

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
--- OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1996

Commission File Number: 0-21393

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

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

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

Registrant's telephone number, including area code: (508) 897-0100

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK, \$.01 PAR VALUE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [].

As of March 20, 1997 the aggregate market value of the voting stock held by non-affiliates of the registrant, based upon the closing price for the registrant's Common Stock on the Nasdaq National Market on such date was \$63,537,244. The number of shares of the registrant's Common Stock outstanding as of the close of business on March 20, 1997 was 12,877,733.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement in connection with the Annual Meeting of Stockholders to be held on or about May 29, 1997 to be filed pursuant to Regulation 14A are incorporated by reference into Part III of this Form 10-K.

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PART I

This Annual Report on Form 10-K includes certain statements of a forward-looking nature which reflect the Company's current views relating to future events or the future financial performance of the Company. These forward-looking statements are only predictions and are subject to risks and uncertainties, particularly the matters set forth in "Certain Risk Factors" below, which could cause actual events or results to differ materially from historical results or those indicated by such forward-looking statements.

ITEM 1. BUSINESS

SeaChange International, Inc. ("SeaChange" or the "Company") provides 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 in terms of installations in the United States, based on currently available industry sources and the Company's internal data. The SeaChange SPOT System encodes analog video forms such as

advertisements 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 Traffic and Billing 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 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.

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

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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 approximately 11,000 cable systems currently in the United States, serving over 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. 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.

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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.

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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 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

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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 December 31, 1996, more than 30% 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.

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.
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- 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.

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.

SeaChange Traffic and Billing Software

The SeaChange Traffic and Billing 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. Traffic and Billing 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 Traffic and Billing Software in the second quarter of 1996.

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 have joint marketing rights to the integrated system. SeaChange is 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 is entitled to market this product, acting as a dealer or sales representative for the SeaChange portion of the system. The cable television operators can package full scale Video-On-Demand systems for hotels and apartments.

The integrated system consists 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 sold to one customer for use with the Guestnet movie programming.

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 with a sales price of approximately \$300,000.

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 is currently marketing the SeaChange Programming System.

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.

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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.

The Video Server 100 provides custom power and packaging and software for use in professional video applications. It has features such as RAID and a redundant power supply to enable 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. 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, MediaCluster serves as the base technology for long-form video applications.

Through its software architecture, 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 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 customer 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.

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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. The Company also offers basic and advanced formal on-site training for customer employees at the time of product installation. The Company currently provides installation, maintenance and support to international customers but, in the future, may provide such services through agents and distributors.

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 December 31, 1996 more than 30% 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.

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, 1995 and 1996, revenues from the Company's five largest customers represented approximately 95%, 91% and 76%, respectively, of the Company's total revenues. Customers accounting for more than 10% of total revenues consisted of Continental Cablevision (50%), Cox Communications, Inc. (18%), Digital Equipment Corporation (11%) and Time Warner, Inc. (10%) in 1994; Continental Cablevision (29%), Tele-Communications, Inc. (29%), Time Warner, Inc. (16%) and Cox Communications, Inc. (12%) in 1995; and Tele-Communications, Inc. (29%), U.S. West Media Group (17%), Comcast Corporation (13%) and Time Warner, Inc. (12%) in 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.

The Company believes that its backlog at any particular time is not meaningful as an indicator of its future level of sales for any particular period. Because of the software-based nature of the Company's products and its use of standard components, substantially all of the backlog at the end of a quarter can be

manufactured by the Company and is intended to be shipped by the end of the following quarter. However, because of the requirements of particular customers, the seasonality of the business and, in respect to certain sales, the acceptance criteria necessary for revenue recognition, such backlog may not be shipped or, if shipped, the related revenues may not be recognized in such quarter. Therefore, there is no direct correlation between the backlog at the end of any quarter and the Company's total sales for the following quarter or other periods.

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

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conducted from the Company's Massachusetts headquarters and five field offices. In October 1996, the Company entered into an exclusive sales and marketing representative agreement with a private Italian company which covers continental Europe. The Company also markets certain of its products, namely the Video Server 100 and MediaCluster, to systems integrators and VARs. As of December 31, 1996, the Company's selling and marketing organization consisted of 13 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 \$885,000, \$2.4 million and \$5.4 million for the years ended December 31, 1994, 1995 and 1996, respectively. At December 31, 1996, 55 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, Atlanta, Georgia, and Englewood, Colorado. 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.

MANUFACTURING

The Company's manufacturing operations are located at facilities in Maynard, 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

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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., disk drives manufactured by Seagate Technology, 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.

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, SkyConnect, Inc., Digital Equipment 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 Traffic and Billing 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., LAN International USA, Inc., Visiontel, Inc. and various suppliers of sales, scheduling and billing software 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.

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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.

PROPRIETARY RIGHTS

The Company's success and its ability to compete is dependent, in part, upon

its proprietary rights. Although the Company has filed one U.S. and one foreign patent application for its MediaCluster technology, it does not hold any issued patents and currently relies on a combination of contractual rights, trademark laws, 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, copyrights, trademarks 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.

The SeaChange Traffic and Billing 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.

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EMPLOYEES

As of December 31, 1996, the Company employed 143 persons, including 55 in research and development, 46 in customer service and support, 13 in selling and marketing, 15 in manufacturing and 14 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.

CERTAIN RISK FACTORS

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.

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.

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

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throughout each quarterly period, including personnel and facilities costs, the decline of revenues in any quarter typically results in lower profitability in that quarter.

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. 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.

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.

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.

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 effect on the Company's business, financial condition and results of operations.

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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.

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.

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.

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, 1995 and 1996, revenues from the Company's five largest customers represented approximately 95%, 91% and 76%, respectively, of the Company's total revenues. In each of 1994, 1995 and 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 generally does not have written continuing purchase agreements with its customers and does not have any written agreements that require customers to purchase fixed minimum quantities of the

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Company's products. 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.

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 does not have material written supply agreements with these or any of its suppliers. The Company has in the past experienced quality control problems, where products did not meet specifications or were damaged in shipping, and delays in the receipt of such components. These problems were generally of short duration and did not have a material adverse effect on the Company. However, the Company may in the future experience similar types of problems which could be more severe or more prolonged. 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.

