

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

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934
 For the quarterly period ended April 30, 2000

OR

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

Commission File Number: 0-21393

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

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

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

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

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

YES NO

The number of shares outstanding of the registrant's Common Stock on April 30, 2000 was 21,465,343.

SEACHANGE INTERNATIONAL, INC.

Table of Contents

<input type="checkbox"/>	Page
<input type="checkbox"/>	----
PART I. FINANCIAL INFORMATION	
<S>	<C>
Item 1. Consolidated Financial Statements	
Consolidated Balance Sheet at April 30, 2000, January 31, 2000 and December 31, 1999.....	3
Consolidated Statement of Operations Three months ended April 30, 2000 and April 30, 1999 and one month ended April 30, 2000, April 30, 1999, January 31, 2000 and January 31, 1999.....	4
Consolidated Statement of Cash Flows Three months ended April 30, 2000 and April 30, 1999 and one month ended April 30, 2000, April 30, 1999, January 31, 2000 and January 31, 1999.....	5
Notes to Consolidated Financial Statements.....	6-9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	10-16
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	16
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings.....	16

Item 1. Financial Statements

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

<TABLE>
<CAPTION>

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

</TABLE>

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

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

<TABLE>
<CAPTION>

	Three months ended		One month ended		
	April 30,	April 30,	April 30,	April 30,	January 31,
January 31,	2000	1999	2000	1999	2000
Revenues					
Systems	\$16,868	\$17,434	\$ 422	\$ 1,207	\$ 226
Services	5,468	3,855	1,654	1,180	1,484
1,908	22,336	21,289	2,076	2,387	1,710
Costs of revenues					
Systems	9,272	10,073	709	870	633
Services	4,232	3,424	1,516	1,029	1,445
1,719	13,504	13,497	2,225	1,899	2,078
Gross profit (loss)	8,832	7,792	(149)	488	(368)
Operating expenses					
Research and development	4,353	4,249	1,632	1,453	1,764
Selling and marketing	2,490	2,126	1,302	652	1,034
General and administrative	1,503	1,388	536	447	457
2,293	8,346	7,763	3,470	2,552	3,255
Income (loss) from operations	486	29	(3,619)	(2,064)	(3,623)
Interest income, net	25	5	7	3	9
Income (loss) before income taxes	511	34	(3,612)	(2,061)	(3,614)
Provision (benefit) for income taxes	162	33	(1,157)	(659)	(1,156)
Net income (loss)	\$ 349	\$ 1	\$ (2,455)	\$ (1,402)	\$ (2,458)

Basic and diluted earnings (loss) per share \$ (0.07)	\$ 0.02	\$ 0.00	\$ (0.11)	\$ (0.07)	\$ (0.12)
=====	=====	=====	=====	=====	=====
Shares used in calculating:					
Basic earnings per share 20,901	21,390	20,930	21,434	20,957	21,269
=====	=====	=====	=====	=====	=====
Diluted earnings per share 20,901	22,979	21,103	21,434	20,957	21,269
=====	=====	=====	=====	=====	=====

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

4

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

<TABLE> <CAPTION>	For the three months ended		For the one month ended		
-----	April 30,	April 30,	April 30,	April 30,	January 31,
-----	-----	-----	-----	-----	-----
1999	2000	1999	2000	1999	2000
----	----	----	----	----	----
<S> <C>	<C>	<C>	<C>	<C>	<C>
Cash flows from operating activities					
Net income (loss)	\$ 349	\$ 1	\$ (2,455)	\$ (1,402)	\$ (2,458)
\$(1,404)					
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,113	1,006	391	342	355
379					
Deferred income taxes	--	--	(1,157)	(659)	(1,156)
(691)					
Changes in operating assets and liabilities:					
Accounts receivable	314	(983)	4,429	4,479	1,084
5,019					
Inventories	(2,501)	420	(2,360)	(2,692)	(2,961)
(1,630)					
Prepaid expenses and other assets	(498)	125	123	(593)	(46)
(743)					
Accounts payable	137	573	(3,972)	(2,226)	(4,587)
(2,678)					
Accrued expenses	(876)	328	(329)	(375)	(723)
(652)					
Customer deposits	(141)	857	14	1,138	336
188					
Deferred revenue	47	(88)	(703)	(656)	1,912
1,037					
Income taxes payable	(168)	130	(50)	--	(50)
(115)					
-----	-----	-----	-----	-----	-----
Net cash provided by (used in) operating activities	(2,224)	2,369	(6,069)	(2,644)	(8,294)
(1,290)					
-----	-----	-----	-----	-----	-----
Cash flows from investing activities					
Purchases of property and equipment	(2,215)	(334)	(535)	(54)	(275)
(62)					
-----	-----	-----	-----	-----	-----
Net cash used in investing activities	(2,215)	(334)	(535)	(54)	(275)

