regularly participates for delivery on the first day of such Interest Period for the number of days comprised therein, in an amount comparable to the amount of the Libor Rate Loan to which such Interest Period applies.

"LIBOR RATE": means that per annum rate equal to the decimal equivalent of a fraction, the numerator of which equals the Libor Offer Rate (as defined herein) and the denominator of which equals an amount equal to (i) one (1) minus (ii) the Reserve Percentage (as defined herein). Upon the Borrower's request, the Lender will report to the Borrower, two (2) Libor Business Days prior to the beginning of any Interest Period, the Libor Rate available to the Borrower for such Interest Period.

"LIBOR RATE LOAN" or "LIBOR RATE LOANS": is defined in Section 1-9.

"LIQUID ASSETS": is defined as the aggregate of the Borrower's (i) cash and currency on hand and on deposit, demand deposits and checks held, plus (ii) short term, highly liquid investments made that are readily convertible to known amounts of cash, plus (iii) marketable securities, plus (iv) Acceptable Accounts, less allowances for doubtful Accounts.

"LOAN ACCOUNT": is defined in Section 1-6.

"LOAN DOCUMENTS": the within Agreement, each instrument and document executed and/or delivered as contemplated by Article 4, below, and each other instrument or document from time to time executed and/or delivered in connection with the arrangements contemplated hereby, as each may be amended from time to time.

"MASTER NOTES": is defined in Section 1-7.

"NET WORTH": is defined as the difference between (i) the aggregate amount of the Borrower's assets and (ii) the aggregate amount of all liabilities of the Borrower, each of which (assets, and liabilities) are determined in accordance with GAAP.

"NEGATIVE VARIANCE": a result or condition which is worse than that which is projected or required by the standard against which the result or condition is being referenced.

"NET PROFIT": is defined as the aggregate gross revenue after taxes and other income, including, without limitation, interest income, minus the aggregate of (i) costs of goods sold, (ii) salary, administration, and general expenses, and (iii) any other items that are properly treated as expenses under GAAP.

"OFFICER'S CERTIFICATE": is defined in Section 8-7.

"OPERATING CASH FLOW": shall be equal to the Borrower's net profit, plus depreciation, plus amortization, and other non-cash charges less unfinanced capital expenditures made during such period, each calculated in accordance with GAAP.

"PERSON": any natural person, and any corporation, trust, partnership, joint venture, or other enterprise or entity.

"PROCEEDS": include, without limitation, "Proceeds" as defined in the UCC (defined below), and each type of property described in Sections 2-1, above.

"RECEIPTS": all cash, cash equivalents, checks, and credit card slips and receipts as arise out of the sale of the Collateral.

"RECEIVABLES COLLATERAL": refers to that portion of the Collateral which consists of the Borrower's Accounts, Accounts Receivable, Contract Rights, General Intangibles, Chattel Paper, Instruments, Documents of Title, Documents, Securities, letters of credit for the benefit of the Borrower, and Bankers' acceptances held by the Borrower, and any rights to payment.

"RELATED ENTITY": refers to (a) any Affiliate; and (b) any corporation, trust, partnership, joint venture, or other enterprise which: is a parent, brother-sister, subsidiary, or affiliate, of the Borrower; could have such enterprise's tax returns or financial statements consolidated with the Borrower's; could be a member of the same controlled group of corporations (within the meaning of Section 1563(a)(1), (2) and (3) of the Internal Revenue Code of 1986, as amended from time to time) of which the Borrower is a member; Controls or is Controlled by the Borrower or any Affiliate of the Borrower.

"REQUIREMENT OF LAW": as to any Person: (a)(i) all statutes, rules, regulations, orders, or other requirements having the force of law and (ii) all court orders and injunctions, arbitrator's decisions, and/or similar rulings, in each instance ((i) and (ii)) of or by any federal, state, municipal, and other governmental authority, or court, tribunal, panel, or other body which has or claims jurisdiction over such Person, or any property of such Person, or of any other Person for whose conduct such Person would be responsible; (b) that Person's charter, certificate

of incorporation, articles of organization, and/or other organizational documents, as applicable; and (c) that Person's by-laws and/or other instruments which deal with corporate or similar governance, as applicable.

"RESERVE PERCENTAGE": means the decimal equivalent of that rate applicable to the Lender under regulations issued from time to time by the Lender's federal banking regulator or the Board of Governors of the Federal Reserve system for determining the maximum reserve requirement of the Lender with respect to so- called "Euro Currency Liabilities" as defined in such regulations. The Reserve Percentage applicable to any advances under the Revolving Credit shall be based upon that in effect two (2) Libor Business Days prior to the subject Interest Period.

"REVOLVING CREDIT": is defined, individually and collectively, as the Working Capital Line and the Equipment Line.

"SECURITIES": has the meaning given that term in the UCC.

"SUSPENSION EVENT": any occurrence which (i) is an Event of Default; or (ii) would become an Event of Default if the notice and/or the running of the period of time specified for that occurrence were to be given and/or were to run and such occurrence were not cured within any applicable grace period.

"TANGIBLE NET WORTH": is defined as the difference between (a) Net Worth (as defined above), and (b) the value of all assets of the Borrower defined as intangible assets under GAAP, including, without limitation, capitalized software, good will, and patents owned by the Borrower.

"TERMINATION DATE": is defined as the applicable Working Capital Line Maturity Date and the Equipment Line Maturity Date.

"UCC": the Uniform Commercial Code as presently in effect in Massachusetts (Mass. Gen. Laws, Ch. 106).

"WORKING CAPITAL LINE": is defined in Section 1-1.

"WORKING CAPITAL LINE AMOUNT": is defined in Section 1-1(b).

"WORKING CAPITAL LINE AVAILABILITY": is defined in Section 1-1.

"WORKING CAPITAL LINE MATURITY DATE": is defined in Section 12.

ARTICLE 4 - CONDITIONS PRECEDENT.

Precedent to the effectiveness of this Agreement, the establishment of the financing arrangements contemplated hereby, and the making of the first loan under the Revolving Credit, the documents respectively described in Sections 4-1 through and including 4-5, each in form and substance satisfactory to the Lender shall have been delivered to the Lender, and the

conditions respectively described in Sections 4-6 through and including 4-8, shall have been satisfied:

4-1. Corporate Due Diligence.

(a) A Certificate of corporate good standing issued by the Secretary of State of Delaware.

(b) Certificates of due qualification, in good standing, issued by the Secretary(ies) of State of each State in which the nature of the Borrower's business conducted or assets owned could require such qualification.

(c) A Certificate of the Borrower's Secretary of the due adoption, continued effectiveness, and setting forth the texts of, each corporate resolution adopted in connection with the establishment of the loan arrangement contemplated by the Loan Documents and attesting to the true signatures of each Person authorized as a signatory to any of the Loan Documents.

4-2. Opinion. An opinion of counsel to the Borrower in form and substance satisfactory to the Lender.

4-3. Landlord's Waivers. Waivers (each in form reasonably satisfactory to the Lender) by each of the Borrower's landlords.

4-4. Additional Documents. Such additional instruments and documents as the Lender or its counsel reasonably may require or request.

4-5. Officer's Certificate. Certificate executed by the President of the Borrower, in form of presentation acceptable to the Lender, to be delivered at the execution of this Agreement, stating that the representations and warranties made by the Borrower to the Lender in the Loan Documents and in the Certificate are true and complete as of the date of such Certificate, and that no event has occurred which is or which, solely with the giving of notice or passage of time (or both) would be an Event of Default.

4-6. Representations and Warranties. Each of the representations made by or on behalf of the Borrower in this Agreement or in any of the other Loan Documents or in any other report, statement, document, or paper provided by or on behalf of the Borrower shall be true and complete as of the date as of which such representation or warranty was made.

4-7. No Event of Default. No event shall have occurred, or failed to occur, which occurrence or which failure constitutes, or which, solely with the passage of time or the giving of notice (or both) would constitute, an Event of Default.

4-8. No Adverse Change. No event shall have occurred or failed to occur, which occurrence or failure is or is reasonably likely to result in a materially adverse effect upon the Borrower's financial condition, operating results, or cash flows from the Borrower's financial condition at March 31, 1996.

4-9. Financial Reports. The delivery to the Lender of unqualified financial statements audited by Price Waterhouse for the period ending December 31, 1995 with no material change from the company prepared financial statements for the same period.

4-10. UCC-Termination. The termination of all prior UCC-1 Financing Statements (including, without limitation, Silicon Valley Bank).

ARTICLE 5 - GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS.

To induce the Lender to establish the loan arrangement contemplated herein and to make loans and advances and to provide financial accommodations under the Revolving Credit (each of which loans shall be deemed to have been made in reliance thereupon) the Borrower, in addition to all other representations, warranties, and covenants made by the Borrower in any other Loan Document, makes those representations, warranties, and covenants included in the within Agreement.

5-1. Payment and Performance of Liabilities. The Borrower shall pay each Liability when due and shall promptly, punctually, and faithfully perform each other Liability.

5-2. Due Organization - Corporate Authorization - No Conflicts.

(a) The Borrower presently is and shall hereafter remain in good standing as a Delaware corporation and is and shall hereafter remain duly qualified and in good standing in every other State in which, by reason of the nature or location of the Borrower's assets or operation of the Borrower's business, such qualification may be desirable or necessary.

(b) Each Related Entity is listed on EXHIBIT 5-2, annexed hereto. Each Related Entity is and shall hereafter remain in good standing in the State in which incorporated and is and shall hereafter remain duly qualified in which other State in which, by reason of that entity's assets or the operation of such entity's business, such qualification may be necessary. The Borrower shall provide the Lender with prior written notice of any entity's becoming or ceasing to be a Related Entity.

(c) The Borrower has all requisite corporate power and authority to execute and deliver to the Lender all and singular the Loan Documents to which the Borrower is a party and has all requisite corporate power to perform all and singular the Liabilities.

(d) The execution and delivery by the Borrower of each Loan Document to which it is a party; the Borrower's consummation of the transactions contemplated by such Loan Documents (including, without limitation, the creation of security and mortgage interests by the Borrower as contemplated hereby) ; and the Borrower's performance under those of the Loan Documents to which it is a party; the borrowings hereunder; and the use of the proceeds thereof:

(i) Have been duly authorized by all necessary corporate action.

