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

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 1997

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 registration as specified in its charter)

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

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

Registrant's telephone number, including area code: (508) 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 X NO

The number of shares outstanding of the registrant's Common Stock on November 6, 1997 was 12,960,614.

SEACHANGE INTERNATIONAL, INC.

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SEACHANGE INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEET
(in thousands, except share-related data)

<TABLE>
<CAPTION>

<S>	December 31, 1996 <C>	September 30, 1997 (unaudited) <C>
Assets		
Current assets:		
Cash and cash equivalents	$ 23,394	$ 13,403
Accounts receivable, net of allowance for doubtful accounts of $173 at December 31, 1996 and $285 at September 30, 1997	7,426	14,457
Inventories	9,153	14,024
Other current assets	825	1,715
Total current assets	40,798	43,599
Property and equipment, net	4,705	5,342
Other assets	532	82
	$ 46,035	$ 49,023
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 7,305	$ 7,365
Accrued expenses	1,809	1,859
Customer deposits	2,899	299
Deferred revenue	2,192	2,968
Total current liabilities	14,205	12,491
Stockholders' Equity:		
Common stock, $.01 par value; 50,000,000 shares authorized; 12,859,234 shares and 12,939,034 shares issued at December 31, 1996 and September 30, 1997, respectively	129	129
Additional paid-in capital	26,167	26,629
Retained earnings	5,534	9,774
Total stockholders' equity	31,830	36,532
	$ 46,035	$ 49,023

</TABLE>

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

SEACHANGE INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF INCOME
(in thousands, except share-related data)

<TABLE>
<CAPTION>

	Three months ended September 30,		Nine months ended September 30,	
	1996	1997	1996	1997
<S>	(unaudited) <C>	(unaudited) <C>	(unaudited) <C>	(unaudited) <C>
Revenues:				
Systems	$ 11,738	$ 13,188	$ 34,644	$ 50,168
Services	1,188	2,063	2,636	4,987
	12,926	15,251	37,280	55,155
Cost of revenues:				
Systems	6,665	7,889	21,095	28,425

Services	1,055	1,953	2,871	4,961
	7,720	9,842	23,966	33,386
Gross profit	5,206	5,409	13,314	21,769
Operating expenses:				
Research and development	1,256	3,159	3,242	8,325
Selling and marketing	1,125	1,431	3,035	4,541
General and administrative	648	792	1,510	2,588
	3,029	5,382	7,787	15,454
Income from operations	2,177	27	5,527	6,315
Interest income, net	37	136	137	523
Income before income taxes	2,214	163	5,664	6,838
Provision for income taxes	788	61	2,116	2,598
Net income	$ 1,426	$ 102	$ 3,548	$ 4,240
Net income per share	$ 0.12	$ 0.01	$ 0.31	$ 0.32
Weighted average common shares and equivalent common shares outstanding	11,590,450	13,344,863	11,587,933	13,388,634

</TABLE>

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

SEACHANGE INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH FLOWS
(in thousands)

<TABLE>
<CAPTION>

	Nine months ended September 30,	
	1996	1997
	(unaudited)	(unaudited)
<S>	<C>	<C>
Cash flows from operating activities		
Net income	$ 3,548	$ 4,240
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,022	1,975
Inventory valuation allowance	794	1,130
Compensation expense associated with stock options	36	45
Deferred income taxes	(446)	(138)
Changes in assets and liabilities:		
Accounts receivable	(2,059)	(7,031)
Inventories	(8,107)	(6,880)
Prepaid expenses and other assets	(91)	(763)
Accounts payable	2,709	60
Accrued expenses	(695)	250
Customer deposits	2,167	(2,600)
Deferred revenue	833	776
Income taxes payable	(503)	--

Net cash used in operating activities	(792)	(8,936)
Cash flows from investing activities		
Purchases of software	(450)	--
Purchases of property and equipment	(1,166)	(1,472)
Net cash used in investing activities	(1,616)	(1,472)
Cash flows from financing activities		
Proceeds from issuance of common stock	5	417
Purchase of treasury stock	(2,022)	--
Repayments of note receivable from stockholders	290	--
Net cash (used in) provided by financing activities	(1,727)	417
Net decrease in cash and cash equivalents	(4,135)	(9,991)
Cash and cash equivalents, beginning of period	6,184	23,394
Cash and cash equivalents, end of period	$ 2,049	$ 13,403
Supplemental disclosure of noncash activity		
Transfer of items originally classified as inventories to fixed assets	$ 2,246	$ 879
Purchase of treasury stock in lieu of cash payment of notes receivable from stockholders	$ 505	$ --

</TABLE>

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

SEACHANGE INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED; IN THOUSANDS, EXCEPT SHARE-RELATED DATA)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of SeaChange International, Inc. and its wholly-owned subsidiaries ("Company"). The Company believes that the unaudited consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments), necessary for a fair presentation of the Company's financial position, results of operations and cash flows at the dates and for the periods indicated. The results of operations for the three-month and nine-month periods ended September 30, 1997 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, 1996, included in the Company's Annual Report on Form 10-K.