(62)	-----	-----	-----	-----	-----
Cash flows from financing activities					
Proceeds from borrowings under equipment line of credit	2,000	--	--	--	--
Repayments under line of credit and equipment line of credit	(247)	(123)	(127)	(41)	(72)
Repayments of obligation under capital lease	(66)	(11)	(15)	(5)	(18)
Proceeds from issuance of common stock	1,073	200	386	36	62
Net cash provided by (used in) financing activities	2,760	66	244	(10)	(28)
Net increase (decrease) in cash and cash equivalents	(1,679)	2,101	(6,360)	(2,708)	(8,597)
Cash and cash equivalents, beginning of period	2,721	2,090	7,402	6,899	11,318
Cash and cash equivalents, end of period	\$ 1,042	\$4,191	\$ 1,042	\$ 4,191	\$ 2,721
Supplemental disclosure of noncash activity:					
Transfer of items originally classified as inventories to fixed assets	\$ --	\$ 731	\$ --	\$ 111	\$ --
Transfer of items originally classified as fixed assets to inventories	\$ 180	\$ 109	\$ 77	\$ 53	\$ --

</TABLE>

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

5

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

1. Basis of Presentation

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

2. Revenue Recognition

Revenues from sales of systems are recognized upon shipment provided title and risk of loss has passed to the customer, there is evidence of an arrangement, fees are fixed or determinable and collection of the related receivable is probable. Installation, project management and training revenue is deferred and recognized as these services are performed. Revenue from technical support and maintenance is deferred and recognized ratably over the period of the related agreements, generally twelve months.

Customers are billed for installation, project management, training and maintenance at the time of the product sale. Revenue from content fees, primarily movies, is recognized based on the volume of monthly purchases that are made by hotel guests. Revenue from product development contract services is recognized based on the time and materials incurred to complete the work.

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

3. Earnings Per Share

For the one month ended April 30, 2000, April 30, 1999, January 31, 2000 and January 31, 1999 common shares of 1,578,000, 323,000, 1,674,000 and 157,000, respectively, issuable upon the exercise of stock options, are antidilutive because SeaChange recorded a net loss for the period, and therefore, have been excluded from the diluted earnings per share computation.

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

<TABLE>
<CAPTION>

	Three months ended		One month ended		
	April 30,	April 30,	April 30,	April 30,	January 31,
	2000	1999	2000	1999	2000
Weighted average shares used in calculating earnings per share- Basic.....	21,390,000	20,930,000	21,434,000	20,957,000	21,269,000
Dilutive stock options	1,589,000	173,000	--	--	--
Weighted average shares used in calculating earnings per share- Diluted	22,979,000	21,103,000	21,434,000	20,957,000	21,269,000

</TABLE>

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

<TABLE>
<CAPTION>
4. Inventories

Inventories consist of the following:

	April 30,	January 31,	December 31,
	2000	2000	1999
	<C>	<C>	<C>

Components and assemblies	\$ 19,679	\$ 17,602	\$ 14,739
Finished products	3,091	2,487	2,389
	-----	-----	-----
	\$ 22,770	\$ 20,089	\$ 17,128
	=====	=====	=====

</TABLE>

5. Comprehensive Income (Loss)

SeaChange's comprehensive income (loss) was as follows:

	Three months ended		One month ended		
	April 30,	April 30,	April 30,	April 30,	January
	2000	1999	2000	1999	2000
31, January 31,					
1999					
Net income (loss)	\$ 349	\$ 1	\$ (2,455)	\$ (1,402)	
\$(2,458) \$(1,404)					
Other comprehensive income (expense), net of tax:					
Foreign currency translation adjustment, net of tax of \$(14), \$(42), \$(1), \$(4), \$2 and \$8,	(31)	20	(2)	(10)	4
17 respectively					
Other comprehensive income (expense)	(31)	20	(2)	(10)	4
17					
Comprehensive income (loss)	\$ 318	\$ 21	\$ (2,457)	\$ (1,412)	
\$(2,454) \$(1,387)					
	=====	=====	=====	=====	=====

</TABLE>

6. New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, collectively referred to as derivatives, and for hedging activities. SeaChange will adopt SFAS 133 as required by SFAS 137, "Deferral of the Effective Date of FASB Statement No. 133," in fiscal year 2002. To date SeaChange has not utilized derivative instruments or hedging activities and, therefore, the adoption of SFAS 133 is not expected to have a material impact on SeaChange's financial position or results of operations.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes the SEC's view in applying generally accepted accounting principles to selected revenue recognition issues. The application of the guidance in SAB 101 is required in SeaChange's second quarter of its current fiscal year. The effects of applying this guidance, if any, will be

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

reported as a cumulative effect adjustment resulting from a change in accounting principle. SeaChange's evaluation of SAB 101 is not yet complete.