(ii) Do not contravene in any material respect any provision of any Requirement of Law or obligation of the Borrower.

(iii) Will not result in the creation or imposition of, or the obligation to create or impose, any Encumbrance upon any assets of the Borrower pursuant to any Requirement of Law or obligation, except pursuant to the Loan Documents.

(e) The Loan Documents have been duly executed and delivered by Borrower and are the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms.

5-3. Maintain Accounts. To permit the Lender to monitor the Borrower's financial performance and condition, the Borrower shall maintain the Borrower's primary depository and operating accounts with the Lender.

5-4. Trade Names.

(a) EXHIBIT 5-4, annexed hereto, is a listing of:

(i) All names under which the Borrower ever conducted its business.

(ii) All entities and/or persons with whom the Borrower ever consolidated or merged, or from whom the Borrower ever acquired in a single transaction or in a series of related transactions substantially all of such entity's or person's assets, over the previous two (2) year period.

(b) Except (i) upon not less than twenty-one (21) days prior written notice given the Lender, and (ii) in compliance with all other provisions of the within Agreement, the Borrower will not undertake or commit to undertake any action such that the results of that action, if undertaken prior to the date of this Agreement, would have been reflected on EXHIBIT 5-4.

(c) To the best of the Borrower's knowledge, the conduct by the Borrower of the Borrower's business does not infringe on the patents, industrial designs, trademarks, trade names, trade styles, brand names, service marks, logos, copyrights, trade secrets, know-how, confidential information, or other intellectual or proprietary property of any third Person.

(d) To the best of the Borrower's knowledge, the Borrower owns and possesses, or has the right to use all patents, industrial designs, trademarks, trade names, trade styles, brand names, service marks, logos, copyrights, trade secrets, know-how, confidential information, and other intellectual or proprietary property of any third Person necessary for the Borrower's conduct of the Borrower's business.

5-5. Locations. The Collateral, and the books, records, and papers

of Borrower pertaining thereto, are kept and maintained solely at the chief executive offices of the Borrower stated in the Preamble of this Agreement, and at those locations which are listed on EXHIBIT 5-

5, annexed hereto, which EXHIBIT includes all service bureaus with which any such records are maintained and the names and addresses of each of the Borrower's landlords. Except (i) to accomplish sales of Inventory in the ordinary course of business or (ii) to utilize such of the Collateral as is removed from such locations in the ordinary course of business (such as motor vehicles), the Borrower shall not remove any Collateral from said chief executive offices or those locations listed on EXHIBIT 5-5 without prior notification to the Lender and further provided that there is no Event of Default existing hereunder.

5-6. Title to Assets. The Borrower is, and shall hereafter remain, the owner of the all of its present and future assets free and clear of all Encumbrances.

5-7. Indebtedness. The Borrower does not and shall not hereafter have any Indebtedness with the exceptions of:

(a) Any Indebtedness to the Lender.

(b) Purchase money liens, and equipment leases, in the maximum amount of $750,000.00 (total liability). Such Indebtedness (if any) is listed on EXHIBIT 5-7, annexed hereto.

(c) Ordinary trade indebtedness incurred in the normal course of the Borrower's business.

5-8. Insurance Policies.

(a) EXHIBIT 5-8, annexed hereto, is a schedule of all insurance policies owned by the Borrower or under which the Borrower is the named insured. Each of such policies is in full force and effect. Neither the issuer of any such policy nor the Borrower is in default or violation of any such policy.

(b) The Borrower shall have and maintain at all times insurance covering such risks, in such amounts, containing such terms, in such form, for such periods, and written by such companies as may be reasonably satisfactory to the Lender. All insurance carried by the Borrower shall provide for a minimum of twenty (20) days' written notice of cancellation to the Lender and all such insurance which covers the Collateral shall include an endorsement in favor of the Lender, which endorsement shall provide that the insurance, to the extent of the Lender's interest therein, shall not be impaired or invalidated, in whole or in part, by reason of any act or neglect of the Borrower or by the failure of the Borrower to comply with any warranty or condition of the policy. In the event of the failure by the Borrower to maintain insurance as required herein, the Lender, at its option, may obtain such insurance, provided, however, the Lender's obtaining of such insurance shall not constitute a cure or waiver of any Event of Default occasioned by the Borrower's failure to have maintained such insurance. The Borrower shall furnish to the Lender certificates or other evidence satisfactory to the Lender regarding compliance by the Borrower with the foregoing insurance provisions.

(c) The Borrower shall advise the Lender of each claim made by the Borrower under any policy of insurance which covers the Collateral (with the exception of claims up to the aggregate amount of $50,000.00) and will permit the Lender, at the Lender's option in each instance, to the exclusion of the Borrower, to conduct the adjustment of each such claim (and of all claims following the occurrence of any Suspension Event). The Borrower hereby appoints the Lender as the Borrower's attorney in fact to obtain, adjust, settle, and cancel any insurance described in this section and to endorse in favor of the Lender any and all drafts and other instruments with respect to such insurance. The within appointment, being coupled with an interest, is irrevocable until this Agreement is terminated by a written instrument executed by a duly authorized officer of the Lender. The Lender shall not be liable on account of any exercise pursuant to said power except for any exercise in actual willful misconduct and bad faith. The Lender may apply any proceeds of such insurance against the Liabilities, whether or not such have matured, in such order of application as the Lender may determine.

(d) The Borrower shall maintain at all times those policies of insurance now or hereafter obtained by the Borrower and assigned to the Lender.

5-9. Licenses. EXHIBIT 5-9, annexed hereto, is a schedule of all license, distributor, franchise, and similar agreements issued to, or to which

the Borrower is a party. Each of such agreements is in full force and effect. No party to any such agreement is in default or violation of any such agreement and the Borrower has not received any notice or threat of cancellation of any such agreement.

5-10. Leases. EXHIBIT 5-10, annexed hereto, is a schedule of all presently effective Leases and Capital Leases. Each of such Leases and Capital Leases is in full force and effect. No party to any such Lease or Capital Lease is in default or violation of any such Lease or Capital Lease and the Borrower has not received any notice or threat of cancellation of any such Lease or Capital Lease. The Borrower hereby authorizes the Lender at any time upon or after the occurrence of an Event of Default, or with the Borrower's prior consent, to contact any of the Borrower's landlords in order to confirm the Borrower's continued compliance with the terms and conditions of the Lease(s) between the Borrower and that landlord and to discuss such issues, concerning the Borrower's occupancy under such Lease(s), as the Lender may determine.

5-11. Material Contracts. EXHIBIT 5-11, annexed hereto, is a schedule of all Material Contracts. Each Material Contract is in full force and effect. No party to any such Material Contract is in default or violation of any provision thereof and the Borrower has not received any notice or threat of cancellation of any such agreement.

5-12. Requirements of Law. The Borrower is in compliance with, and shall hereafter comply with and use its assets in compliance with, all Requirements of Law. The Borrower has not received any notice of any violation of any Requirement of Law (whether or not such violation is material), which violation has not been cured or otherwise remedied.

5-13. Maintain Properties. The Borrower shall:

(a) Keep the Collateral in good order and repair (ordinary reasonable wear and tear and insured casualty excepted).

(b) Not suffer or cause the waste or destruction of any material part of the Collateral.

(c) Not use any of the Collateral in violation of any policy of insurance thereon.

(d) Not sell, lease, or otherwise dispose of any of the Collateral, other than the following:

(i) The sale of Inventory in compliance with the within Agreement.

(ii) The disposal of Equipment which is obsolete, worn out, or damaged beyond repair, which Equipment is replaced to the extent necessary to preserve or improve the operating efficiency of the Borrower.

(iii) The turning over to the Lender of all Receipts as provided herein.

5-14. Pay Taxes.

(a) (i) The federal income tax returns of the Borrower have been filed with the Internal Revenue Service (or closed by applicable statutes) for all fiscal years through and including the Borrower's taxable year ending December 31, 1995, and all deficiencies, assessments, and other amounts asserted as a result of such examinations have been fully paid or settled. No agreement is extant which waives or extends any statute of limitations applicable to the right of the Internal Revenue Service to assert a deficiency or make any other claim for or in respect to federal income taxes. No issue has been raised by the Internal Revenue Service which, by application of similar principles, reasonably could be expected to result in the assertion of a deficiency for any fiscal year open for examination, assessment, or claim by the Internal Revenue Service.

(ii) All returns of the Borrower for state and local income, excise, sales, and other taxes have been filed, except as provided in EXHIBIT 5-14, attached hereto, for all fiscal years through and including the Borrower's taxable year December 31, 1995, and all deficiencies, assessments, and other amounts asserted as a result of such examinations have been fully paid or settled. No agreement is extant which waives or extends any statute of limitations applicable to the right of any state taxing authority to assert a deficiency or make any other claim for or in respect to any such state taxes. No issue has been raised in any such examination which, by application of

similar principles, reasonably could be expected to result in the assertion of a deficiency for any fiscal year open for examination, assessment, or claim by any state or local taxing authority.

(iii) There are no examinations of or with respect to the Borrower presently being conducted by the Internal Revenue Service or any state taxing authority.

(b) The Borrower has, and hereafter shall: pay, as they become due and payable, all taxes and unemployment contributions and other charges of any kind or nature levied (unless contested by the Borrower in good faith and in accordance with such requirements and rules of the relevant taxing authority, provided notice of same is delivered to the Lender), assessed or claimed against the Borrower or the Collateral by any person or entity whose claim could result in an Encumbrance upon any asset of the Borrower or by any governmental authority; properly exercise any trust responsibilities imposed upon the Borrower by reason of withholding from employees' pay; timely make all contributions and other payments as may be required pursuant to any Employee Benefit Plan now or hereafter established by the Borrower; and timely file all tax and other returns and other reports with each governmental authority to whom the Borrower is obligated to so file.

(c) At its option, the Lender may, but shall not be obligated to, pay any taxes, unemployment contributions, and any and all other charges levied or assessed upon the Borrower or the Collateral by any person or entity or governmental authority, and make any contributions or other payments on account of the Borrower's Employee Benefit Plan as the Lender, in the Lender's discretion, may deem necessary or desirable, to protect, maintain, preserve, collect, or realize upon any or all of the Collateral or the value thereof or any right or remedy pertaining thereto, provided, however, the Lender's making of any such payment shall not constitute a cure or waiver of any Event of Default occasioned by the Borrower's failure to have made such payment.