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.

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

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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.

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.

Dependence on Proprietary Rights. The Company's success and its ability to compete is dependent, in part, upon its proprietary rights. 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 rights. 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. The Company does not believe that its products infringe the patents mentioned in such letter. However, 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.

Risks Associated with International Sales. Prior to 1996, the Company derived no significant revenues from international operations. International sales accounted for approximately 5% of the Company's revenues in 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.

Concentration of Ownership. The Company's officers, directors and their affiliated entities, and other holders of 5% or more of the Company's outstanding capital stock, together beneficially owned approximately 68% of the outstanding shares of Common Stock of the Company as of March 20, 1997. 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.

ITEM 2. PROPERTIES

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 of \$107,000 for 1996 and 1997. The Company leased an additional 10,000 square feet in the same building beginning

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in January 1997 which expires on March 31, 1998, with an annual base rent of \$52,000. The Company moved its Massachusetts manufacturing facility to such space in February 1997. 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. The Company also leases small research and development and sales and support offices in Atlanta, Georgia, Englewood, Colorado, 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.

ITEM 3. 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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS

No matters were submitted during the fourth quarter of the fiscal year ended December 31, 1996 to a vote of security holders of the Company through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on the Nasdaq National Market under the symbol "SEAC." Public trading of the Common Stock commenced on November 5, 1996. Prior to such date, there was no public market for the Common Stock. The following table sets forth the high and low closing sale prices for the Common Stock for the periods indicated, as reported on the Nasdaq National Market.

	High	Low
	----	---
Year ended December 31, 1996		
Fourth Quarter (from November 5, 1996)	\$39.50	\$17.38

On March 20, 1997, the last reported sale price of the Common Stock on the Nasdaq National Market was \$15.50. As of March 20, 1997, there were approximately 136 stockholders of record of the Company's Common Stock, as shown in the records of the Company's transfer agent. The Company believes that most of its stock (other than shares held by its officers and directors) is held in street names through one or more nominees. The Company has not paid any cash dividends on its capital stock since its inception, and does not expect to pay cash dividends on its Common Stock 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.

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ITEM 6. SELECTED 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7. The consolidated statement of income data for the period from July 9, 1993 (inception) through December 31, 1993 and each of the three years ended December 31, 1994, 1995 and 1996 and the consolidated balance sheet data at December 31, 1993, 1994, 1995 and 1996 are detailed below.

<TABLE>
<CAPTION>

	PERIOD FROM JULY 9, 1993 (INCEPTION THROUGH DECEMBER 31,		YEAR ENDED DECEMBER 31,	
	1993	1994	1995	1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)				
CONSOLIDATED STATEMENT OF INCOME DATA:				
Revenues:				
<S>	<C>	<C>	<C>	<C>
Systems.....	\$ --	\$ 5,037	\$21,999	\$45,745
Services.....	--	116	1,203	3,521
Other.....	213	537	--	--
	-----	-----	-----	-----
	213	5,690	23,202	49,266
	-----	-----	-----	-----
Costs of revenues:				
Systems.....	--	3,406	14,917	27,133
Services.....	--	176	1,641	4,030
Other.....	112	304	--	--
	-----	-----	-----	-----
	112	3,886	16,558	31,163
	-----	-----	-----	-----
Gross profit.....	101	1,804	6,644	18,103
	-----	-----	-----	-----
Operating expenses:				
Research and development.....	43	885	2,367	5,394
Selling and marketing.....	16	443	1,609	4,254
General and administrative.....	59	273	858	2,064
	-----	-----	-----	-----
	118	1,601	4,834	11,712
	-----	-----	-----	-----
Income (loss) from operations.....	(17)	203	1,810	6,391
Interest income (expense), net.....	(1)	7	114	354
	-----	-----	-----	-----
Income (loss) before income taxes.....	(18)	210	1,924	6,745
Provision for income taxes.....	--	55	713	2,483
	-----	-----	-----	-----
Net income (loss).....	\$ (18)	\$ 155	\$ 1,211	\$ 4,262
	=====	=====	=====	=====
Net income (loss) per share (1).....	\$ (.01)	\$.02	\$.10	\$.36
	=====	=====	=====	=====
Weighted average common shares and equivalent common shares outstanding (1).....				
	2,700	9,399	11,575	11,900
	=====	=====	=====	=====

DECEMBER 31,

1993	1994	1995	1996
-----	-----	-----	-----
(IN THOUSANDS)			

CONSOLIDATED BALANCE SHEET DATA:

Working capital.....	\$ 90	\$ 154	\$ 3,493	\$26,593
Total assets.....	228	3,494	13,595	46,035
Long-term liabilities.....	125	--	--	--
Deferred revenue.....	72	152	767	2,192
Total liabilities.....	246	2,977	8,644	14,205
Redeemable convertible preferred stock.....	--	--	4,008	--
Total stockholders' equity (deficit).....	(18)	517	943	31,830

</TABLE>

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

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ITEM 7. 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 related Notes included elsewhere in this Annual Report on Form 10-K. 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. Readers are cautioned that such statements are only predictions and that actual results or events may differ materially. In evaluating such statements, readers should specifically consider the risk factors set forth in this Annual Report on Form 10-K, particularly the matters set forth under the caption "Certain Risk Factors," in Item 1 "Business", 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 December 31, 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 customer 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 pattern 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 second half of the year 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

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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>

YEAR ENDED
DECEMBER 31,

	1994	1995	1996
<S>	<C>	<C>	<C>
Revenues:			
Systems.....	88.5%	94.8%	92.9%
Services.....	2.0	5.2	7.1
Other.....	9.5	--	--
	-----	-----	-----
	100.0	100.0	100.0
	-----	-----	-----
Cost of revenues:			
Systems.....	59.9	64.3	55.1
Services.....	3.1	7.1	8.2
Other.....	5.3	--	--
	-----	-----	-----
	68.3	71.4	63.3
	-----	-----	-----
Gross profit	31.7	28.6	36.7
	-----	-----	-----
Operating expenses:			
Research and development.....	15.5	10.2	10.9
Selling and marketing.....	7.8	6.9	8.6
General and administrative.....	4.8	3.7	4.2
	-----	-----	-----
	28.1	20.8	23.7
	-----	-----	-----
Income from operations.....	3.6	7.8	13.0
Interest, net	.1	.5	.7
	-----	-----	-----
Income before income taxes.....	3.7	8.3	13.7
Provision for income taxes.....	1.0	3.1	5.0
	-----	-----	-----
Net income.....	2.7%	5.2%	8.7%
	=====	=====	=====
Gross profit:			
Systems.....	32.4%	32.2%	40.7%
Services.....	(52.0)	(36.4)	(14.5)