7. Segment Information

SeaChange has three reportable segments: broadband systems, broadcast systems and services. The broadband systems segment provides products to digitally manage, store and distribute digital video for television operators

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

<TABLE>
<CAPTION>

	Three months ended		One month ended			
	April 30, 2000	April 30, 1999	April 30, 2000	April 30, 1999	January 31, 2000	January
31, 1999						
	<C>	<C>	<C>	<C>	<C>	<C>
	Revenues					
467	Broadband	\$13,591	\$14,337	\$ 414	\$1,011	\$ 190
230	Broadcast	3,277	3,097	8	196	36
1,211	Services	5,468	3,855	1,654	1,180	1,484
	Total	\$22,336	\$21,289	\$2,076	\$2,387	\$1,710
\$1,908						
	Costs of revenues					
463	Broadband	\$ 7,422	\$ 8,295	\$ 709	\$ 719	\$ 503
207	Broadcast	1,850	1,778	--	151	130
1,049	Services	4,232	3,424	1,516	1,029	1,445
	Total	\$13,504	\$13,497	\$2,225	\$1,899	\$2,078
\$1,719						

The following summarizes revenues by geographic locations:

	Revenues					
\$1,185	United States	\$18,811	\$18,272	\$1,851	\$1,960	\$1,398
626	Canada and					44
	South America	1,562	275	75	45	
19	Europe	1,735	1,843	108	239	234
78	Asian Pacific and rest of world	228	899	42	143	34
		\$22,336	\$21,289	\$2,076	\$2,387	\$1,710
\$1,908						

</TABLE>

For the three months ended April 30, 2000 and 1999 and the one month period ended April 30, 2000, April 30, 1999, January 31, 2000 and January 31, 1999, certain customers accounted for more than 10% of SeaChange's revenue. Individual customers accounted for 15% and 13% of revenues in the three months ended April 30, 2000, 18%, 17% and 14% of revenues in the three months ended April 30, 1999, 13%, 12% and 10% in the one month ended April 30, 2000, 24%, 14% and 10% in the one month ended April 30, 1999, 16% and 11% in the one month ended January 31, 2000 and 17%, 12% and 10% in the one month ended January 31, 1999.

SEACHANGE INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited; in thousands, except share and per share data)

8. Legal Proceedings

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

On June 13, 2000, SeaChange filed in the United States District Court for the District of Delaware a lawsuit against one of its competitors, nCube Corp., whereby SeaChange alleged that nCube's MediaCube-4 product infringed a patent held by SeaChange (Patent No. 5,862,312). In instituting the claim, SeaChange sought both a permanent injunction and damages in an unspecified amount. nCube made a counterclaim against SeaChange that the patent held by SeaChange was invalid and that nCube's MediaCube-4 product did not infringe SeaChange's patent.

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

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

9. Fiscal Year Change

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

10. Microsoft Investment

On May 8, 2000, SeaChange and Microsoft Licensing, Inc. entered into a licensing and development agreement whereby Microsoft agreed to license to SeaChange certain technology to be used by SeaChange in connection with the development by SeaChange of plug-ins for the streaming media server software update currently being developed by Microsoft to its Windows NT/Windows 2000 operating system. Under the terms of the agreement, SeaChange is also entitled to use the Microsoft technology to enhance SeaChange's software to use the updated streaming media server software being developed by Microsoft. The parties intend that SeaChange will be able to promote and ship the enhanced SeaChange software as its primary streaming media system for all Microsoft Windows 2000-based SeaChange systems.

In addition to the ability to use the technology owned by Microsoft and licensed to SeaChange pursuant to the licensing and development agreement Microsoft agreed pursuant to the terms of an investment term sheet, dated as of May 8, 2000, by and between SeaChange and Microsoft Corporation to purchase 277,162 shares of SeaChange's common stock for \$10 million and to purchase approximately \$10 million of additional shares of SeaChange's common stock upon the satisfaction of certain commercial milestones. The initial share purchase for \$10 million was completed by SeaChange and

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

Factors That May Affect Future Results

Any statements contained in this Form 10-Q that do not describe historical facts, including without limitation statements concerning expected revenues, earnings, product introductions and general market conditions, may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any such forward-looking statements contained herein are based on current expectations, but are subject to a number of risks and uncertainties that may cause actual results to differ materially from expectations. The factors that could cause actual future results to differ materially from current expectations include the following: SeaChange's ability to integrate the operations of acquired subsidiaries; fluctuations in demand for SeaChange's products and services; SeaChange's ability to manage its growth; SeaChange's ability to develop, market and introduce new and enhanced products and services on a timely basis; the rapid technological change which characterizes SeaChange's markets; SeaChange's significant concentration of customers; SeaChange's dependence on certain sole source suppliers and third-party manufacturers; the risks associated with international sales as SeaChange expands its markets; and the ability of SeaChange to compete successfully in the future. Further information on factors that could cause actual results to differ from those anticipated is detailed in various filings made by SeaChange from time to time with the Securities and Exchange Commission, including but not limited to, those appearing under the caption "Certain Risks Affecting Our Business" in SeaChange's Annual Report on Form 10-K for the year ended December 31, 1999. Any forward-looking statements should be considered in light of those factors.