5-15. <u>No Margin Stock.</u> The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying any margin stock (within the meaning of Regulations G.U.T. and X. of the Board of Governors of the Federal Reserve System of the United States). No part of the proceeds of any borrowing from the Lender will be used at any time to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock.

5-16. <u>ERISA.</u> Neither the Borrower nor any ERISA Affiliate ever has or hereafter shall:

(a) Violate or fail to be in full compliance with the Borrower's Employee Benefit Plan.

(b) Fail timely to file all reports and filings required by ERISA to be filed by the Borrower.

(c) Engage in any "prohibited transactions" or "reportable events" (respectively as described in ERISA).

(d) Engage in, or commit, any act such that a tax or penalty could be imposed upon the Borrower on account thereof pursuant to ERISA.

(e) Accumulate any material funding deficiency within the meaning of ERISA.

(f) Terminate any Employee Benefit Plan such that a lien could be asserted against any assets of the Borrower on account thereof pursuant to ERISA.

(g) Be a member of, contribute to, or have any obligation under any Employee Benefit Plan which is a multiemployer plan within the meaning of Section 4001(a) of ERISA.

5-17. <u>Hazardous Materials.</u>

(a) To the best of the Borrower's knowledge, the Borrower has never: (i) been legally responsible for any release or threat of release of any Hazardous Material or (ii) received notification of any release or threat of release of any Hazardous Material from any site or vessel occupied or operated by the Borrower and/or of the incurrence of any expense or loss in connection with the assessment, containment, or removal of any release or threat of release of any Hazardous Material from any such site or vessel.

(b) The Borrower shall: (i) dispose of any Hazardous Material only in compliance with all Environmental Laws and (ii) not store on any site or vessel occupied or operated by the Borrower and not transport or arrange for the transport of any Hazardous Material, except if such storage or transport is in the ordinary course of the Borrower's business and is in compliance with all Environmental Laws.

(c) The Borrower shall provide the Lender with written notice upon the Borrower's obtaining knowledge of any incurrence of any expense or loss by any governmental authority or other Person in connection with the assessment, containment, or removal of any Hazardous Material, for which expense or loss the Borrower may be liable.

5-18. Litigation. Except as set forth on EXHIBIT 5-18, there is not presently pending or, to the best of the Borrower's knowledge, threatened by or against the Borrower any suit, action, proceeding, or investigation which, if determined adversely to the Borrower, would have a material adverse effect upon the Borrower's financial condition or ability to conduct its business as such business is presently conducted or is contemplated to be conducted in the foreseeable future. The Borrower shall promptly notify the Lender of the commencement of any suit, action, proceeding, or investigation brought against the Borrower (except to the extent all such suits, actions, proceedings, or investigations do not equal more than $50,000.00, in the aggregate).

5-19. Stock; Dividends and Investments. The Borrower shall not

(a) Pay any cash dividend or make any other distribution in respect of any class of the Borrower's capital stock.

(b) Own, redeem, retire, purchase, or acquire any of the Borrower's capital stock, except in accordance with the Borrower's employee stock option and restricted stock plans, provided that the Borrower is in compliance with all other terms and conditions of this Agreement and except that the Borrower may retire all treasury stock held as of June 30, 1996.

(c) Invest in or purchase any stock or securities or rights to purchase any such stock or securities, of any corporation or other entity.

(d) Merge or consolidate or be merged or consolidated with or into any other corporation or other entity.

(e) Consolidate any of the Borrower's operations with those of any other corporation or other entity.

(f) Organize or create any Related Entity.

(g) Subordinate any debts or obligations owed to the Borrower by any third party to any other debts owed by such third party to any other Person.

(h) Sell any of the Borrower's capital stock, or rights to purchase any of the Borrower's capital stock, for amounts in excess of $5,000,000.00, in the aggregate, without either (i) obtaining the Lender's prior written consent, or (ii) providing written notice of such event to the Lender, and paying in full all of the Liabilities.

5-20. Loans. The Borrower shall not make any loans or advances to, nor acquire the Indebtedness of, any Person, provided, however, the foregoing does not prohibit any of the following:

(a) Advance payments made to the Borrower's suppliers in the ordinary course.

(b) Advances to the Borrower's officers, employees, and salespersons with respect to reasonable expenses to be incurred by such officers, employees, and salespersons for the benefit of the Borrower, which expenses are properly substantiated by the person seeking such advance and properly reimbursable by the Borrower.

(c) Loans to employees of the Borrower in the aggregate amount of up to $100,000.00.

5-21. Protection of Assets. The Lender, at the Lender's discretion, and from time to time, may discharge any tax or Encumbrance on any of the Collateral, or take any other action that the Lender may deem necessary or desirable to repair, insure, maintain, preserve, collect, or realize upon any of the Collateral, provided notice is given to the Borrower and Borrower is not contesting such tax or Encumbrance. The Lender shall not have any obligation to undertake any of the foregoing and shall have no liability on account of any

action so undertaken except where there is a specific finding in a judicial proceeding (in which the Lender has had an opportunity to

be heard), from which finding no further appeal is available, that Lender had acted in actual bad faith or in a grossly negligent manner. The Borrower shall pay to the Lender, on demand, or the Lender, in its discretion, may add to the Loan Account, all amounts paid or incurred by the Lender pursuant to this section. The obligation of the Borrower to pay such amounts is a Liability.

5-22. Line of Business. The Borrower shall not engage in any business other than the business in which it is currently engaged or a business reasonably related thereto.

5-23. Affiliate Transactions. The Borrower shall not make any payment, nor give any value to any Related Entity except for goods and services actually purchased by the Borrower from, or sold by the Borrower to, such Related Entity for a price which shall

(a) be competitive and fully deductible as an "ordinary and necessary business expense" and/or fully depreciable under the Internal Revenue Code of 1986 and the Treasury Regulations, each as amended; and

(b) not differ from that which would have been charged in an arms length transaction.

5-24. Additional Assurances.

(a) The Borrower is not the owner of, nor has it any interest in, any property or asset which, immediately upon the satisfaction of the conditions precedent to the effectiveness of the loan arrangement contemplated hereby (Article 4), will be not be subject to a perfected security interest in favor of the Lender (subject only to those Encumbrances (if any) described on EXHIBIT 5-6, annexed hereto) to secure the Liabilities and will not hereafter acquire any asset or any interest in property which is not, immediately upon such acquisition, subject to such a perfected security interest in favor of the Lender to secure the Liabilities (subject only to Encumbrances (if any) permitted pursuant to Section 5-6, above).

(b) The Borrower shall execute and deliver to the Lender such instruments, documents, and papers, and shall do all such things from time to time hereafter as the Lender may request to carry into effect the provisions and intent of this Agreement; to protect and perfect the Lender's security interest in the Collateral; and to comply with all applicable statutes and laws; and facilitate the collection of the Receivables Collateral. The Borrower shall execute all such instruments as may be required by the Lender with respect to the recordation and/or perfection of the security interests created herein. A carbon, photographic, or other reproduction of this Agreement or of any financing statement or other instrument executed pursuant to this Section shall be sufficient for filing to perfect the security interests granted herein.

5-25. Adequacy of Disclosure.

(a) All financial statements furnished to the Lender by the Borrower, including, without limitation, for fiscal years ending on December 31, 1993, December 31, 1994, and December 31, 1995, have been prepared in accordance with GAAP consistently applied and

present fairly the condition of the Borrower at the date(s) thereof and the results of operations and cash flows for the period(s) covered. There has been no change in the financial condition, results of operations, or cash flows of the Borrower since the date(s) of such financial statements, other than changes in the ordinary course of business, which changes have not been materially adverse, either singularly or in the aggregate.

(b) The Borrower does not have any contingent obligations or obligation under any Lease or capital lease which is not noted in the Borrower's financial statements furnished to the Lender prior to the execution of the within Agreement.

(c) No document, instrument, agreement, or paper now or hereafter given the Lender by or on behalf of the Borrower or any guarantor of the Liabilities in connection with the Lender's execution of the within Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements therein not misleading. There is no fact known to the Borrower which has, or which, in the foreseeable future could have, a material adverse effect on the financial condition of the Borrower or any such guarantor which has not been

disclosed in writing to the Lender.

5-26. Other Covenants. The Borrower shall not indirectly do or cause to be done any act which, if done directly by the Borrower, would breach any covenant contained in this Agreement.

ARTICLE 6 - USE AND COLLECTION OF COLLATERAL.

6-1. Adjustments and Allowances. The Borrower may grant such allowances or other adjustments to the Borrower's Account Debtors (exclusive of extending the time for payment of any Account or Account Receivable, which shall not be done without first obtaining the Lender's written consent in each instance) as the Borrower may reasonably deem to accord with sound business practice, provided, however (a) the Borrower shall furnish the Lender with those reports described in Section 8-3 below, with respect to any such adjustments or allowances and (b) the authority granted the Borrower pursuant to this Section may be limited or terminated by the Lender at any time in the Lender's discretion.

6-2. Validity of Accounts.

(a) The amount of each Account shown on the books, records, and invoices of the Borrower represented as owing by each Account Debtor is and will be the correct amount actually owing by such Account Debtor and shall have been fully earned by performance by the Borrower.

(b) The Lender, upon or after the occurrence of an Event of Default hereunder, and at the expense of the Borrower in each instance, may verify the validity, amount, and all other matters with respect to the Receivables Collateral directly with Account Debtors (including, without limitation, by forwarding balance verification requests to the Borrower's Account Debtors), and with the Borrower's accountants, collection agents, and computer service

bureaus (each of which is hereby authorized and directed to cooperate in full with the Lender and to provide the Lender with such information and materials as the Lender may request).

(c) The Borrower has no knowledge of any impairment of the validity or collectibility of any of the Accounts and shall notify the Lender of any such fact immediately after Borrower becomes aware of any such impairment.

(d) The Borrower shall not post any bond to secure the Borrower's performance under any agreement to which the Borrower is a party nor cause any surety, guarantor, or other third party obligee to become liable to perform any obligation of the Borrower (other than to the Lender) in the event of the Borrower's failure so to perform.