2. 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 issued subsequent to September 1995, which are comprised of common stock options and Series B convertible preferred stock, have been included in the calculation for the three-month and nine-month periods ended September 30, 1996 pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings per Share." SFAS 128 establishes new standards for computing and presenting earnings per share and will be effective for the Company's interim and annual periods ending after December 15, 1997. Early adoption of the Statement is not permitted. SFAS 128 requires restatement of all previously reported earnings per share data that are presented. SFAS 128 replaces primary and fully diluted earnings per share with basic and diluted earnings per share. The Company has calculated the basic earnings per share to be $0.01 and $0.33 for the three-month and nine-month periods ended September 30, 1997, respectively. The presentation of basic earnings per share amounts for the comparable periods in 1996, while the Company was privately held, is not meaningful. The Company has calculated the fully diluted earnings per share to be $0.01 and $0.12 for the three-month periods ended September 30, 1997 and 1996, respectively, and $0.32 and $0.31 for the nine-month periods ended September 30, 1997 and 1996, respectively.

3. INVENTORIES

Inventories consist of the following:

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
Components and assemblies	$ 6,525	$ 12,852
Finished products	2,628	1,172
	$ 9,153	$ 14,024

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: fluctuations in demand for the Company's products and services; the Company's ability to manage its growth; the Company's ability to develop, market and introduce new and enhanced products and services on a timely basis; the rapid technological change which characterizes the Company's markets; the Company's significant concentration of customers; the Company's dependence on certain sole source suppliers and third-party manufacturers; the risks associated with international sales as the Company expands its markets; and the ability of the Company to compete successfully in the future. Further information on factors that could cause actual results to differ from those anticipated is detailed in various publicly available documents made by the Company from time to time with the Securities and Exchange Commission, including but not limited to, those appearing under the caption "Certain Risk Factors" in the Company's Annual Report on Form 10-K dated March 28, 1997. Any forward-looking statements should be considered in light of those factors.

RESULTS OF OPERATIONS

REVENUES. The Company's systems revenues consist primarily of sales of its digital video insertion products, including its digital ad insertion products as well as its movie system products, a new version of which was introduced in the quarter ended September 30, 1997. Systems revenues increased by 12% to $13.2 million for the quarter ended September 30, 1997, from $11.7 million in the comparable quarter in 1996. Systems revenues increased by 45% to $50.2 million for the nine-month period ended September 30, 1997, from $34.6 million in the comparable period in 1996. The increase in systems revenues for the quarter ended September 30, 1997 compared to the same period in 1996 resulted primarily from $2.5 million of movie system sales during the quarter. The increase in systems revenues for the nine-month period ended September 30, 1997, resulted primarily from the increase in the number of digital video insertion systems sold to television operators primarily in the United States. The Company does not expect sales of its digital ad insertion products to grow over the next twelve months as compared to the $57.7 million in such revenue for the twelve months ended September 30, 1997, primarily due to anticipated spending by U.S. cable operators and slowness in the development of the international market for such products. The Company anticipates any future growth in systems revenue to come from its movie system products, a new version of which was introduced in the quarter ended September 30, 1997, and its broadcast products which are expected to be introduced in the first half of 1998.

The Company's services revenues consist of fees for installation, training, product maintenance and technical support services. The Company's services revenues increased by 74% to $2.1 million for the quarter ended September 30, 1997, from approximately $1.2 million in the comparable quarter in 1996. The Company's services revenues increased by 89% to $5.0 million for the nine-month period ended September 30, 1997, from $2.6 million in the comparable period in 1996. The increase 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.

For the quarters and nine-month periods ended September 30, 1997 and 1996, certain customers accounted for more than 10% of the Company's total revenues. Individual customers accounted for 20%, 17% and 12% of total revenues in the quarter ended September 30, 1997 and 36% and 12% of total revenues in the quarter ended September 30, 1996. Individual customers accounted for 27%, 17% and 12% of total revenues in the nine-month period ended September 30, 1997 and 30%, 13% and 11% in the nine-month period ended September 30, 1996.