</TABLE>

YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996

REVENUES

Systems. The Company's systems revenues consist of sales of its digital video insertion products. The Company sold its first digital insertion system 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% to \$45.7 million in 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 primarily in the United States, partially offset in 1995 and the first six months of 1996 by a price reduction on first generation systems. The increased systems revenues in 1996 reflect the Company's introduction, in January 1996, of the second generation of its digital video insertion system which significantly

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improved the scalability and performance of the Company's products, and the subsequent increase in the number of systems sold.

For the years ended December 31, 1994, 1995 and 1996, certain customers accounted for more than 10% of the Company's total revenues. Individual customers accounted for 50%, 18%, 11% and 10% of total revenues in 1994, 29%, 29%, 16% and 12% of total revenues in 1995 and 29%, 17%, 13% and 12% of total revenues in 1996. The Company believes that revenues from current and future large customers will continue to represent a significant proportion of total revenues.

International sales accounted for approximately 5% of total revenues in the year ended December 31, 1996, and the Company expects that international sales will account for a significant portion of the Company's business in the future. Prior to 1996, the Company derived no significant revenues from international operations. As of December 31, 1996, all sales of the Company's products have been made in United States dollars and the Company expects this pattern to continue in the foreseeable future. Therefore, the Company has not experienced, nor does it expect to experience in the near term, any impact from fluctuations in foreign currency exchange rates on its results of operations or liquidity. If this practice changes in the future, the Company will reevaluate its foreign currency exchange rate risk.

Services. The Company's services revenues consist of fees for installation, training, product maintenance and technical support services. The Company's services revenues increased 936% from approximately \$116,000 in 1994 to \$1.2 million in 1995, and increased 193% to \$3.5 million in 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.

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 increased 82% to \$27.1 million in 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 various components.

Systems gross profit as a percentage of systems revenues was 32.4%, 32.2% and 40.7% in 1994, 1995 and 1996, respectively. The increases in systems gross profit in 1996 resulted from design improvements in the second generation video insertion product, lower costs of certain purchased components and subassemblies and the Company achieving certain manufacturing efficiencies as a result of increased volume. The increase in 1996 was partially offset by an increase of approximately \$694,000 in the Company's inventory valuation allowance in 1996. The Company evaluates inventory levels and expected usage on a periodic basis and provides a valuation allowance for estimated inactive, obsolete and surplus inventory.

Services. Costs of services revenues consist primarily of labor, materials and overhead relating to the installation, training, product maintenance and technical support services provided by the Company. Costs of service revenues increased 830% from approximately \$176,000 in 1994 to \$1.6 million in 1995, and increased 146% to \$4.0 million in 1996, primarily as a result of the costs associated with the Company building a service organization to support the installed base of systems. Cost of services exceeded services revenues by 52.0%, 36.4% and 14.5% in 1994, 1995 and 1996, respectively. Improvements in the services negative gross profit in 1996 resulted from providing product and maintenance support to the growing installed base of systems.

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 168% from approximately \$885,000 in 1994 to \$2.4 million in 1995, and increased

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128% to \$5.4 million in 1996. The increases in the dollar amounts were primarily attributable to the hiring of additional development personnel. All internal software development costs have been expensed by the Company. 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 in 1997.

SELLING AND MARKETING. Selling and marketing expenses consist primarily of compensation expenses, including sales commissions and travel expenses, depreciation of equipment and certain promotional expenses. Selling and marketing expense increased 263% from approximately \$444,000 in 1994 to \$1.6 million in 1995, and increased 164% to \$4.3 million in 1996. The increases in the dollar amounts were attributable to the hiring of additional selling and marketing personnel, expanded promotional activities, and an increase in 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 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 and an allocation of related facility expenses. General and administrative expenses increased 214% from \$273,000 in 1994 to approximately \$858,000 in 1995, and increased 140% to \$2.1 million in 1996. The increases in the dollar amounts were attributable to increased staffing to support the Company's growth and increased legal expenses. The Company believes that its general and administrative expenses will continue to increase 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.

INTEREST INCOME. Interest income was \$7,000 in 1994 and approximately \$113,000 in 1995 compared to approximately \$354,000 in 1996. The increase in interest income primarily resulted from interest earned on a higher invested balance primarily due to the net proceeds of \$24.1 million from the initial public offering of the Company's Common Stock in November 1996.

PROVISION FOR INCOME TAXES. The Company's effective tax rates were 37.1% and 36.8%, in 1995 and 1996, respectively. In 1994, full utilization of net operating loss carryforwards and the effects of the research and development tax credit resulted in an effective tax rate of 26.2%.

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QUARTERLY RESULTS OF OPERATIONS

The following table presents certain unaudited quarterly information for the eight quarters ended December 31, 1996. 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 Annual Report on Form 10-K. In the opinion of the Company's management, this data reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the information when read in conjunction with the Company's Consolidated Financial Statements and Notes thereto. The results for any quarter

are not necessarily indicative of future quarterly results of operations, and the Company believes that period-to-period comparisons should not be relied upon as an indication of future performance.