6-3. Notification to Account Debtors. The Lender shall have the right, upon the occurrence of an Event of Default which is not waived or is not cured to the satisfaction of the Lender, to notify any of the Borrower's Account Debtors to make payment directly to the Lender and to collect all amounts due on account of the Collateral.

6-4. Returned Inventory.

(a) The Borrower will provide the Lender with written notice promptly upon the occurrence of any event described in Subsection 6-4(b), below, and, after the occurrence of an Event of Default, shall hold any Inventory which is subject to such event for such disposition as the Lender may direct. If the Lender does not issue specific instructions to the Borrower concerning such Inventory within Five (5) days of the giving of such written notice, the Borrower may dispose thereof in such manner as the Borrower reasonably may deem to accord with sound business practice (subject to any requirements of applicable law and subject to the Lender's security interest in any Collateral that may arise from the resale or other disposition thereof by the Borrower), provided, however, in the event any such Inventory consists of perishable items, the Borrower may dispose of such perishables in accordance with the provisions of this Section without awaiting instructions from the Lender in respect thereto.

(b) Subsection (a) of this Section relates to any of the following Inventory:

(i) For any quarter, any Inventory, in excess of ten percent (10.0%) of the Borrower's revenues for the prior quarter which is returned by any Account Debtor to the Borrower (whether or not such return has been agreed to by the Borrower) and is not in turn returned by the Borrower to such Account

Debtor.

(ii) Any which is repossessed by the Borrower.

(iii) Any which is downgraded in quality or has its marketability otherwise affected.

(iv) Any which is detained from, or refused entry into, or required to be removed from the United States by the appropriate governmental authorities.

6-5. Inventory Quality. All Inventory now owned or hereafter acquired by the Borrower is and will be of good and merchantable quality and free from defects (other than defects within customary trade tolerances). No tangible personal property of the Borrower is or will be stored or entrusted with a bailee or other third party, except as required in the ordinary course of the Borrower's business with prior notice to the Lender.

ARTICLE 7 - LENDER AS BORROWER'S ATTORNEY-IN-FACT.

7-1. Appointment as Attorney-In-Fact. The Borrower hereby irrevocably constitutes and appoints the Lender as the Borrower's true and lawful attorney, with full power of substitution, which appointment shall be effective only upon the occurrence of an Event of Default hereunder, which is not waived or cured to the satisfaction of the Lender, to convert the Collateral into cash at the sole risk, cost, and expense of the Borrower, but for the sole benefit of the Lender. The rights and powers granted the Lender by the within appointment include but are not limited to the right and power to:

(a) Prosecute, defend, compromise, or release any action relating to the Collateral.

(b) Sign change of address forms to change the address to which the Borrower's mail is to be sent to such address as the Lender shall designate; receive and open the Borrower's mail; remove any Receivables Collateral and Proceeds of Collateral therefrom and turn over the balance of such mail either to the Borrower or to any trustee in Bankruptcy, receiver, assignee for the benefit of creditors of the Borrower, or other legal representative of the Borrower whom the Lender determines to be the appropriate person to whom to so turn over such mail.

(c) Endorse the name of the Borrower in favor of the Lender upon any and all checks, drafts, notes, acceptances, or other items or instruments; sign and endorse the name of the Borrower on, and receive as secured party, any of the Collateral, any invoices, schedules of Collateral, freight or express receipts, or bills of lading, storage receipts, warehouse receipts, or other documents of title respectively relating to the Collateral.

(d) Sign the name of the Borrower on any notice to the Borrower's Account Debtors or verification of the Receivables Collateral; sign the Borrower's name on any Proof of Claim in Bankruptcy against Account Debtors, and on notices of lien, claims of mechanic's liens, or assignments or releases of mechanic's liens securing the Accounts.

(e) Take all such action as may be necessary to obtain the payment of any letter of credit and/or Banker's acceptance of which the Borrower is a beneficiary.

(f) Repair, manufacture, assemble, complete, package, deliver, alter or supply goods, if any, necessary to fulfill in whole or in part the purchase order of any customer of the Borrower.

(g) Use, license or transfer any or all General Intangibles of the Borrower.

(h) Sign and file or record any financing or other statements in order to perfect or protect the Lender's security interest in the Collateral.

7-2. No Obligation to Act. The Lender shall not be obligated to do any of the acts or to exercise any of the powers authorized by Section 7-1 herein, but if the Lender elects to do any such act or to exercise any of such powers, it shall not be accountable for more than it actually receives as a result of such exercise of power, and shall not be responsible to the Borrower for any act or omission to act except for any act or omission to act as to which there is a final determination made in a judicial proceeding (in which proceeding the Lender has had an opportunity to be heard) which determination

includes a specific finding that the subject act or omission to act had been grossly negligent or in actual bad faith.

ARTICLE 8 - FINANCIAL AND OTHER REPORTING REQUIREMENTS/FINANCIAL COVENANTS.

8-1. Maintain Records. The Borrower shall at all times

(a) Keep proper books of account, in which full, true, and accurate entries shall be made of all of the Borrower's transactions, all in accordance with GAAP applied consistently with prior periods to fairly reflect the financial condition of the Borrower at the close of, and its results of operations for, the periods in question.

(b) Keep accurate current records of the Collateral including, without limitation, accurate current stock, cost, and sales records of its Inventory, accurately and sufficiently itemizing and describing the kinds, types, and quantities of Inventory and the cost and selling prices thereof.

(c) Retain independent certified public accountants who are satisfactory to the Lender and instruct such accountants to fully cooperate with, and be available to, the Lender to discuss the Borrower's financial performance, financial condition, operating results, controls, and such other matters, within the scope of the retention of such accountants, as may be raised by the Lender.

(d) Not change the Borrower's fiscal year (from fiscal year end of December 31).

(e) Not change the Borrower's taxpayer identification number.

8-2. Access to Records.

(a) The Borrower shall accord the Lender and the Lender's representatives with access from time to time as the Lender and such representatives may require to all properties owned by or over which the Borrower has control. The Lender, and the Lender's representatives, shall have the right, and the Borrower will permit the Lender and such representatives from time to time as the Lender and such representatives may request, to examine, inspect, copy, and make extracts from any and all of the Borrower's books, records,

electronically stored data, papers, and files. The Borrower shall make all of the Borrower's copying facilities available to the Lender.

(b) The Borrower hereby authorizes the Lender and the Lender's representatives to (no more than once every fiscal quarter, provided there is no Event of Default then existing hereunder):

(i) Inspect, copy, duplicate, review, cause to be reduced to hard copy, run off, draw off, and otherwise use any and all computer or electronically stored information or data which relates to the Borrower, which information or data is in the possession of the Borrower or any service bureau, contractor, accountant, or other person, and directs any such service bureau, contractor, accountant, or other person fully to cooperate with the Lender and the Lender's representatives with respect thereto.

(ii) Verify at any time the Collateral or any portion thereof, including verification with Account Debtors, and/or with the Borrower's computer billing companies, collection agencies, and accountants and to sign the name of the Borrower on any notice to the Borrower's Account Debtors or verification of the Collateral.

8-3. Borrowing Base Certificate. At such time or times as the Lender may request, but no less frequently than monthly at any time any Liabilities are outstanding hereunder, the Borrower shall provide the Lender with a Borrowing Base Certificate (in such form as the Lender may specify from time to time), which Certificate shall include a Schedule of all Receivables Collateral which has come into existence since the date of such Schedule then most recently provided to the Lender.

8-4. Monthly Reports. Monthly, for each month of the Borrower's fiscal year (including the last month) within forty-five (45) days of the close of the subject month, a detailed accounts receivable aging report, Borrowing Base Certificate (defined in Section 8-3 above) (only if amounts are outstanding under the Revolving Credit), balance sheet, income statement, and statement of cash flow. The Borrower shall provide the Lender, on a monthly basis, with copies of all written information and materials delivered to the Board of Directors of the Borrower, during the subject month.

8-5. Quarterly Reports. Quarterly, within forty-five (45) days following the end of each of the Borrower's fiscal quarters, the Borrower shall provide the Lender with an Compliance Certificate (as defined in Section 8-10 below) indicating the status of the Financial Covenants described in Section 8-10 below.

8-6. Annual Reports.

(a) Annually, within ninety (90) days of the Borrower's fiscal year end, audited financial statements, certified by an independent accounting firm acceptable to the Bank, including a balance sheet, income statement, statement of cash flow, together with an Compliance Certificate (defined in Section 8-10 below) and a certificate from said accounting firm as to the status of the Financial Covenants (defined in Section 8-10 below).

(b) The Borrower shall also provide the Bank, prior to the close of Borrower's fiscal year end, with a management prepared pro forma balance sheet, income statement, and cash flow statement, broken down by quarter for the following fiscal year. Such pro forma financial statement shall also be provided to the Lender within ten (10) days of any modification thereto.

8-7. Officer's Certificates. The Borrower shall cause the Borrower's President or Chief Financial Officer to provide a Certificate with those monthly, quarterly, and annual statements to be furnished pursuant to this Agreement, which Certificate shall:

(a) Indicate that the subject statement was prepared in accordance with GAAP consistently applied, and presents fairly the financial condition of the Borrower at the close of, and the results of the Borrower's operations and cash flows for, the period(s) covered, subject, however, to usual year end adjustments.

(b) Indicate either that (i) no Suspension Event has occurred or (ii) if such an event has occurred, its nature (in reasonable detail) and the steps (if any) being taken or contemplated by the Borrower to be taken on account thereof.

(c) Include calculations concerning the Borrower's compliance (or failure to comply) at the date of the subject statement with each of the financial performance covenants included in Section 8-10, below.

8-8. Additional Financial Information. In addition to the foregoing, the Borrower promptly shall provide the Lender with such other and additional information concerning the Borrower, the Collateral, the operation of the Borrower's business, and the Borrower's financial condition, including original counterparts of financial reports and statements, as the Lender may from time to time request from the Borrower.

8-9. Audits. The Lender may from time to time conduct commercial finance audits of the Borrower's books and records (in each event, at the Borrower's expense not to exceed $4,200.00 per year, except upon or after the occurrence of an Event of Default hereunder), on an annual basis, or in connection with the modification or amendment of this Agreement, or at any time upon or after the occurrence of an Event of Default hereunder. The Borrower shall cooperate in allowing the Lender to complete its first field examination hereunder on or before August 15, 1996.