Overview

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

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

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

fluctuations.

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

10

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

Three Months Ended April 30, 2000 Compared to the Three Months Ended April 30, 1999

Revenues

Systems. SeaChange's systems revenues consist of sales within its broadband segment (primarily digital advertising insertion and interactive television systems) and its broadcast segment. Systems revenues decreased 3% from \$17.4 million in the three months ended April 30, 1999 to \$16.9 million in the three months ended April 30, 2000. Revenues from the broadband segment, which accounted for 61% and 67% of total revenues in the three months ended April 30, 2000 and 1999, respectively, decreased from \$14.3 million in 1999 to \$13.6 million in 2000. This decrease in broadband revenues is primarily attributable to a shift in the timing of orders by U.S. cable operators between quarters this year versus the previous year. SeaChange expects future growth, if any, in the broadband business to come primarily from its interactive television systems. Broadcast system segment revenues were \$3.2 million in the three months ended April 30, 2000 compared to \$3.1 million in the three months ended April 30, 1999.

Services. SeaChange's services revenues consist of fees for installation, training, project management, technical support and maintenance contract services, product development services and movie content fees. SeaChange's services revenues increased 42% to \$5.5 million in the three months ended April 30, 2000 from \$3.9 million in the three months ended April 30, 1999. This increase in services revenues primarily resulted from the renewals of technical support and maintenance contracts, price increases on certain technical support and maintenance contracts, the impact of a growing installed base of systems and a higher level of product development services.

For the three-month periods ended April 30, 2000 and April 30, 1999, a limited number of our customers each accounted for more than 10% of SeaChange's total revenues. Single customers accounted for 15% and 13% of total revenues in three months ended April 30, 2000 and 18%, 17% and 14% of total revenues in the three months ended April 30, 1999. Revenue from these customers was primarily in the broadband segment. SeaChange believes that revenues from current and future large customers will continue to represent a significant proportion of total revenues.

International sales accounted for approximately 16% and 14% of total revenues in the three-month periods ended April 30, 2000 and April 30, 1999, respectively. SeaChange expects that international sales will remain a significant portion of SeaChange's business in the future. As of April 30, 2000, substantially all sales of SeaChange's products were made in United States dollars. SeaChange does not expect to change this practice in the foreseeable future. Therefore, SeaChange has not experienced, nor does it expect to experience in the near term, any material impact from fluctuations in foreign currency exchange rates on its results of operations or liquidity. If this practice changes in the future, SeaChange will reevaluate its foreign currency exchange rate risk.

Gross Profit

Systems. Costs of systems revenues consist primarily of the cost of purchased components and subassemblies, labor and overhead relating to the final assembly and testing of complete systems and related expenses. Costs of systems revenues decreased 8% from \$10.1 million in the three months ended April 30, 1999 to \$9.3 million in the three months ended April 30, 2000. In the three months ended April 30, 2000, the decrease in costs of systems revenues reflects lower systems revenue and improved manufacturing efficiencies and lower material costs through improved purchasing efficiencies primarily within the digital advertising insertion products.

SeaChange expects cost of systems revenues for the interactive television products within the broadband segment to be higher as a percentage of revenues as the products are first deployed and to decrease as a percentage of revenues as the revenue level increases and SeaChange improves its manufacturing and material purchasing efficiencies.

Systems gross profit as a percentage of systems revenues was 45% and 42% in the three months ended April 30, 2000 and April 30, 1999, respectively. The increase in systems gross profit in the three month ended April 30, 2000 was primarily due to lower material and other manufacturing costs as a percentage of systems revenue within the broadband segment and specifically for system revenues for the digital advertising insertion products. Gross profit for the broadband segment improved from 42% for the three months ended April 30, 1999 to 45% for the three months ended April 30, 2000 while gross profit for the broadcast segment increased to 44% for the three months ended April 30, 2000 compared to 43% for the three months ended April 30, 1999.