<TABLE>
<CAPTION>

	QUARTER ENDED							
	MARCH 31, 1995	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995	MARCH 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	
Revenues:								
Systems.....	\$4,544	\$6,471	\$5,340	\$5,644	\$ 9,684	\$13,222	\$11,738	
Services.....	262	300	281	360	545	903	1,188	
Gross profit.....	1,599	2,377	1,543	1,125	3,158	4,950	5,206	
Operating expenses:								
Research and development.....	484	563	626	694	992	994	1,256	
Selling and marketing.....	295	486	356	472	755	1,155	1,125	
General and administrative.....	208	193	234	223	294	568	648	
Income (loss) from operations.....	612	1,135	327	(264)	1,117	2,233	2,177	
Interest income (expense), net.....	29	18	11	56	48	52	37	
Income (loss) before income taxes..	641	1,153	338	(208)	1,165	2,285	2,214	
Provision (benefit) for income taxes.	237	428	125	(77)	446	882	788	
Net income (loss).....	\$ 404	\$ 725	\$ 213	\$ (131)	\$ 719	\$ 1,403	\$ 1,426	\$
Gross profit:								
Systems.....	34.1%	37.3%	32.6%	24.4%	34.5%	38.8%	43.2%	
Services.....	18.8	(11.9)	(71.1)	(70.0)	(33.7)	(20.5)	11.2	

</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.

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 service gross margins have historically fluctuated significantly since installation and training service revenue is recognized upon completion, the timing of which may vary, while the related costs are incurred and recognized ratably.

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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.

LIQUIDITY AND CAPITAL RESOURCES

From inception through November 1996, the Company funded its operations primarily through cash provided by operations and the private sale of equity securities. In November 1996, in connection with the initial public offering of the Company's Common Stock, the Company received net proceeds of \$24.1 million.

Cash and cash equivalents increased \$17.2 million from \$6.2 million at December 31, 1995 to \$23.4 million at December 31, 1996. Working capital increased from approximately \$3.5 million at December 31, 1995 to approximately \$26.6 million at December 31, 1996.

Net cash provided by operating activities was approximately \$618,000 and \$2.8 million for the years ended December 31, 1994 and 1995, respectively. Net cash used in operating activities was \$1.9 million for the year ended December 31, 1996. The cash provided by operating activities 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 used in operating activities in 1996 was primarily due to increased accounts receivable and inventories, partially offset by net income adjusted for noncash expenses including depreciation and amortization and increased current liabilities. Accounts receivable increased from \$3.3 million at December 31, 1995 to \$7.4 million at December 31, 1996, an increase of \$4.1 million, or 123%. The increase in accounts receivable in 1996 is primarily attributable to the increased revenue levels. Total revenues recognized in the quarter ended December 31, 1995 were \$6.0 million compared to \$12.0 million in the quarter ended December 31, 1996, a 100% increase. Inventories increased from \$2.4 million at December 31, 1995 to \$9.2 million at December 31, 1996, an increase of \$6.7 million, or 275%. The increase in inventories in 1996 is attributable to additional inventory to support the Company's current and anticipated revenue growth and to service the growing installed base of systems.

Net cash used in investing activities was approximately \$207,000, \$659,000 and \$3.2 million for the years ended December 31, 1994, 1995 and 1996, respectively. Investment activity consisted primarily of 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.

Net cash provided by financing activities was approximately \$251,000, \$3.2 million and \$22.3 million for the years ended December 31, 1994, 1995 and 1996, respectively. In 1994, the cash provided by financing activities included the private sale of equity securities. In 1995, the cash provided by financing activities included \$4.0

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million received in connection with the issuance of the Series B Convertible Redeemable Preferred Stock, partially offset by a \$795,000 cash outlay related to loans to stockholders. In 1996 the cash provided by financing activities consisted primarily of net proceeds of \$24.1 million from the initial public

offering of the Company's Common Stock in November 1996 offset by the purchase of \$2.0 million of treasury stock.

The Company has a \$6.0 million revolving line of credit and a \$1.5 million equipment line of credit with a bank. The revolving line of credit expires in September 1997 and the equipment line expires in March 1997. The Company does not intend to renew the equipment line of credit. 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 LIBOR, 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 December 31, 1996, the Company had not borrowed against either of these lines.

The Company believes that its existing cash, together with available borrowings under the lines of credit, are sufficient to meet the Company's requirements through at least 1997.

The Company had no material capital expenditure commitments as of December 31, 1996.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's Financial Statements and Schedules, together with the auditors' reports thereon, appear at pages F-1 through F-12, and S-1 through S-2, respectively, of this Form 10-K.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the directors of the Registrant is hereby incorporated by reference from the information contained under the heading "Election of Directors" in the Registrant's definitive proxy statement related to the Registrant's 1997 Annual Meeting of Stockholders which will be filed with the Commission within 120 days after the close of the fiscal year (the "Definitive Proxy Statement").

Certain information concerning directors and executive officers of the Registrant is hereby incorporated by reference to the information contained under the heading "Occupations of Directors and Executive Officers" in the Registrant's Definitive Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is hereby incorporated by reference to the information contained under the heading "Compensation and Other Information Concerning Directors and Officers" in the Definitive Proxy Statement.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is hereby incorporated by reference to the information contained under the heading "Securities Ownership of Certain Beneficial Owners and Management" in the Definitive Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is hereby incorporated by reference to the information contained under the heading "Certain Relationships and Related Transactions" in the Definitive Proxy Statement.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>

<CAPTION>

The following Consolidated Financial Statements of the Registrant are filed as part of this report:

<S>
Report of Independent Accountants

Page

<C>
F-1

Consolidated Balance Sheet as of December 31, 1995 and 1996	F-2
Consolidated Statement of Income for the years ended December 31, 1994, 1995 and 1996	F-3
Consolidated Statement of Stockholders' Equity for the years ended December 31, 1994, 1995 and 1996	F-4
Consolidated Statement of Cash Flows for the years ended December 31, 1994, 1995 and 1996	F-5
Notes to Consolidated Financial Statements	F-6

(a) (2) INDEX TO FINANCIAL STATEMENT SCHEDULES

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

	Page

Schedule II - Valuation and Qualifying Accounts and Reserves	S-2
</TABLE>	

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

(a) (3) INDEX TO EXHIBITS

See attached Exhibit Index of this Annual Report on Form 10-K.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the period.

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SIGNATURES

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

Dated: MARCH 28, 1997

SEACHANGE INTERNATIONAL, INC.

by: /s/ William C. Styslinger, III

William C. Styslinger, III
President, Chief Executive Officer,
Chairman of the Board and Director.