8-10. Financial Performance Covenants. The Borrower shall observe and comply with those financial performance covenants set forth on EXHIBIT 8-10, annexed hereto, which shall be tested on a quarterly basis. The Borrower shall provide the Lender with a Compliance Certificate (so referred to herein) indicating the status of the financial performance requirements, within thirty (30) days of the close of each fiscal quarter. The Compliance Certificates shall be in form or presentation acceptable to the Lender.

ARTICLE 9 - EVENTS OF DEFAULT.

The occurrence of any event described in this Article 9 respectively shall constitute an "EVENT OF DEFAULT" herein. Upon the occurrence of any Event of Default described in Section 9-10, or the existence of certain facts or events that, but for the passage of time or the giving of notice or both, would result in the occurrence of an Event of Default hereunder, any and all Liabilities shall become due and payable without any further act on the part of

the Lender. Upon the occurrence of any Event of Default, or the entry of any order for relief with respect to the Borrower under the Bankruptcy Code, any and all Liabilities of the Borrower to the Lender shall become immediately due and payable, at the option of the Lender and without notice or demand. The occurrence of any Event of Default shall also constitute, without notice or demand, a default under all other agreements between the Lender and the Borrower and instruments and papers given the Lender by the Borrower, whether such agreements, instruments, or papers now exist or hereafter arise.

9-1. Failure to Pay Revolving Credit. The failure by the Borrower to pay any amount when due under the Revolving Credit.

9-2. Failure to Make Other Payments. The failure by the Borrower to pay when due (or upon demand, if payable on demand) any payment Liability other than under the Revolving Credit.

9-3. Failure to Perform Covenant or Liability. The failure by the Borrower to promptly, punctually, faithfully and timely perform or discharge, or to comply with, any covenant to or with the Lender or any Liability.

9-4. Misrepresentation. The determination by the Lender that any representation or warranty at any time made by the Borrower to the Lender, was not true or complete when given.

9-5. Acceleration of Other Debt. Breach of Lease. The occurrence of any event such that any Indebtedness of the Borrower to any creditor other than the Lender has been accelerated or any Lease has been terminated (whether or not the subject creditor or lessor takes any action on account of such occurrence).

9-6. Default Under Other Agreements. The occurrence of any breach or default under any agreement between the Lender and the Borrower or instrument or paper given the Lender by the Borrower, whether such agreement, instrument, or paper now exists or hereafter arises (notwithstanding that the Lender may not have exercised its rights upon default under any such other agreement, instrument or paper).

9-7. Casualty Loss. Non-Ordinary Course Sales. The occurrence of any (a) uninsured loss, theft, damage, or destruction of or to any material portion of the Collateral, or (b) sale (other than sales in the ordinary course of business) of any material portion of the Collateral.

9-8. Judgment. Restraint of Business.

(a) The service of process upon the Lender or any Participant seeking to attach, by trustee, mesne, or other process, any of the Borrower's funds on deposit with, or assets of the Borrower in the possession of, the Lender or such Participant.

(b) The entry of any judgment against the Borrower, which judgment, if such judgment is a monetary judgment, is uninsured to the extent of $50,000.00 or more dollars or is not satisfied within fifteen (15) days of its entry, or, if such judgment is a non-monetary judgment, is not appealed from (with execution or similar process stayed), within twenty (20) days of its entry.

(c) The entry of any order or the imposition of any other process having the force of law, the effect of which is to restrain in any material way the conduct by the Borrower of its business in the ordinary course.

9-9. Business Failure. Any act by, against, or relating to the Borrower, or its property or assets, which act constitutes the application for, consent to, or sufferance of the appointment of a receiver, trustee, or other person, pursuant to court action or otherwise, over all, or any part of the Borrower's property; the granting of any trust mortgage or execution of an assignment for the benefit of the creditors of the Borrower, or the occurrence of any other voluntary or involuntary liquidation or extension of debt agreement for the Borrower; or the offering by or entering into by the Borrower of any composition, extension, or any other arrangement seeking relief from or extension of the debts of the Borrower, or the initiation of any other judicial or non-judicial proceeding or agreement by, against, or including the Borrower which seeks or intends to accomplish a reorganization or arrangement with creditors.

9-10. Bankruptcy. The failure by the Borrower to generally pay the

debts of the Borrower as they mature; adjudication of Bankruptcy or insolvency relative to the Borrower; the entry of an order for relief or similar order with respect to the Borrower in any proceeding pursuant to The Bankruptcy Code or any other federal Bankruptcy law; the filing of any complaint, application, or petition by or against the Borrower initiating any matter in which the Borrower is or may be granted any relief from the debts of the Borrower pursuant to the Bankruptcy Code or any other insolvency statute or procedure (however, it shall not be an Event of Default hereunder until the earlier of (x) the entry of an order for relief is entered against the Borrower, or (y) the expiration of sixty (60) days without dismissal of such complaint, application, or petition if such complaint, application, or petition filed against the Borrower was not filed by or at the direction of the Borrower or any related entity, and is being diligently contested).

9-11. Indictment - Forfeiture. The indictment of, or institution of, any legal process or proceeding against the Borrower, or any Person who has management or policy authority with respect to the Borrower, under any federal, state, municipal, and other civil or criminal statute, rule, regulation, order, or other requirement having the force of law where the relief, penalties, or remedies sought or available include the forfeiture of any property of the Borrower (or such other Person) and/or the imposition of any stay or other order, the effect of which could be to restrain in any material way the conduct by the Borrower of its business in the ordinary course.

9-12. Challenge to Loan Documents.

(a) Any challenge by or on behalf of the Borrower to the validity of any Loan Document or the applicability or enforceability of any Loan Document strictly in accordance with the subject Loan Document's terms or which seeks to void, avoid, limit, or otherwise adversely affect any security interest created by or in any Loan Document or any payment made pursuant thereto.

(b) Any determination by any court or any other judicial or government authority that any Loan Document is not enforceable strictly in accordance with the subject Loan Document's terms or which voids, avoids, limits, or otherwise adversely affects any security interest created by any Loan Document or any payment made pursuant thereto.

9-13. Executive Management. A change in the identity, authority, or responsibilities of a majority of the Persons having management or policy authority with respect to the Borrower from that existing at the execution of the within Agreement.

9-14. Change in Control. Any change in the ownership of the capital stock of the Borrower such that those Persons who, at the execution of the within Agreement, Control the Borrower, no longer so Control the Borrower.

ARTICLE 10 - RIGHTS AND REMEDIES UPON DEFAULT

In addition to all of the rights, remedies, powers, privileges, and discretions which the Lender is provided prior to the occurrence of an Event of Default, the Lender shall have the following rights and remedies upon the occurrence of any Event of Default not cured to the satisfaction of the Lender and at any time thereafter.

10-1. Rights of Enforcement. The Lender shall have all of the rights and remedies of a secured party upon default under the UCC, in addition to which the Lender shall have all and each of the following rights and remedies:

(a) To collect the Receivables Collateral with or without the taking of possession of any of the Collateral.

(b) To apply the Receivables Collateral or the proceeds of the Collateral towards (but not necessarily in complete satisfaction of) the Liabilities.

(c) To take possession of all or any portion of the Collateral.

(d) To sell, lease, or otherwise dispose of any or all of the Collateral, in its then condition or following such preparation or processing as the Lender deems advisable and with or without the taking of possession of any of the Collateral.

(e) To exercise all or any of the rights, remedies, powers, privileges, and discretions under all or any of the Loan Documents.

10-2. Sale of Collateral.

(a) Any sale or other disposition of the Collateral may be at public or private sale upon such terms and in such manner as the Lender deems advisable, having due regard to compliance with any statute or regulation which might affect, limit, or apply to the Lender's disposition of the Collateral.

(b) Unless the Collateral is perishable or threatens to decline speedily in value, or is of a type customarily sold on a recognized market (in which event the Lender shall provide the Borrower with such notice as may be practicable under the circumstances), the Lender shall give the Borrower at least ten (10) days prior written notice of the date, time, and place of any proposed public sale, and of the date after which any private sale or other disposition of the Collateral may be made. The Borrower agrees that such written notice shall satisfy all requirements for notice to the Borrower which are imposed under the UCC or other applicable law with respect to the Lender's exercise of the Lender's rights and remedies upon default.

(c) The Lender may purchase the Collateral, or any portion of it at any sale held under this Article.

(d) The Lender shall apply the proceeds of any exercise of the Lender's Rights and Remedies under this Article 10 towards the Liabilities in such manner, and with such frequency, as the Lender determines.

10-3. Occupation of Business Location. In connection with the Lender's exercise of the Lender's rights under this Article, the Lender may enter upon, occupy, and use any premises owned or occupied by the Borrower, and may exclude the Borrower from such premises or portion thereof as may have been so entered upon, occupied, or used by the Lender. The Lender shall not be required to remove any of the Collateral from any such premises upon the Lender's taking possession thereof, and may render any Collateral unusable to the Borrower. In no event shall the Lender be liable to the Borrower for use or occupancy by the Lender of any premises pursuant to this Article, nor for any charge (such as wages for the Borrower's employees and utilities) incurred in connection with the Lender's exercise of the Lender's Rights and Remedies.

10-4. Grant of Nonexclusive License. The Borrower hereby grants to the Lender a royalty free nonexclusive irrevocable license to use, apply, and affix any trademark, tradename, logo, or the like in which the Borrower now or hereafter has rights, such license being with respect to the Lender's exercise of the rights hereunder, upon or after the occurrence of an Event of Default hereunder, including, without limitation, in connection with any completion of the manufacture of Inventory or sale or other disposition of Inventory.

10-5. Assembly of Collateral. The Lender may require the Borrower to assemble the Collateral and make it available to the Lender at the Borrower's sole risk and expense at a place or places which are reasonably convenient to both the Lender and Borrower.