11

Services. Costs of services revenues consist primarily of labor, materials and overhead relating to the installation, training, project management, product development, and technical support and maintenance contract services provided by SeaChange and costs associated with providing movie content. Costs of services revenues increased 24% from \$3.4 million in the three months ended April 30, 1999 to \$4.2 million in the three months ended April 30, 2000, primarily as a result of increased revenues and the costs associated with SeaChange hiring and training additional service personnel to provide worldwide support for the growing installed base of broadband and broadcast systems and costs associated with providing movie content. Services gross profit as a percentage of services revenue was 23% in the three months ended April 30, 2000 and 11% in the three months ended April 30, 1999. Improvements in the services gross profit in the three months ended April 30, 2000 reflect the increase in the installed base of systems under technical support and maintenance service contracts, price increases on certain annual technical support and maintenance contracts and higher product development revenues. SeaChange expects that it will continue to experience fluctuations in gross profit as a percentage of services revenue as a result of the timing of revenues from technical support and other services to support the growing installed base of systems and the timing of costs associated with SeaChange's ongoing investment required to build a service organization to support the installed base of systems and new products.

Research and Development. Research and development expenses consist primarily of compensation of development personnel, depreciation of equipment and an allocation of related facilities expenses. Research and development expenses increased 2% from \$4.2 million in the three months ended April 30, 1999 to \$4.4 million in the three months ended April 30, 2000. The increase in the three months ended April 30, 2000 was primarily attributable to the hiring and contracting of additional development personnel which reflects SeaChange's continuing investment in new products. All internal software development costs to date have been expensed by SeaChange. SeaChange expects that research and development expenses will continue to increase in dollar amount as SeaChange continues its development and support of new and existing products.

Selling and Marketing. Selling and marketing expenses consist primarily of compensation expenses, including sales commissions, travel expenses and certain promotional expenses. Selling and marketing expenses increased 17% to \$2.5 million in the three months ended April 30, 2000 from \$2.1 million in the three months ended April 30, 1999. The increase was primarily due to the hiring of additional sales personnel for SeaChange's interactive television and broadcast products and higher tradeshow related costs.

General and Administrative. General and administrative expenses consist primarily of compensation of executive, finance, human resource and administrative personnel, legal and accounting services and an allocation of related facilities expenses. General and administrative expenses increased 8% from \$1.4 million in the three-month period ended April 30, 1999 to \$1.5 million in the three-month period ended April 30, 2000. This increase is primarily due to increased legal expenses associated with various litigation matters.

Interest Income, net. Interest income, net was approximately \$25,000 and \$5,000 in the three months ended April 30, 2000 and April 30, 1999, respectively. The increase in interest income, net in the three months ended April 30, 2000 primarily resulted from interest income earned on a higher average cash and cash equivalent balance during the period.

Provision for Income Taxes. SeaChange's effective tax rate was 32% in the three months ended April 30, 2000. The effective tax rate for the three months ended April 30, 2000 was favorably impacted by the utilization of research and development tax credits.

SeaChange had net deferred tax assets of \$3.4 million at April 30, 2000 and January 31, 2000 and \$2.2 million at December 31, 1999. SeaChange has made the determination it is more likely than not that it will realize the benefits of the net deferred tax assets.

One Month Ended April 30, 2000 Compared to the One Month Ended April 30, 1999

Revenues

Systems. Systems revenues decreased 65% from \$1.2 million in the one month ended April 30, 1999 to \$422,000 in the one month ended April 30, 2000. This decreased systems revenues resulted primarily from the timing of receipt of customer orders and related shipments within both the broadband and broadcast segments.

Services. SeaChange's services revenues increased 40% from approximately \$1.2 million in the one month ended April 30, 1999 to \$1.7 million in the one month ended April 30, 2000. This increase in services revenues resulted primarily from renewals of technical support and maintenance contracts, price increases on certain maintenance fees, higher product development revenues and the impact of a growing installed base of systems.

12

For the one month period ended April 30, 2000 and April 30, 1999, a limited number of customers each accounted for more than 10% of SeaChange's total revenues. Single customers accounted for 13%, 12% and 10% of total revenues in one month ended April 30, 2000 and 24%, 14% and 10% of total revenues in the one month ended April 30, 1999. Revenue from these customers was primarily in the broadband segment. SeaChange believes that revenues from current and future large customers will continue to represent a significant proportion of total revenues.

International sales accounted for approximately 11% and 18% of total revenues for the one month ended April 30, 2000 and April 30, 1999, respectively. SeaChange expects that international sales will remain a significant portion of revenues of SeaChange in the future. As of April 30, 2000, substantially all sales of SeaChange's products were made in United States dollars. SeaChange does not expect any material change to this practice in the foreseeable future. Therefore, SeaChange has not experienced, nor does it expect to experience in the near term, any material impact from fluctuations in foreign currency exchange rates on its results of operations or liquidity. If this practice changes in the future, SeaChange will reevaluate its foreign currency exchange rate risk.

Gross Profit

Systems. Costs of systems revenues decreased 19% from \$870,000 in the one month ended April 30, 1999 to \$709,000 in the one month ended April 30, 2000. For the one month ended April 30, 2000, the decrease in cost of systems revenues primarily reflects lower systems revenue offset in part by fixed manufacturing labor and overhead costs.