POWER OF ATTORNEY AND SIGNATURES

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

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

<TABLE>
<CAPTION>

SIGNATURE -----	TITLE(S) -----	DATE ----
<S>	<C>	<C>
/s/ William C. Styslinger, III ----- WILLIAM C. STYSLINGER, III	President, Chief Executive Officer, Chairman of the Board and Director (Principal Executive Officer)	March 28, 1997 -----
/s/ Joseph S. Tibbetts, Jr. ----- JOSEPH S. TIBBETTS, JR.	Vice President, Finance and Administration, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 28, 1997 -----
/s/ Martin R. Hoffmann ----- MARTIN R. HOFFMANN	Director	March 28, 1997 -----
/s/ Edward J. McGrath ----- EDWARD J. MCGRATH	Director	March 28, 1997 -----
/s/ Paul Saunders ----- PAUL SAUNDERS	Director	March 28, 1997 -----
/s/ Carmine Vona	Director	March 28, 1997

</TABLE>

 REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF SEACHANGE INTERNATIONAL, INC.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of SeaChange International, Inc. and its subsidiaries at December 31, 1995 and 1996 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996, 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
 January 22, 1997

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 CONSOLIDATED BALANCE SHEET

<TABLE>
 <CAPTION>

	December 31,	
	1995	1996
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,184,100	\$23,394,200
Accounts receivable, net of allowance for doubtful accounts of \$40,000 at December 31, 1995 and \$173,000 at December 31, 1996	3,335,200	7,425,800
Inventories	2,438,500	9,152,700
Prepaid expenses	27,700	250,400
Deferred income taxes	151,000	575,100

Total current assets	12,136,500	40,798,200
Property and equipment, net	1,433,100	4,704,700
Other assets	25,400	531,700

	\$13,595,000	\$46,034,600

LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK
 AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 3,139,700	\$ 7,304,700
Accrued expenses	1,935,500	1,809,700
Customer deposits	2,082,200	2,898,700
Deferred revenue	766,600	2,191,800
Income taxes payable	720,000	--

Total current liabilities	8,644,000	14,204,900

Commitments (Note 9)

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, at issuance price, net of issuance costs; none outstanding at

December 31, 1996	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, 1995, at issuance price; none outstanding at December 31, 1996	100	--
Common stock, \$.01 par value; 50,000,000 shares authorized; 9,625,740 shares and 12,859,234 shares issued at December 31, 1995 and 1996, respectively	96,300	128,600
Additional paid-in capital	373,600	26,167,400
Retained earnings	1,271,500	5,533,700
Treasury stock, 424,950 shares of common stock at December 31, 1995; none at December 31, 1996	(3,600)	--
Notes receivable from stockholders	(795,000)	--
Total stockholders' equity	942,900	31,829,700
	\$13,595,000	\$46,034,600

</TABLE>

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

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CONSOLIDATED STATEMENT OF INCOME

<TABLE>
<CAPTION>

	Year ended December 31,		
	1994	1995	1996
<S>	<C>	<C>	<C>
REVENUES			
Systems	\$5,037,000	\$21,999,300	\$45,745,200
Services	116,100	1,203,300	3,521,200
Other	536,900	--	--
	5,690,000	23,202,600	49,266,400
COSTS OF REVENUES			
Systems	3,405,600	14,916,900	27,132,700
Services	176,500	1,641,000	4,030,300
Other	303,700	--	--
	3,885,800	16,557,900	31,163,000
Gross profit	1,804,200	6,644,700	18,103,400
OPERATING EXPENSES			
Research and development	884,700	2,367,300	5,394,000
Selling and marketing	443,700	1,608,600	4,253,800
General and administrative	273,000	858,400	2,064,100
	1,601,400	4,834,300	11,711,900
Income from operations	202,800	1,810,400	6,391,500
Interest income, net	7,000	113,400	353,600
Income before income taxes	209,800	1,923,800	6,745,100
Provision for income taxes	55,000	713,000	2,482,900
Net income	\$ 154,800	\$ 1,210,800	\$ 4,262,200
Net income per share	\$.02	\$.10	\$.36
Weighted average common shares and equivalent common shares outstanding	9,399,480	11,575,320	11,900,483

</TABLE>

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

 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

<TABLE>
 <CAPTION>

Total stockholders' equity <S>	Series A convertible preferred		Common stock		Additional paid-in capital	Retained earnings (accumulated deficit)	Treasury stock	Notes receivable from stockholders
	Number of shares	Amount	Number of shares	Par value				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1993 (17,500)	--	\$ --	3,150,000	\$ 31,500	\$ --	\$ (49,000)	\$ --	\$ --
Sale of common stock 16,500	--	--	6,159,615	61,600	--	(45,100)	--	--
Conversion of notes payable to Series A preferred stock 128,500	5,000	--	--	--	128,500	--	--	--
Sale of Series A preferred stock 238,300	6,808	100	--	--	238,200	--	--	--
Purchase of treasury stock (3,600)	--	--	--	--	--	--	(3,600)	--
Net income 154,800	--	--	--	--	--	154,800	--	--

Balance at December 31, 1994 517,000	11,808	100	9,309,615	93,100	366,700	60,700	(3,600)	--
Sale of common stock 10,100	--	--	316,125	3,200	6,900	--	--	--
Loans to stockholders (795,000)	--	--	--	--	--	--	--	(795,000)
Net income 1,210,800	--	--	--	--	--	1,210,800	--	--

Balance at December 31, 1995 942,900	11,808	100	9,625,740	96,300	373,600	1,271,500	(3,600)	(795,000)
Purchase of treasury stock (1,732,600)	--	--	--	--	--	--	(2,527,600)	795,000
Sale of common stock, net of stock issuance costs 24,069,800	--	--	1,810,000	18,100	24,051,700	--	--	--
Conversion of preferred stock into common stock 4,008,100	(11,808)	(100)	2,260,856	22,600	3,985,600	--	--	--
Sale of common stock pursuant to exercise of stock options 9,000	--	--	9,223	100	8,900	--	--	--
Compensation expense associated with stock options 126,100	--	--	--	--	126,100	--	--	--
Issuance of common stock pursuant to purchased research and development 144,200	--	--	9,615	100	144,100	--	--	--
Retirement of treasury stock --	--	--	(856,200)	(8,600)	(2,522,600)	--	2,531,200	--
Net income 4,262,200	--	--	--	--	--	4,262,200	--	--