International revenues accounted for approximately 14% and 8% of total revenues in the quarters ended September 30, 1997 and 1996, respectively. International revenues accounted for approximately 11% and 7% of total revenues in the nine-month periods ended September 30, 1997 and 1996, respectively. The Company expects that international sales will continue to increase as a percentage of the Company's business in the future. As of September 30, 1997, all sales of the Company's products and substantially all purchases from the

Company's vendors have been made in United States dollars and the Company expects this practice to continue in the

foreseeable future. Therefore, the Company 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, the Company will reevaluate its foreign currency exchange rate risk.

GROSS PROFIT. Systems gross profit as a percentage of systems revenues was 40.2% and 43.2% for the quarters ended September 30, 1997 and 1996, respectively. Systems gross profit as a percentage of systems revenues was 43.3% and 39.1% for the nine-month periods ended September 30, 1997 and 1996, respectively. The decrease in systems gross profit in the quarter ended September 30, 1997 is primarily attributable to the Company not achieving expected manufacturing efficiencies as a result of less than expected manufacturing volume. The increase in systems gross profit between the nine-month periods ended September 30, 1997 and 1996 resulted from design improvements in the second generation video insertion product and lower costs of certain purchased components and subassemblies.

Services gross profit as a percentage of services revenue was 5.3% for the quarter ended September 30, 1997 compared to 11.2% for the quarter ended September 30, 1996. Services gross profit as a percentage of services revenue was .5% for the nine-month period ended September 30, 1997 compared to a loss of 8.9% for the nine-month period ended September 30, 1996. Fluctuations in the services gross profit resulted from the timing of providing product and maintenance support and other services to the growing installed base of systems and as a result of the costs associated with the Company building a service organization to support the installed base of systems. The Company expects that it will continue to experience fluctuations in gross profit as a percentage of service revenue based on the timing of the service revenue in the future.

RESEARCH AND DEVELOPMENT. Research and development expenses consist primarily of compensation of development personnel, including independent contractors, depreciation of equipment and an allocation of related facility expenses. Research and development expenses increased to $3.2 million, or 21% of total revenues in the quarter ended September 30, 1997, from approximately $1.3 million, or 9% of total revenues in the comparable quarter in 1996. Research and development expenses increased to $8.3 million, or 15% of total revenues in the nine-month period ended September 30, 1997, from $3.2 million, or 10% of total revenues in the comparable period in 1996. These increases were primarily attributable to the hiring and contracting of additional development personnel. All internal software research and development costs have been expensed by the Company. The Company expects that research and development expenses will continue to increase in dollar amount as the Company continues its development of new and existing products for the remainder of 1997.

SELLING AND MARKETING. Selling and marketing expenses consist primarily of compensation of selling and marketing personnel, including sales commissions and travel expenses, and certain promotional expenses. Selling and marketing expenses increased to $1.4 million, or 9% of total revenues in the quarter ended September 30, 1997, from $1.1 million, or 9% of total revenues in the comparable quarter in 1996. Selling and marketing expenses increased to $4.5 million, or 8% of total revenues in the nine-month period ended September 30, 1997, from $3.0 million, or 8% of total revenues in the comparable period in 1996. The increases in the dollar amounts were attributable to the hiring of additional selling and marketing personnel, expanded promotional activities, increased international selling efforts and an increase in commissions resulting from increased revenues. The Company expects that selling and marketing expenses will continue to increase in dollar amount as the Company hires additional personnel and expands selling and marketing activities for the remainder of 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 to approximately $792,000, or 5% of total revenues in the quarter ended September 30, 1997, from approximately $648,000, or 5% of total revenues in the comparable quarter in 1996. General and administrative expenses increased to $2.6 million, or 5% of total revenues in the nine-month period ended September 30, 1997, from approximately $1.5 million, or 4% of total revenues in the comparable period in 1996. The increases were attributable to increased staffing to support the Company's growth, and costs associated with being a public company. The Company believes that its general and administrative expenses will continue to increase in dollar amount as a result of an expansion of the Company's administrative staff to support its growing operations.

INTEREST INCOME. Interest income was approximately $136,000 and $37,000 in the quarters ended September 30, 1997 and 1996, respectively. Interest income was approximately $523,000 and $137,000 in the nine-

month periods ended September 30, 1997 and 1996, respectively. The increases in interest income during these periods primarily resulted from tax-exempt interest earned on a higher invested balance during these periods.

PROVISION FOR INCOME TAXES. The Company's effective tax rate was 37.4% and 35.6% for the quarters ended September 30, 1997 and 1996, respectively. The

Company's effective tax rate was 38.0% and 37.4% for the nine-month periods ended September 30, 1997 and 1996, respectively. The Company anticipates its effective tax rate to be 38.0% for the year ended December 31, 1997

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 proceeds of $24.1 million.