Systems gross profit as a percentage of systems revenues was a negative 68% in the one month ended April 30, 2000. In the one month ended April 30, 1999, gross profit as a percentage of systems revenues was 28%. The decrease in systems gross profit in 2000 was primarily due to lower systems revenue and higher material and fixed manufacturing costs as a percentage of systems revenues.

Services. Costs of services revenues increased 47% from approximately \$1.0 million in the one month ended April 30, 1999 to \$1.5 million in the one month ended April 30, 2000, primarily as a result of the costs associated with SeaChange hiring and training additional service personnel to provide worldwide support for the growing installed base of broadband and broadcast systems and costs associated with providing movie content. Services gross profit as a percentage of services revenue decreased to 8% in the one month ended April 30, 2000 compared to a gross profit margin of 13% in the one month ended April 30, 1999. SeaChange expects that it will continue to experience fluctuations in gross profit as a percentage of services revenue as a result of the timing of revenues from technical support and maintenance and other services to support the growing installed base of systems and the timing of costs associated with SeaChange's ongoing investment required to build a service organization to support the installed base of systems and new products.

Research and Development. Research and development expenses increased 12% from approximately \$1.5 million in the one month ended April 30, 1999 to \$1.6 million in the one month ended April 30, 2000. The increase in the dollar amount was primarily attributable to the hiring and contracting of additional development personnel which reflects SeaChange's continuing investment in new products. SeaChange expects that research and development expenses will continue to increase in dollar amount as SeaChange continues

its development and support of new and existing products.

Selling and Marketing. Selling and marketing expenses increased 100% from \$652,000 in the one month ended April 30, 1999 to \$1.3 million in the one month ended April 30, 2000. This increase is primarily due to the hiring of additional sales personnel for SeaChange's broadcast and interactive television products and higher tradeshow expenses.

General and Administrative. General and administrative expenses increased 20% from \$447,000 in the one month ended April 30, 1999 to \$536,000 in the one month ended April 30, 2000.

Interest Income, net. Interest income, net, was approximately \$7,000 and \$3,000 in the one month ended April 30, 2000 and April 30, 1999, respectively.

13

One Month Ended January 31, 2000 Compared to the One Month Ended January 31, 1999

Revenues

Systems. Systems revenues decreased 68% from \$697,000 in the one month ended January 31, 1999 to \$226,000 in the one month ended January 31, 2000. This decreased systems revenues resulted primarily from the timing of receipt of customer orders and related shipment within both the broadband and broadcast segments.

Services. SeaChange's services revenues increased 23% from approximately \$1.2 million in the one month ended January 31, 1999 to \$1.5 million in the one month ended January 31, 2000. This increase in services revenues resulted primarily from renewals of technical support and maintenance contracts, higher product development revenues and the impact of a growing installed base of systems.

For the one month period ended January 31, 2000 and January 31, 1999, a limited number of our customers each accounted for more than 10% of SeaChange's total revenues. Single customers accounted for 16% and 11% of total revenues in one month ended January 31, 2000 and 17%, 12% and 10% of total revenues in the one month ended January 31, 1999. Revenues from these customers were primarily in the broadband segment. SeaChange believes that revenues from current and future large customers will continue to represent a significant proportion of total revenues.

International sales accounted for approximately 18% and 38% of total revenues for the one month ended January 31, 2000 and January 31, 1999, respectively. SeaChange expects that international sales will remain a significant portion of revenues of SeaChange in the future. As of January 31, 2000, substantially all sales of SeaChange's products were made in United States dollars. SeaChange does not expect any material change to this practice in the foreseeable future. Therefore, SeaChange has not experienced, nor does it expect to experience in the near term, any material impact from fluctuations in foreign currency exchange rates on its results of operations or liquidity. If this practice changes in the future, SeaChange will reevaluate its foreign currency exchange rate risk.

Gross Profit

Systems. Costs of systems revenues decreased 6% from \$670,000 in the one month ended January 31, 1999 to \$633,000 in the one month ended January 31, 2000. For the one month ended January 31, 2000, the decrease in cost of systems revenues primarily reflects lower systems revenue offset in part by fixed manufacturing labor and overhead costs.

Systems gross profit as a percentage of systems revenues was a negative 180% in the one month ended January 31, 2000. In the one month ended January 31, 1999, gross profit as a percentage of systems revenues was 4%. The decrease in systems gross profit in 2000 was primarily due to lower systems revenue and higher material and fixed manufacturing costs as a percentage of systems revenues.

Services. Costs of services revenues increased 38% from approximately \$1.0 million in the one month ended January 31, 1999 to \$1.4 million in the one month ended January 31, 2000, primarily as a result of the costs associated with SeaChange hiring and training additional service personnel to provide worldwide support for the growing installed base of broadband and broadcast systems and costs associated with providing movie content. Services gross profit as a percentage of services revenue decreased to 3% in the one month ended January 31, 2000 compared to a gross profit margin of 13% in the one month ended January 31, 1999. SeaChange expects that it will continue to experience fluctuations in gross profit as a percentage of services revenue as a result of the timing of revenues from technical support and maintenance and other services to support the growing installed base of systems and the timing of costs associated with SeaChange's ongoing investment required to

build a service organization to support the installed base of systems and new products.