Balance at December 31, 1996 \$31,829,700	--	--	12,859,234	\$ 128,600	\$26,167,400	\$5,533,700	\$ --	\$ --

=====
 </TABLE>

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

CONSOLIDATED STATEMENT OF CASH FLOWS/INCREASE
(DECREASE) IN CASH AND CASH EQUIVALANTS

<TABLE>
<CAPTION>

	Year ended December 31,		
	1994	1995	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
<S>	<C>	<C>	<C>
Net income	\$ 154,800	\$ 1,210,800	\$ 4,262,200
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	38,900	230,200	1,435,500
Inventory valuation allowance	--	56,200	693,800
Compensation expense associated with stock options	--	--	126,100
Research and development expense associated with common stock issuance	--	--	144,200
Deferred income taxes	(66,000)	(85,000)	(424,100)
Changes in assets and liabilities:			
Accounts receivable	(1,375,200)	(2,035,000)	(4,090,600)
Inventories	(962,200)	(2,280,000)	(9,133,500)
Prepaid expenses and other assets	(31,800)	(14,900)	(468,600)
Accounts payable	1,065,000	2,069,300	4,165,000
Accrued expenses	209,800	1,693,000	(125,800)
Customer deposits	1,382,700	699,500	816,500
Deferred revenue	80,500	614,500	1,425,200
Income taxes payable	121,000	599,000	(720,000)
Net cash provided by (used in) operating activities	617,500	2,757,600	(1,894,100)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of software	--	--	(450,000)
Purchases of property and equipment	(207,300)	(659,400)	(2,792,000)
Net cash used in investing activities	(207,300)	(659,400)	(3,242,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of notes payable	--	(8,000)	--
Proceeds from sale of convertible preferred stock, net	238,300	4,008,100	--
Proceeds from sale of common stock, net	16,500	10,100	24,078,800
Purchase of treasury stock	(3,600)	--	(2,022,600)
(Loans to) repayments from stockholders	--	(795,000)	290,000
Net cash provided by financing activities	251,200	3,215,200	22,346,200
Net increase in cash and cash equivalents	661,400	5,313,400	17,210,100
Cash and cash equivalents, beginning of year	209,300	870,700	6,184,100
Cash and cash equivalents, end of year	\$ 870,700	\$ 6,184,100	\$ 23,394,200
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Interest paid	\$ 3,700	\$ --	\$ --
Income taxes paid	\$ --	\$ 180,000	\$ 3,853,600
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	\$ 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 financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 NATURE OF BUSINESS

The Company develops software-based products to manage, store and distribute digital video. Through December 31, 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 such 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.

Other revenue was recognized pursuant to a software development contract 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 include 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 1996, the Company had an allowance for doubtful accounts of \$40,000 and \$173,000, 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, 1995 and 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 29%, 17%, 13% and 12% in 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, money market funds of major financial institutions and high grade commercial and municipal paper that are subject to minimal credit and market risk. Cash equivalents are classified as available-for-sale and are carried at market value, and any unrealized gains or losses are recorded as a part of stockholders' equity.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 December 31, 1996, other assets includes \$460,400 of software purchased in May 1996, net of amortization. The software is amortized over its estimated economic life of two years and the related amortization expense for the year ended December 31, 1996 totaled \$189,600 and is included in the cost of systems revenues.

STOCK COMPENSATION

Employee stock awards under the Company's compensation 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".

ADVERTISING COSTS

Advertising costs are charged to expense as incurred. Advertising costs were \$34,800, \$173,900 and \$328,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

NET INCOME PER SHARE

Net income per share was determined by dividing net income 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. Pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83, common share equivalents issued at prices below the initial public offering price in the twelve months preceding the initial public offering have been included in the calculation for all periods prior to the initial public offering.

3 CONSOLIDATED BALANCE SHEET DETAIL

Investments consist of the following:

At December 31, 1995 and 1996, the Company's cash equivalents included approximately \$4,700,000 and \$997,000, respectively, of U.S. Government securities. The securities were classified as held-to-maturity and stated at amortized cost, which approximated fair value.

At December 31, 1996, the original maturity of all securities was three months or less, and accordingly, all investments were classified as cash equivalents. There were no investments classified as available-for-sale at December 31, 1995. Available-for-sale securities included in cash and cash equivalents consisted of the following at December 31, 1996.

<TABLE>
<CAPTION>

	Amortized cost	Unrealized gains	Losses	Fair value
<S>	<C>	<C>	<C>	<C>
Money market funds	\$ 296,800	\$ --	\$ --	\$ 296,800
Municipal securities	12,600,000	--	--	12,600,000
Corporate debt securities	9,485,100	--	--	9,485,100
	-----			-----
	\$22,381,900	\$ --	\$ --	\$22,381,900
	=====			=====

</TABLE>

Gains and losses realized upon the sale of securities, the cost of which is based upon the specific identification method, were not significant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Inventories consist of the following:

<TABLE>
<CAPTION>

<S>	<C>	<C>
Components and assemblies	\$2,261,100	\$6,524,300
Finished products	177,400	2,628,400
	-----	-----
	\$2,438,500	\$9,152,700
	=====	=====

Property and equipment consist of the following:

<CAPTION>	Estimated useful life (years)	December 31,	
		1995	1996
Office furniture and equipment	5	\$ 108,300	\$ 432,100
Computer equipment	3	1,156,300	2,607,500
Demonstration equipment	3	--	1,963,400
Service and spare components	5	350,000	1,050,400
Leasehold improvements	1-3	47,700	106,700
		-----	-----
		1,662,300	6,160,100
Less - Accumulated depreciation		229,200	1,455,400
		-----	-----
		\$1,433,100	\$4,704,700
		=====	=====

</TABLE>
 Depreciation expense was \$38,900, \$230,200 and \$1,245,900 for the years ended December 31, 1994, 1995 and 1996, respectively.