10-6. Rights and Remedies. The rights, remedies, powers, privileges, and discretions of the Lender hereunder (herein, the "LENDER'S RIGHTS AND REMEDIES") shall be cumulative and not exclusive of any rights or remedies which it would otherwise have. No delay or omission by the Lender in exercising or enforcing any of the Lender's Rights and Remedies shall operate as, or constitute, a waiver thereof. No waiver by the Lender of any Event of Default or of any default under any other agreement shall operate as a waiver of any other default hereunder or under any other agreement. No single or partial exercise of any of the Lender's Rights or Remedies, and no express or implied agreement or transaction of whatever nature entered into between the Lender and any person, at any time, shall preclude the other or further exercise of the Lender's Rights and Remedies. No waiver by the Lender of any of the Lender's Rights and Remedies on any one occasion shall be deemed a waiver on any subsequent occasion, nor shall it be deemed a continuing waiver. All of the Lender's Rights and Remedies and all of the Lender's rights, remedies, powers, privileges, and discretions under any other agreement or transaction are cumulative, and not alternative or exclusive, and may be exercised by the Lender at such time or times and in such order of preference as the Lender in its sole discretion may determine. The Lender's Rights and Remedies may be exercised without resort or regard to any other source of satisfaction of the Liabilities.

ARTICLE 11 - NOTICES.

11-1. Notice Addresses. All notices, demands, and other communications

made in respect of this Agreement (other than a request for a loan or advance or other financial accommodation under the Revolving Credit) shall be made to the following addresses, each of which may be changed upon seven (7) days written notice to all others given by certified mail, return receipt requested:

If to the Lender: BayBank, N.A.
7 New England Executive Park
Burlington, Massachusetts 01803
Attention: Stephen C. Buzzell
Vice President

With a copy to: Riemer & Braunstein
7 New England Executive Park
Burlington, Massachusetts 01803
Attention: David A. Ephraim, Esquire

If to the Borrower: SeaChange International, Inc.
124 Acton Street
Maynard, Massachusetts 01754
Attention: Mr. Joseph S. Tibbetts, Jr.

With a copy to: Testa, Hurwitz & Thibeault, LLP
125 High Street
Boston, Massachusetts 02110
Attention: William B. Simmons, Esquire

11-2. Notice Given.

(a) Notices shall be deemed given at the sooner of when actually received or (i) if by mail: Three (3) days following deposit in the United States mail, postage prepaid; (ii) By overnight express delivery: the Business Day following the day when sent; (iii) By hand: If delivered on a Business Day after 9:00 AM and no later than Three (3) hours prior to the close of customary business hours of the recipient, when delivered (otherwise, at the opening of the then next Business Day); and (iv) By Facsimile transmission: If sent on a Business Day after 9:00 AM and no later than Three (3) hours prior to the close of customary business hours of the recipient, one (1) hour after being sent (otherwise, at the opening of the then next Business Day).

(b) Rejection or refusal to accept delivery and inability to deliver because of a changed address or Facsimile Number for which no due notice was given shall each be deemed receipt of the notice sent.

ARTICLE 12 - TERM OF AGREEMENT.

12-1. Termination Of Revolving Credit and Agreement.

(a) The Working Capital Line shall be terminated upon the sooner of (the "WORKING CAPITAL LINE MATURITY DATE"):

(i) the entry of any order for relief with respect to the Borrower under the Bankruptcy Code; or

(ii) at the Lender's option, upon or after the occurrence of an Event of Default, as defined hereunder; or

(iii) September 24, 1997.

(b) The Equipment Line shall be terminated upon the sooner of (the "EQUIPMENT LINE MATURITY DATE"):

(i) the entry of any order for relief with respect to the Borrower under the Bankruptcy Code; or

(ii) at the Lender's option, upon or after the occurrence of an Event of Default, as defined hereunder; or

(iii) March 31, 1997.

(c) All amounts borrowed or advanced under the Working Capital Line shall be due and payable on the Working Capital Line Maturity Date.

(d) All amounts, borrowed or advanced under the Equipment Line, shall be repaid as provided in Section 1-8(b) hereof.

(e) The within Agreement shall continue in full force and effect applicable to all Liabilities until all Liabilities have been paid and/or satisfied in full and the within Agreement is specifically terminated in writing

by a duly authorized officer of the Lender.

ARTICLE 13 - GENERAL.

13-1. <u>Protection of Collateral</u>. The Lender shall have no duty as to the collection or protection of the Collateral beyond the safe custody of such of the Collateral as may come into the possession of the Lender and shall have no duty as to the preservation of rights against prior parties or any other rights pertaining thereto.

13-2. <u>Successors and Assigns</u>. This Agreement shall be binding upon the Borrower and the Borrower's representatives, successors, and assigns and shall enure to the benefit of the Lender and the Lender's successors and assigns provided, however, no trustee or other fiduciary appointed with respect to the Borrower shall have any rights hereunder. In the event that the Lender assigns or transfers its rights under this Agreement, the assignee shall thereupon succeed to and become vested with all rights, powers, privileges, and duties of the Lender hereunder and the Lender shall thereupon be discharged and relieved from its duties and obligations hereunder.

13-3. <u>Severability</u>. Any determination that any provision of this Agreement or any application thereof is invalid, illegal, or unenforceable in any respect in any instance shall not affect the validity, legality, or enforceability of such provision in any other instance, or the validity, legality, or enforceability of any other provision of this Agreement.

13-4. <u>Amendments. Course of Dealing.</u>

(a) This Agreement and the other Loan Documents incorporate all discussions and negotiations between the Borrower and the Lender, either express or implied, concerning the matters included herein and in such other instruments, any custom, usage, or course of dealings to the contrary notwithstanding. No such discussions, negotiations, custom, usage, or course of dealings shall limit, modify, or otherwise affect the provisions thereof. No failure by the Lender to give notice to the Borrower of the Borrower's having failed to observe and comply with any warranty or covenant included in any Loan Document shall constitute a waiver of such warranty or covenant or the amendment of the subject Loan Document. No change made by the Lender in the manner by which Availability is determined (any of which changes may be made by the Lender in its discretion) shall obligate the Lender to continue to determine Availability in that manner.

(b) The Borrower may undertake any action otherwise prohibited hereby, and may omit to take any action otherwise required hereby, upon and with the express prior written consent of the Lender. No consent, modification, amendment, or waiver of any provision of any Loan Document shall be effective unless executed in writing by or on behalf of the party to be charged with such modification, amendment, or waiver (and if such party is the Lender, then by a duly authorized officer thereof). Any modification, amendment, or waiver provided by the Lender shall be in reliance upon all representations and warranties theretofor made to the Lender by or on behalf of the Borrower (and any guarantor, endorser, or surety of the Liabilities) and

consequently may be rescinded by the Lender in the event that any of such representations or warranties was not true and complete in all material respects when given.

13-5. <u>Power of Attorney</u>. In connection with all powers of attorney included in this Agreement, the Borrower hereby grants unto the Lender full power to do any and all things necessary or appropriate in connection with the exercise of such powers as fully and effectually as the Borrower might or could do, hereby ratifying all that said attorney shall do or cause to be done by virtue of this Agreement. No power of attorney set forth in this Agreement shall be affected by any disability or incapacity suffered by the Borrower and each shall survive the same. All powers conferred upon the Lender by this Agreement, being coupled with an interest, shall be irrevocable until this Agreement is terminated.

13-6. <u>Application of Proceeds</u>. The proceeds of any collection, sale, or disposition of the Collateral, or of any other payments received hereunder, shall be applied toward the Liabilities in such order and manner as the Lender determines in its sole discretion. The Borrower shall remain liable to the Lender for any deficiency remaining following such application.

13-7. <u>Lender's Costs and Expenses</u>. The Borrower shall pay on demand

all Costs of Collection and all reasonable expenses of the Lender in connection with the preparation, execution, and delivery of this Agreement and of any other Loan Documents, whether now existing or hereafter arising, and all other reasonable expenses which may be incurred by the Lender in preparing or amending this Agreement and all other agreements, instruments, and documents related thereto, or otherwise incurred with respect to the Liabilities. The Borrower specifically authorizes the Lender to pay all such fees and expenses and in the Lender's discretion, to add such fees and expenses to the Loan Account in accordance with the terms of this Agreement.

13-8. Copies and Facsimiles. This Agreement and all documents which relate thereto, which have been or may be hereinafter furnished the Lender may be reproduced by the Lender by any photographic, photostatic, microfilm, micro-card, miniature photographic, xerographic, or similar process, and the Lender may destroy any document so reproduced. Any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business). Any facsimile which bears proof of transmission shall be binding on the party which or on whose behalf such transmission was initiated and likewise shall be so admissible in evidence as if the original of such facsimile had been delivered to the party which or on whose behalf such transmission was received.

13-9. Massachusetts Law. This Agreement and all rights and obligations hereunder, including matters of construction, validity, and performance, shall be governed by the laws of The Commonwealth of Massachusetts.

13-10. Consent to Jurisdiction.

(a) The Borrower agrees that any legal action, proceeding, case, or controversy against the Borrower with respect to any Loan Document may be brought in the Superior Court of Middlesex County Massachusetts or in the United States District Court, District of Massachusetts, sitting in Boston, Massachusetts, as the Lender may elect in the Lender's sole discretion. By execution and delivery of this Agreement, the Borrower, for itself and in respect of its property, accepts, submits, and consents generally and unconditionally, to the jurisdiction of the aforesaid courts.

(b) The Borrower WAIVES personal service of any and all process upon it, and irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by certified mail, postage prepaid, to the Borrower at the Borrower's address for notices as specified herein, such service to become effective five (5) Business Days after such mailing.

(c) The Borrower WAIVES, at the option of Lender, any objection based on forum non conveniens and any objection to venue of any action or proceeding instituted under any of the Loan Documents and consents to the granting of such legal or equitable remedy as is deemed appropriate by the Court.

(d) Nothing herein shall affect the right of the Lender to bring legal actions or proceedings in any other competent jurisdiction.

(e) The Borrower agrees that any action commenced by the Borrower asserting any claim or counterclaim arising under or in connection with this Agreement or any other Loan Document shall be brought in the Superior Court of Middlesex County Massachusetts or in the United States District Court, District of Massachusetts, sitting in Boston, Massachusetts, and that such Courts shall have exclusive jurisdiction with respect to any such action.