Research and Development. Research and development expenses increased 33% from approximately \$1.3 million, in the one month ended January 31, 1999 to \$1.8 million in the one month ended January 31, 2000. The increase in the dollar amount was primarily attributable to the hiring and contracting of additional development personnel which reflects SeaChange's continuing investment in new products. SeaChange expects that research and development expenses will continue to increase in dollar amount as SeaChange continues its development and support of new and existing products.

Selling and Marketing. Selling and marketing expenses increased 98% from \$522,000 in the one month ended January 31, 1999 to \$1.0 million in the one month ended January 31, 2000. This increase is primarily due to the hiring of additional sales personnel for SeaChange's broadcast and interactive television products and higher tradeshow expenses.

General and Administrative. General and administrative expenses increased 2% from \$447,000 in the one month ended January 31, 1999 to \$457,000 in the one month ended January 31, 2000.

14

Interest Income, net. Interest income, net, was approximately \$9,000 in the one month ended January 31, 2000 and January 31, 1999, respectively.

Benefit for Income Taxes. SeaChange's effective tax benefit rate was 32% and 33% in the one month ended January 31, 2000 and January 31, 1999, respectively.

Liquidity and Capital Resources

SeaChange has financed its operations and capital expenditures primarily with the proceeds of SeaChange's common stock, borrowings and cash flows generated from operations. Cash and cash equivalents decreased \$1.7 million from \$2.7 million at January 31, 2000 to \$1.0 million at April 30, 2000. Working capital increased from approximately \$21.0 million at January 31, 2000 to approximately \$22.5 million at April 30, 2000.

Net cash used in operating activities was approximately \$2.2 million for the three months ended April 30, 2000. Net cash provided by operating activities was approximately \$2.4 million in the three months ended April 30, 1999. The net cash used in operating activities in the three months ended April 30, 2000 was the result of the net income adjusted for non-cash expenses including depreciation and amortization of \$1.1 million and the changes in certain operating assets and liabilities. The significant net changes in assets and liabilities that used cash in operations included an increase in inventories of \$2.5 million, an increase in prepaids, other current assets and other assets of approximately \$500,000 and a decrease in accrued liabilities of approximately \$900,000. Inventory levels increased during the period principally as a result of procurement of long lead components for the interactive television and broadcast products. SeaChange expects these inventory levels to decrease as revenues from both these products increase. SeaChange expects that the broadcast segment and the interactive television products within the broadband segment will continue to require a significant amount of cash to fund future product development, to manufacture and deploy customer test and demonstration equipment and to meet higher revenue levels in both product segments.

Net cash used in investing activities was approximately \$2.2 million and \$334,000 for the three months ended April 30, 2000 and April 30, 1999, respectively. Investment activity consisted primarily of capital expenditures related to construction to expand the current manufacturing facility and the acquisition of computer equipment, office furniture, and other capital equipment required to support the expansion and growth of the business.

Net cash provided by financing activities was approximately \$2.8 million and approximately \$66,000 for the three months ended April 30, 2000 and April 30, 1999, respectively. In the three months ended April 30, 2000, the cash provided by financing included \$2.0 million in borrowings under the equipment line of credit and \$1.1 million in connection with the issuance of common stock. During the same period, cash used in financing activities included approximately \$300,000 in principal payments under SeaChange's equipment line of credit and capital lease obligations. Microsoft entered into an agreement with SeaChange to collaborate on extending Microsoft Windows Media Technologies from Broadband Internet delivery to cable and broadcast television systems. Concurrent with this agreement, Microsoft purchased 277,162 shares of SeaChange's common stock for \$10 million. Microsoft has agreed to purchase additional shares of SeaChange's common stock based upon the achievement of mutually agreed upon development milestones including the development of software that meets specific streaming performance levels and the commercial release of an enhanced version of the software that will be

used with Microsoft's Next Generation Media Server.

During the one month periods ended April 30, 2000, April 30, 1999, January 31, 2000 and January 31, 1999, SeaChange used cash in operations of \$6.1 million, \$2.6 million, \$8.3 million, and \$1.3 million, respectively. It is typical for SeaChange to experience fluctuations in its monthly operating results primarily due to the timing of receiving customer orders and the related shipment of these customer orders. As a result of these monthly fluctuations, SeaChange may experience an increase in its inventories as a result of procurement of both short and long lead components for anticipated orders for both its product segments, a decrease in its accounts payable balance primarily due to the timing of payments for materials purchased for prior month shipments, a decrease in accounts receivable amounts as a result of customer payments without corresponding customer shipments and a resulting decrease in cash and cash equivalents.