Accrued expenses consist of the following:

<TABLE>	December 31,	
<CAPTION>	1995	1996
<S>	<C>	<C>
Accrued software license fees	\$ 444,000	\$ 367,400
Accrued sales and use taxes	1,247,800	608,500
Other accrued expenses	243,700	833,800
	-----	-----
	\$1,935,500	\$1,809,700
	=====	=====

</TABLE>

4 INCOME TAXES

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

<TABLE>	Year ended December 31,		
<CAPTION>	1994	1995	1996
<S>	<C>	<C>	<C>
Current provision:			
Federal	\$116,000	\$652,000	\$2,345,500
State	5,000	146,000	561,500
	-----	-----	-----
	121,000	798,000	2,907,000
	-----	-----	-----
Deferred benefit:			
Federal	(51,000)	(65,000)	(324,000)
State	(15,000)	(20,000)	(100,100)
	-----	-----	-----
	(66,000)	(85,000)	(424,100)
	-----	-----	-----
	\$ 55,000	\$713,000	\$2,482,900
	=====	=====	=====

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

<TABLE>	December 31,	
<CAPTION>	1995	1996
<S>	<C>	<C>
Deferred tax assets:		
Inventory	\$ 55,300	\$366,400
Allowance for doubtful accounts	15,700	65,500

Deferred revenue	92,100	118,000
Software	--	121,600
	-----	-----
Total deferred tax assets	163,100	671,500
Deferred tax liabilities	12,100	96,400
	-----	-----
Net deferred tax assets	\$151,000	\$575,100
	=====	=====

</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	1995	1996
<S>	<C>	<C>	<C>
Statutory U.S. federal tax rate	34.0%	34.0%	34.0%
State taxes, net of federal tax benefit	1.7	4.4	4.5
Utilization of operating loss carryforwards	(.5)	---	---
Research and development tax credits	(10.9)	(2.8)	(2.0)
Foreign sales corporation exempt income	---	---	(.3)
Nondeductible expenses	1.9	1.5	.6
	-----	-----	-----
	26.2%	37.1%	36.8%
	=====	=====	=====

</TABLE>

5 CONVERTIBLE PREFERRED STOCK CONVERSION

SERIES B CONVERTIBLE PREFERRED STOCK

In October and November 1995, the Company sold 650,487 shares of Series B Redeemable Convertible Preferred Stock for \$4,008,100, net of issuance costs of \$85,500.

CONVERSION

Upon closing of the initial public offering, in November 1996, the 650,487 shares of Series B Redeemable Convertible Preferred Stock and 11,808 shares of Series A Convertible Preferred Stock were automatically converted into a total of 2,260,856 shares of common stock.

STOCK AUTHORIZATION

The Board of Directors is authorized to issue from time to time up to an aggregate of 5,000,000 shares of preferred stock, in one or more series. Each such series of preferred stock shall have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges to be determined by the Board of Directors, including dividend rights, voting rights, redemption rights and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights.

6 COMMON STOCK

INITIAL PUBLIC OFFERING

On November 5, 1996, the Company sold 1,810,000 shares of common stock to the public in the Company's initial public offering at a price of \$15.00 per share. Proceeds to the Company, net of offering expenses, amounted to \$24,069,800.

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. On September 6, 1996, the Board of Directors authorized a 3-for-2 stock split of the Company's common stock, which became effective on October 30, 1996. 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 splits for all years presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

RESTRICTION AGREEMENTS

The holders of 6,871,625 common shares have entered into stock restriction and repurchase agreements under which the Company may 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 December 31, 1996, 3,584,280 of such shares are unvested.

TREASURY STOCK

In 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. In December 1996, the Board of Directors voted to retire all shares of treasury stock held at December 31, 1996.

NOTES RECEIVABLE FROM STOCKHOLDERS

The principal amount of the notes receivable from 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 stock and Series A Stock noted above.

RESERVED SHARES

At December 31, 1996, the Company has 2,270,777 shares of common stock reserved for issuance upon the exercise of common stock options and the purchase of stock under the Employee Stock Purchase Plan.

7 STOCK PLANS

1995 STOCK OPTION PLAN

The 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, participating directors receive an option to purchase 3,375 shares of common stock. Options granted under the Director Option Plan vest as to 33-1/3% of the shares underlying the option immediately upon the date of the grant, and 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

EMPLOYEE STOCK PURCHASE PLAN

In September 1996, the Company's Board of Directors adopted and the stockholders approved an employee stock purchase plan (the "Stock Purchase Plan"), effective January 1, 1997, 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 Stock Purchase Plan. The purchase price of the stock 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 1996 are summarized as follows:

<TABLE>

<CAPTION>

	Year ended December 31,		1996	
	1995	1995	1996	1996
	Shares	Weighted average exercise price	Shares	Weighted average exercise price
<S>	<C>	<C>	<C>	<C>
Outstanding at beginning of period			327,120	\$.92
Granted	327,120	\$.92	472,510	\$ 8.79
Exercised	--	--	(9,223)	\$.85
Cancelled	--	--	(51,073)	\$ 2.22

Outstanding at period end	327,120		739,334	
=====				
Options exercisable at period end	--		115,224	
Weighted average fair value of options granted during the period	\$.32		\$ 4.33	

The following table summarizes information about employee and director stock options outstanding at December 31, 1996:

<TABLE>

<CAPTION>

Options outstanding at December 31, 1996			
Range of exercise prices	Weighted average remaining contractual life (years)	Number outstanding	Weighted average exercise price
<S>	<C>	<C>	<C>
\$.50	8.65	129,734	\$.50
1.23 to 1.36	7.29	156,600	\$ 1.28
4.20 to 5.00	9.10	97,425	\$ 4.48
6.67 to 9.33	9.47	280,050	\$ 7.34
10.67 to 15.00	9.76	45,975	\$12.62
33.75	9.98	29,550	\$33.75

		739,334	
=====			

<CAPTION>

Options exercisable at December 31, 1996		
Range of exercise prices	Number exercisable	Weighted average exercise price
<S>	<C>	<C>
\$.50	46,151	\$.50
1.23 to 1.36	30,982	\$ 1.28
4.20 to 5.00	3,030	\$ 4.20
6.67 to 9.33	35,061	\$ 7.33
10.67 to 15.00	--	--
33.75	--	--

		115,224
=====		

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

FAIR VALUE DISCLOSURES

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

<TABLE>

<CAPTION>

	Year ended December 31,	
	1995	1996
<S>	<C>	<C>
Net income		
As reported	\$1,210,800	\$4,262,200
Pro forma	\$1,207,800	\$4,204,600
Net income per share		
As reported	\$.10	\$.36
Pro forma	\$.10	\$.35

</TABLE>

For options granted prior to the Company's initial filing of its Registration Statement on Form S-1, on September 18, 1996, the fair value of each option grant was estimated on the date of grant using the minimum value method. The fair value of each option granted subsequent to the initial filing was estimated on the date of grant assuming a weighted average volatility factor of 0.67. Additional weighted average assumptions used for grants during the years ended December 31, 1995 and 1996 included: 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 6.49% for options granted during the year ended December 31, 1996; and an expected option term of 5 years for both periods.