13-11. Indemnification. The Borrower shall indemnify, defend, and hold the Lender and any employee, officer, or agent of the Lender (each, an "INDEMNIFIED PERSON") harmless of and from any claim brought or threatened against any Indemnified Person by the Borrower, any guarantor or endorser of the Liabilities, or any other Person (as well as from attorneys' reasonable fees and expenses in connection therewith) on account of the Lender's relationship with the Borrower or any other guarantor or endorser of the Liabilities (each of which may be defended, compromised, settled, or pursued by the Indemnified Person with counsel of the Lender's selection, but at the expense of the Borrower) other than any claim as to which a final determination is made in a judicial proceeding (in which the Lender and any other Indemnified Person has had an opportunity to be heard), which determination includes a specific finding that the Indemnified Person seeking indemnification had acted in a grossly negligent manner or in actual bad faith. The within indemnification shall survive payment of the Liabilities and/or any termination, release, or discharge

executed by the Lender in favor of the Borrower.

13-12. Rules of Construction.

(a) The following rules of construction shall be applied in the interpretation, construction, and enforcement of this Agreement and of the other Loan Documents:

(i) Words in the singular include the plural and words in the plural include the singular.

(ii) Headings (indicated by being underlined) and the Table of Contents are solely for convenience of reference and do not constitute a part of the instrument in which included and do not affect such instrument's meaning, construction, or effect.

(iii) The words "includes" and "including" are not limiting.

(iv) The words "may not" are prohibitive and not permissive.

(v) The word "or" is not exclusive.

(vi) Terms which are defined in one section of an instrument are used with such definition throughout the instrument in which so defined.

(vii) The symbol "$" refers to United States Dollars.

(viii) References to "herein", "hereof", and "within" are to this entire Loan Agreement and not merely the provision in which such reference is included.

(ix) Except as otherwise specifically provided, all references to time are to Boston time.

(x) In the determination of any notice, grace, or other period of time prescribed or allowed hereunder, unless otherwise provided (A) the day of the act, event, or default from which the designated period of time begins to run shall not be included and the last day of the period so computed shall be included unless such last day is not a Business Day, in which event the last day of the relevant period shall be the then next Business Day and (B) the period so computed shall end at 5:00 PM on the relevant Business Day.

(b) The Loan Documents shall be construed and interpreted in a harmonious manner, provided, however, in the event of any inconsistency between the provisions of the within Agreement and any other Loan Document, the provisions of the within Agreement shall govern and control.

13-13. Intent. It is intended that

(a) This Agreement take effect as a sealed instrument.

(b) All reasonable costs and expenses incurred by the Lender in connection with the Lender's relationship(s) with the Borrower shall be borne by the Borrower.

(c) The Lender's consent to any action of the Borrower which is prohibited unless such consent is given may be given or refused by the Lender in its sole discretion.

13-14. Right of Set-Off. Any and all deposits or other sums at any time credited by or due to the undersigned from the Lender and any cash, securities, instruments or other property of the undersigned in the possession of the Lender, whether for safekeeping or otherwise (regardless of the reason the Lender had received the same) shall at all times constitute security for all Liabilities and for any and all obligations of the undersigned to the Lender, and may be applied or set off against the Liabilities and against the obligations of the undersigned to the Lender including, without limitation, those arising hereunder, at any time, whether or not such are then due and whether or not other collateral is then available to the Lender.

13-15. Maximum Interest Rate. Regardless of any provision of any Loan Document, the Lender shall never be entitled to contract for, charge, receive, collect, or apply as interest on any Liability, any amount in excess of the maximum rate imposed by applicable law. Any payment which is made which, if treated as interest on a Liability would result in such interest's exceeding such maximum rate shall be held, to the extent of such excess, as additional

collateral for the Liabilities as if such excess were "Collateral."

13-16. Waivers.

(a) The Borrower (and all guarantors, endorsers, and sureties of the Liabilities) make each of the waivers included in Subsection (b), below, knowingly, voluntarily, and intentionally, and understands that the Lender, in entering into the financial arrangements contemplated hereby and in providing loans and other financial accommodations to or for the account of the Borrower as provided herein, whether not or in the future, is relying on such waivers.

(b) THE BORROWER, AND EACH SUCH GUARANTOR, ENDORSER, AND SURETY RESPECTIVELY WAIVES THE FOLLOWING:

(i) Except as otherwise specifically required hereby, notice of non-payment, demand, presentment, protest and all forms of demand and notice, both with respect to the Liabilities and the Collateral.

(ii) Except as otherwise specifically required hereby, the right to notice and/or hearing prior to the Lender's exercising of the Lender's rights upon default.

(iii) THE RIGHT TO A JURY IN ANY TRIAL OF ANY CASE OR CONTROVERSY IN WHICH THE LENDER IS OR BECOMES A PARTY (WHETHER SUCH CASE OR CONTROVERSY IS INITIATED BY OR AGAINST THE LENDER OR IN WHICH THE LENDER IS JOINED AS A PARTY LITIGANT), WHICH CASE OR CONTROVERSY ARISES OUT OF OR IS IN RESPECT OF, ANY RELATIONSHIP AMONGST OR BETWEEN THE BORROWER OR ANY OTHER PERSON AND THE LENDER (AND THE LENDER LIKEWISE WAIVES THE RIGHT TO A JURY IN ANY TRIAL OF ANY SUCH CASE OR CONTROVERSY).

(iv) The benefits or availability of any stay, stay, limitation, hindrance, delay, or restriction (including, without limitation, any automatic stay which otherwise might be

imposed pursuant to Section 362 of the Bankruptcy Code) with respect to any action which the Lender may or may become entitled to take hereunder.

(v) Any defense, counterclaim, set-off, recoupment, or other basis on which the amount of any Liability, as stated on the books and records of the Lender, could be reduced or claimed to be paid otherwise than in accordance with the tenor of and written terms of such Liability.

(vi) Any claim to consequential, special, or punitive damages.

SEACHANGE INTERNATIONAL, INC.
("BORROWER")

By: /s/ Joseph S. Tibbetts, Jr.

Print Name: Joseph S. Tibbetts, Jr.

Title: Vice President, Finance and Administration, Chief Financial Officer and Treasurer

BAYBANK, N.A.
("LENDER")

By: /s/ Stephen C. Buzzell

Print Name: Stephen C. Buzzell

Title: Vice President

EXHIBITS

The following Exhibits to this Loan and Security Agreement are respectively described in the Section indicated below. Those schedules for which no information has been inserted or provided shall be deemed to read "None."

Exhibit 5-2	Related Entities	(S)5-2
Exhibit 5-4	Trade Names	(S)5-4
Exhibit 5-5	Other Locations	(S)5-5
Exhibit 5-7	Indebtedness	(S)5-7
Exhibit 5-8	Insurance Policies	(S)5-8
Exhibit 5-9	Licenses	(S)5-9
Exhibit 5-10	Leases	(S)5-10
Exhibit 5-11	Material Contracts	(S)5-11
Exhibit 5-14	Tax Liabilities Not Filed	(S)5-14
Exhibit 5-18	Litigation	(S)5-18
Exhibit 8-10	Financial Covenants	(S)8-10

EXHIBIT 8-10

FINANCIAL COVENANTS

1. No Losses. The Borrower shall not show a loss, on a quarterly or annual basis.

2. Quick Ratio. The Borrower shall not permit the ratio computed by dividing (A) Liquid Assets (as defined herein), by (B) the Borrower's Current Liabilities (as defined herein), to be less than the following amounts for the following periods:

Fiscal Quarter Ending	Quick Ratio
June 30, 1996	0.40:1
September 30, 1996	0.40:1
December 31, 1996	0.80:1
March 31, 1997, and thereafter	1.50:1

3. Debt to Tangible Net Worth. The Borrower shall not permit the ratio of the Borrower's Debt (as defined herein) to Tangible Net Worth (as defined herein) to exceed the following amounts for the following periods:

Fiscal Quarter Ending	Debt to Tangible Net Worth
June 30, 1996	4.50:1
September 30, 1996	4.50:1
December 31, 1996	3.50:1
March 31, 1997, and thereafter	0.75:1

4. Tangible Net Worth. The Borrower shall have a Tangible Net Worth (as defined herein) of at least $4,000,000.00 by June 30, 1996, and thereafter, Net Worth shall be no less than the aggregate of (a) $4,000,000.00, and (b) seventy-five percent (75.0%) of cumulative Net Profit (without offsetting for any losses), and (c) ninety-five percent (95.00%) of any equity investment (net of expenses) made thereafter.

5. Limitation on Purchase Money Liens and Equipment Leases. The Borrower shall not have outstanding, at any time, equipment leases or purchase money liens which have a total liability, at any time, of more than $750,000.00.

6. Minimum Cash Flow Coverage. The Borrower shall not permit the ratio of Operating Cash Flow to the total Fixed Charges to be less than the

following amounts for the following periods, on a rolling four (4) quarter basis:

Fiscal Quarter Ending	Ratio
June 30, 1996, and thereafter	1.5:1.0

Exhibit 10.9

WORKING CAPITAL LINE OF CREDIT
MASTER NOTE BAYBANK, N.A.

Burlington, Massachusetts

Date: September 25, 1996

FOR VALUE RECEIVED, the undersigned, SeaChange International, Inc., a Delaware corporation with its principal executive offices at 124 Acton Street, Maynard, Massachusetts 01754 (the "BORROWER") promises to pay to the order of BayBank, N.A., a national banking association with offices at 7 New England Executive Park, Burlington, Massachusetts 01803 (with any subsequent holder, the "LENDER") the aggregate unpaid principal balance of loans and advances made by the Lender to the Borrower pursuant to the Working Capital Line of Credit established pursuant to the Loan and Security Agreement of even date (as such may be amended hereafter, the "LOAN AGREEMENT") between the Lender and the Borrower, with interest, at the rate and payable in the manner, stated therein.

This is the "Master Note" to which reference is made in the Loan Agreement, and is subject to all terms and provisions thereof. The principal of, and interest on, this Note shall be payable as provided in the Loan Agreement and shall be subject to acceleration as provided therein.

The Lender's books and records concerning the Lender's loans and advances pursuant to the Working Capital Line of Credit, the accrual of interest thereon, and the repayment of such loans and advances, shall be prima facie evidence of the indebtedness to the Lender hereunder.