SeaChange had a \$6.0 million revolving line of credit and a \$5.0 million equipment line of credit with a bank. The revolving line of credit expired in March 2000 and the ability of SeaChange to make purchases applied to the equipment line of credit expired in March 2000. As of April 30, 2000 SeaChange was in process of renewing both lines of credit. Borrowings under these lines of credit are secured by substantially all of SeaChange's assets. Loans made under the revolving line of credit would generally bear interest at a rate per annum equal to the bank's base rate plus 0.5%. Loans made under the equipment line of credit bear

15

interest at a rate per annum equal to the bank's base rate plus 1.0% (9.5% at April 30, 2000). The loan agreement relating to these lines of credit requires that SeaChange provide the bank with certain periodic financial reports and comply with certain financial ratios including the maintenance of total liabilities, excluding deferred revenue, to net worth of at least .80 to 1.0. At April 30, 2000, SeaChange was in compliance with all covenants. As of April 30, 2000, there were no borrowings against the revolving line of credit and borrowings outstanding under the equipment line of credit were \$3.3 million.

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

SeaChange had no material capital expenditure commitments as of April 30, 2000.

Effects of Inflation

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

Recent Accounting Pronouncements.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including derivative instruments embedded in other contracts, collectively referred to as derivatives, and for hedging activities. SeaChange will adopt SFAS 133 as required by SFAS 137, "Deferral of the Effective Date of FASB Statement No. 133," in fiscal year 2002. To date SeaChange has not utilized derivative instruments or hedging activities and, therefore, the adoption of SFAS 133 is not expected to have a material impact on SeaChange's financial position or results of operations.

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

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

SeaChange faces exposure to financial market risks, including adverse movements in foreign currency exchange rates and changes in interest rates. These exposures may change over time as business practices evolve and could have a material adverse impact on SeaChange's financial results. SeaChange's primary exposure has been related to local currency revenue and operating expenses in Europe and Asia. Historically, SeaChange has not hedged specific currency exposures as gains and losses on foreign currency transactions have not been material to date. At April 30, 2000, SeaChange had approximately \$3,300,000 outstanding related to variable rate U.S. dollar denominated debt. The carrying value of these short-term borrowings approximates fair value due to the short maturities of these instruments. Assuming a hypothetical 10% adverse change in

the interest rate, interest expense on these short-term borrowings would increase by approximately \$31,000.

The carrying amounts reflected in the consolidated balance sheet of cash and cash equivalents, trade receivables, and trade payables approximates fair value at April 30, 2000 due to the short maturities of these instruments.

SeaChange maintains investment portfolio holdings of various issuers, types, and maturities. SeaChange's cash and marketable securities include cash equivalents, which SeaChange considers investments to be purchased with original maturities of three months or less given the short maturities and investment grade quality of the portfolio holdings at April 30, 2000, a sharp rise in interest rates should not have a material adverse impact on the fair value of SeaChange's investment portfolio. As a result, SeaChange does not currently hedge these interest rate exposures.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

On March 17, 2000, Beam Laser Systems, Inc. and Frank L. Beam instituted a claim (Civil Action No. 2:00-CV-195) in the federal courts in the Eastern District of Virginia against one of SeaChange's customers, Cox Communications, Inc. Beam Laser has asserted that the ad insertion technology, which includes SeaChange's spot ad insertion system, used by Cox

16

Communications, CableRep and CoxCom infringes two of the patents held by Beam Laser (Patents No. 4,814,883 and 5,200,825). Beam Laser is seeking both an injunction and monetary damages from the defendants in that case. The defendants have made a counterclaim against Beam Laser seeking a declaration of non-infringement, invalidity and unenforceability of the two patents held by Beam Laser that are at question. On May 19, 2000, SeaChange filed a motion seeking to intervene in the action between its customer and Beam Laser, and to transfer the case to the District Court of Massachusetts. In addition, SeaChange has agreed to indemnify its customer for claims brought against the customer that are related to the customer's use of SeaChange's products.

On June 13, 2000, SeaChange filed in the United States District Court for the District of Delaware a lawsuit against one of its competitors, nCube Corp., whereby SeaChange alleged that nCube's MediaCube-4 product infringed a patent held by SeaChange (Patent No. 5,862,312). In instituting the claim, SeaChange sought both a permanent injunction and damages in an unspecified amount. nCube made a counterclaim against SeaChange that the patent held by SeaChange was invalid and that nCube's MediaCube-4 product did not infringe SeaChange's patent.

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

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

17

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: February 28, 2001

SEACHANGE INTERNATIONAL, INC.

by: /s/ William L. Fiedler

William L. Fiedler
Vice President, Finance and Administration,

Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer;
Authorized Officer)