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.

8 LINES OF CREDIT

In September 1996, the Company entered into a \$6.0 million revolving line of credit and a \$1.5 million equipment line of credit with a bank. The revolving line of credit expires in September 1997 and the equipment line of credit expires in March 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 LIBOR 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 December 31, 1996, the Company had not borrowed against either of these lines.

9 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 \$53,000, \$154,000 and \$251,000 for the years ended December 31, 1994, 1995 and 1996, respectively. Future minimum lease payments as of December 31, 1996 are as follows:

<S>	<C>	<C>
For the year ended December 31, 1997		\$396,700
	1998	136,200
	1999	21,600
	2000	14,200
	2001 and thereafter	10,700

		\$579,400
		=====

</TABLE>

10 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 December 31, 1996, the Company made no contributions.

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SEACHANGE INTERNATIONAL, INC.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of SeaChange International, Inc.

Our audits of the consolidated financial statements referred to in our report dated January 22, 1997 appearing on page F-1 of this Form 10-K also include an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PRICE WATERHOUSE LLP

Boston, Massachusetts
January 22, 1997

S-1

SCHEDULE II

SEACHANGE INTERNATIONAL, INC.

VALUATION OF QUALIFYING ACCOUNTS AND RESERVES

<TABLE>
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS AND WRITE-OFFS	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>
Allowance for Doubtful Accounts:				
Year ended December 31, 1994	\$ -	\$ -	\$ -	\$ -
Year ended December 31, 1995	-	40,000	-	40,000
Year ended December 31, 1996	40,000	133,000	-	173,000
Inventory Valuation Allowance:				
Year ended December 31, 1994	-	-	-	-
Year ended December 31, 1995	-	56,200	-	56,200
Year ended December 31, 1996	56,200	693,800	-	750,000

</TABLE>

S-2

EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NO. PAGE	DESCRIPTION
-----	-----

<S>	<C>
3.1*	Amended and Restated Certification of Incorporation.
3.2*	Amended and Restated By-laws of the Company.
4.1	Specimen certificate representing the Common Stock (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
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 (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
4.3	Form of Stock Restriction Agreement (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
4.4	Form of Stock Restriction Agreement Admendment (incorporated by reference to Exhibit 4.4 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
10.1	Amended and Restated 1995 Stock Option Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 Registration No. 333-12233).
10.2	1996 Non-Employee Director Stock Option Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
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 (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
10.4	Sublease Agreement dated March 19, 1996 between IPL Systems, Inc. and the Company (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
10.5	Indenture of Lease dated October 1, 1995 between Alden T. Greenwood and the Company (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
10.6	Letter Agreement dated as of June 12, 1996 between Joseph S. Tibbetts, Jr. and the Company (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
10.7	License Agreement dated May 30, 1996 between Summit Software Systems, Inc. and the Company (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
10.8	Loan and Security Agreement, dated September 25, 1996, between the Company and BayBank, N.A. (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
10.9	Working Capital Line of Credit-Master Note dated September 25, 1996, between the Company and BayBank, N.A. (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
10.10	Equipment Line of Credit-Master Note dated September 25, 1996, between the Company and BayBank, N.A. (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).
10.11	Sales and Marketing Representative Agreement dated October 11, 1996, between the Company and

Media Power S.n.c. (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1, Registration No. 333-12233).

11.1* Statement re: computation of net income per share.

23.1* Consent of Price Waterhouse LLP.

27.1* Financial Data Schedule (For SEC Edgar Filing Only; Intentionally Omitted).

* Filed herewith.

</TABLE>

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

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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

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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

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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
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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

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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

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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

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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.

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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.

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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 8th day of November, 1996.

/s/ William C. Styslenger, III

William C. Styslenger, III
President

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,

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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

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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

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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.

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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.

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(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;

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(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

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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.

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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

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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

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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,

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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

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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 11.1

SEACHANGE INTERNATIONAL, INC.

COMPUTATION OF NET INCOME PER SHARE (1)

<TABLE>
<CAPTION>

	JULY 9, 1993 (INCEPTION) THROUGH			
	DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, 1994		
	-----	-----	-----	-----
	1993	1994	1995	1996
	-----	-----	-----	-----
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES:				
<S>	<C>	<C>	<C>	<C>
Weighted average common shares outstanding during the period.....	1,615,095	6,986,227	9,125,588	11,342,525
Weighted average common equivalent shares (2).....	1,084,855	2,413,253	2,449,732	557,958
	-----	-----	-----	-----
	2,699,950	9,399,480	11,575,320	11,900,483
	=====	=====	=====	=====
Net income (loss).....	\$ (17,900)	\$ 154,800	\$1,210,800	\$4,262,200
Primary net income (loss) per share.....	\$ (.01)	\$ 0.02	\$ 0.10	\$ 0.36

</TABLE>

- (1) Fully diluted net income (loss) per share has not been separately presented, as the amounts would not be materially different from primary net income (loss) per share.
- (2) Includes common share equivalents issued subsequent to September 1995 which are comprised of common stock options and Series B redeemable convertible preferred stock and have been included in the calculation pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83. Common share equivalents issued at prices below the initial public offering price of \$15.00 in the twelve months preceding the initial public offering have been included in the calculation for all periods presented.

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-17379) of SeaChange International, Inc. of our report dated January 22, 1997 appearing on page F-1 of this Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page S-1 of this Form 10-K.

PRICE WATERHOUSE LLP

Boston, Massachusetts
March 26, 1997

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<F1>ADDITIONAL PAID-IN CAPITAL	26,167
RETAINED EARNINGS	5,534
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