No delay or omission by the Lender in exercising or enforcing any of the Lender's powers, rights, privileges, remedies, or discretions hereunder shall operate as a waiver thereof on that occasion nor on any other occasion. No waiver of any default hereunder shall operate as a waiver of any other default hereunder, nor as a continuing waiver.

The Borrower, and each endorser and guarantor of this Note, respectively waives presentment, demand, notice, and protest, and also waives any delay on the part of the holder hereof. Each assents to any extension or other indulgence (including, without limitation, the release or substitution of collateral) permitted by the Lender with respect to this Note and/or any collateral given to secure this Note or any extension or other indulgence with respect to any other liability or any collateral given to secure any other liability of the Borrower or any other person obligated on account of this note.

This Note shall be binding upon the Borrower, and each endorser and guarantor hereof, and upon their respective heirs, successors, assigns, and representatives, and shall inure to the benefit of the Lender and its successors, endorsees, and assigns.

The liabilities of the Borrower, and of any endorser or guarantor of this Note, are joint and several; provided, however, the release by the Lender of or any one or more such person, endorser or guarantor shall not release any other person obligated on account of this Note. Each reference in this Note to the Borrower, any endorser, and any guarantor, is to such person individually and also to all such persons jointly. No person obligated on account of this Note may seek contribution from any other person also obligated unless and until all liabilities, obligations and indebtedness to the Lender of the person from whom contribution is sought have been satisfied in full.

The Borrower will pay on demand all attorneys' reasonable fees and reasonable out-of-pocket expenses incurred by the Lender's attorneys, and all reasonable costs incurred by the Lender in the administration of the Borrower's liabilities, obligations, and indebtedness to the Lender, including, without limitation, reasonable costs and expenses associated with travel on behalf of the Lender, which costs and expenses are directly or indirectly related to or in respect of the Lender's: administration and management of such liabilities, obligations, and indebtedness; negotiation of the form of, and any amendment to, the within Note; or efforts to preserve, protect, collect, or enforce any

collateral which secures any such liabilities, obligations, and indebtedness, and/or the Lender's rights and remedies against the Borrower or against or in respect of any guarantor or other person liable in respect of the such liabilities, obligations, and indebtedness (whether or not suit is instituted in connection with such efforts). Such amounts, if not so paid on demand, may bear interest at the option of the Lender the highest post-default rate which the Lender may charge the Borrower hereunder.

The Borrower and each endorser and guarantor hereof each authorizes the Lender to complete this Note if delivered incomplete in any respect.

Any and all deposits or other sums at any time credited by or due to the undersigned from the Lender and any cash, securities, instruments or other property of the undersigned in the possession of the Lender, whether for safekeeping or otherwise (regardless of the reason the Lender had received the same) shall at all times constitute security for all Liabilities and for any and all obligations of the undersigned to the Lender, and may be applied or set off against the Liabilities and against the obligations of the undersigned to the Lender including, without limitation, those arising hereunder, at any time, whether or not such are then due and whether or not other collateral is then available to the Lender.

This Note shall be governed by the laws of The Commonwealth of Massachusetts and shall take effect as a sealed instrument.

The Borrower makes the following waiver knowingly, voluntarily, and intentionally, and understands that the Lender, in the establishment and maintenance of the Lender's relationship with the Borrower contemplated by the within Note, is relying thereon. THE BORROWER, TO THE EXTENT ENTITLED THERETO, WAIVES ANY PRESENT OR FUTURE RIGHT OF THE BORROWER, OR OF ANY GUARANTOR OR ENDORSER OF THE BORROWER OR OF ANY OTHER PERSON LIABLE TO THE LENDER ON ACCOUNT OF OR IN RESPECT TO THE LIABILITIES, TO A TRIAL BY JURY IN ANY CASE OR CONTROVERSY IN WHICH THE LENDER IS OR BECOMES A PARTY (WHETHER SUCH CASE OR CONTROVERSY IS INITIATED BY OR AGAINST THE LENDER OR IN WHICH THE LENDER IS

JOINED AS A PARTY LITIGANT), WHICH CASE OR CONTROVERSY ARISES OUT OF, OR IS IN RESPECT TO, ANY RELATIONSHIP AMONGST OR BETWEEN THE BORROWER, ANY SUCH PERSON, AND THE LENDER.

WITNESS:

/s/ Jennifer A. Post

SEACHANGE INTERNATIONAL, INC.
The ("BORROWER")

By: /s/Joseph S. Tibbetts, Jr.

Name: Joseph S. Tibbetts, Jr.

Title: Vice President, Finance and Administration, Chief Financial Officer and Treasurer

Exhibit 10.10

EQUIPMENT LINE OF CREDIT
MASTER NOTE

BAYBANK, N.A.

Burlington, Massachusetts

Date: September 25, 1996

FOR VALUE RECEIVED, the undersigned, SeaChange International, Inc., a Delaware corporation with its principal executive offices at 124 Acton Street, Maynard, Massachusetts 01754 (the "BORROWER") promises to pay to the order of BayBank, N.A., a national banking association with offices at 7 New England Executive Park, Burlington, Massachusetts 01803 (with any subsequent holder, the "LENDER") the aggregate unpaid principal balance of loans and advances made by the Lender to the Borrower pursuant to the Equipment Line of Credit established pursuant to the Loan and Security Agreement of even date (as such may be amended hereafter, the "LOAN AGREEMENT") between the Lender and the Borrower, with interest, at the rate and payable in the manner, stated therein.

This is the "Master Note" to which reference is made in the Loan Agreement, and is subject to all terms and provisions thereof. The principal of, and interest on, this Note shall be payable as provided in the Loan Agreement and shall be subject to acceleration as provided therein.

The Lender's books and records concerning the Lender's loans and advances pursuant to the Equipment Line of Credit, the accrual of interest thereon, and the repayment of such loans and advances, shall be prima facie evidence of the indebtedness to the Lender hereunder.

No delay or omission by the Lender in exercising or enforcing any of the Lender's powers, rights, privileges, remedies, or discretions hereunder shall operate as a waiver thereof on that occasion nor on any other occasion. No waiver of any default hereunder shall operate as a waiver of any other default hereunder, nor as a continuing waiver.

The Borrower, and each endorser and guarantor of this Note, respectively waives presentment, demand, notice, and protest, and also waives any delay on the part of the holder hereof. Each assents to any extension or other indulgence (including, without limitation, the release or substitution of collateral) permitted by the Lender with respect to this Note and/or any collateral given to secure this Note or any extension or other indulgence with respect to any other liability or any collateral given to secure any other liability of the Borrower or any other person obligated on account of this note.

This Note shall be binding upon the Borrower, and each endorser and guarantor hereof, and upon their respective heirs, successors, assigns, and representatives, and shall inure to the benefit of the Lender and its successors, endorsees, and assigns.

The liabilities of the Borrower, and of any endorser or guarantor of this Note, are joint and several; provided, however, the release by the Lender of or any one or more such person, endorser or guarantor shall not release any other person obligated on account of this Note. Each reference in this Note to the Borrower, any endorser, and any guarantor, is to such person individually and also to all such persons jointly. No person obligated on account of this Note may seek contribution from any other person also obligated unless and until all liabilities, obligations and indebtedness to the Lender of the person from whom contribution is sought have been satisfied in full.

The Borrower will pay on demand all attorneys' reasonable fees and reasonable out-of-pocket expenses incurred by the Lender's attorneys, and all reasonable costs incurred by the Lender in the administration of the Borrower's liabilities, obligations, and indebtedness to the Lender, including, without limitation, reasonable costs and expenses associated with travel on behalf of the Lender, which costs and expenses are directly or indirectly related to or in respect of the Lender's: administration and management of such liabilities, obligations, and indebtedness; negotiation of the form of, and any amendment to, the within Note; or efforts to preserve, protect, collect, or enforce any

collateral which secures any such liabilities, obligations, and indebtedness, and/or the Lender's rights and remedies against the Borrower or against or in respect of any guarantor or other person liable in respect of the such liabilities, obligations, and indebtedness (whether or not suit is instituted in connection with such efforts). Such amounts, if not so paid on demand, may bear interest at the option of the Lender the highest post-default rate which the Lender may charge the Borrower hereunder.

The Borrower and each endorser and guarantor hereof each authorizes the Lender to complete this Note if delivered incomplete in any respect.

Any and all deposits or other sums at any time credited by or due to the undersigned from the Lender and any cash, securities, instruments or other property of the undersigned in the possession of the Lender, whether for safekeeping or otherwise (regardless of the reason the Lender had received the same) shall at all times constitute security for all Liabilities and for any and all obligations of the undersigned to the Lender, and may be applied or set off against the Liabilities and against the obligations of the undersigned to the Lender including, without limitation, those arising hereunder, at any time, whether or not such are then due and whether or not other collateral is then available to the Lender.

This Note shall be governed by the laws of The Commonwealth of Massachusetts and shall take effect as a sealed instrument.

The Borrower makes the following waiver knowingly, voluntarily, and intentionally, and understands that the Lender, in the establishment and maintenance of the Lender's relationship with the Borrower contemplated by the within Note, is relying thereon. THE BORROWER, TO THE EXTENT ENTITLED THERETO, WAIVES ANY PRESENT OR FUTURE RIGHT OF THE BORROWER, OR OF ANY GUARANTOR OR ENDORSER OF THE BORROWER OR OF ANY OTHER PERSON LIABLE TO THE LENDER ON ACCOUNT OF OR IN RESPECT TO THE LIABILITIES, TO A TRIAL BY JURY IN ANY CASE OR CONTROVERSY IN WHICH THE LENDER IS OR BECOMES A PARTY (WHETHER SUCH CASE OR CONTROVERSY IS INITIATED BY OR AGAINST THE LENDER OR IN WHICH THE LENDER IS

JOINED AS A PARTY LITIGANT), WHICH CASE OR CONTROVERSY ARISES OUT OF, OR IS IN RESPECT TO, ANY RELATIONSHIP AMONGST OR BETWEEN THE BORROWER, ANY SUCH PERSON, AND THE LENDER.

WITNESS: SEACHANGE INTERNATIONAL, INC.
The ("BORROWER")

/s/ Jennifer A. Post

By: /s/ Joseph S. Tibbetts, Jr.

Name: Joseph S. Tibbetts, Jr.

Title: Vice President, Finance and Administration, Chief Financial Officer and Treasurer

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

October 4, 1996