Cash and cash equivalents at September 30, 1997 was $13.4 million, a $10.0 million decrease from the December 31, 1996 balance of $23.4 million. Working capital increased to $31.1 million at September 30, 1997 from $26.6 million at December 31, 1996.

Net cash used in operating activities was $8.9 million in the nine-month period ended September 30, 1997 compared to cash used in operating activities of approximately $792,000 in the comparable period in 1996. Net cash used in operating activities during the nine-month period ended September 30, 1997 was primarily due to increased accounts receivable and inventories and a decrease in customer deposits partially offset by an increase in net income adjusted for non-cash expenses including depreciation and amortization and inventory valuation allowance. Accounts receivable increased from $7.4 million at December 31, 1996 to $14.5 million at September 30, 1997, an increase of $7.0 million, or 95%. The increase in accounts receivable is attributable to a number of orders in the quarter, whereby the required deposit was not collected by September 30, 1997 and the complexity of customers coordinating payments within their organizations. The Company's customers typically require coordination and agreement between their corporate headquarters, regional and local operators prior to remitting payment for capital expenditures. Inventories increased from $9.2 million at December 31, 1996 to $14.0 million at September 30, 1997, an increase of $4.8 million, or 53%. The increase in inventories is primarily attributable to the purchase of inventories during the quarter ended September 30, 1997 in anticipation of greater revenues than were recognized. Customer deposits decreased from $2.9 million at December 31, 1996 to approximately $299,000 at September 30, 1997, a decrease of $2.6 million, or 90%, resulting from a higher level of deposits at December 31, 1996 from customers in advance of the Company's ability to fulfill such orders.

Net cash used in investing activities was $1.5 million and $1.6 million in the nine-month periods ended September 30, 1997 and 1996, respectively. Investing activities consisted primarily of purchases of property and equipment to support the Company's growth.

Net cash provided by financing activities was approximately $417,000 for the nine-month period ended September 30, 1997 compared with net cash used in financing activities of $1.7 million during the comparable period in 1996. For the nine-month period ended September 30, 1997, cash provided by financing activities consisted of proceeds from the issuance of common stock upon the exercise of employee stock options. For the nine-month period ended September 30, 1996, cash used in financing activities consisted primarily of the repurchase of shares of the Company's common stock from certain employees and directors of the Company, net of the repayment of notes receivable from stockholders.

The Company has a $6.0 million revolving line of credit with a bank which expired in September 1997. The renewal of the line of credit has been approved by the bank and is in the process of being executed. Borrowings under the line of credit are secured by substantially all of the Company's assets. The loan agreement relating to the line of credit requires that the Company provide the bank with certain periodic financial reports and comply with certain financial ratios. As of September 30, 1997, the Company had not borrowed against the line.

The Company believes that its existing cash, together with available borrowings under the line of credit, when renewed, are sufficient to meet the Company's requirements for at least the next twelve months.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(b) Use of Proceeds

On November 4, 1996, the Company's Registration Statement on Form S-1 (File No. 333-12233) became effective. The Company has filed an initial report on Form SR on February 11, 1997, disclosing the sale of securities and the use of proceeds through December 31, 1996, and Amendment No. 1 to Form SR on August 11, 1997, disclosing the use of proceeds through June 30, 1997. The net proceeds from this offering were $24,069,800. As of September 30, 1997, no information has changed from Amendment No. 1 except for the use of proceeds. The following describes the use of proceeds from the effective date November 4, 1996 through September 30, 1997.

Use of Proceeds:	Direct or Indirect Payment to Others

Purchase and installation of machinery and equipment	$ 1,472,000
Working capital	$ 11,321,800

Temporary Investment (specify):	Amount
Money Market	$ 1,278,000
Municipal Bonds and Notes	$ 9,998,000

None of the above payments were made to directors, officers or to persons owning 10% or more of any class of equity securities of the Company, other than in the ordinary course of business, or to the affiliates of the Company.

ITEM 6. EXHIBITS AND REPORTS ON FROM 8-K

<TABLE>
<S> <C>

(a) Exhibits

Exhibit 10: Amended and Restated 1996 Employee Stock Purchase Plan
Exhibit 11: Computation of Net Income Per Share
Exhibit 27: Financial Data Schedule (For SEC Edgar Filing Only; Intentionally Omitted)

</TABLE>

(b) Reports on Form 8-K

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

SIGNATURES

Pursuant to the requirements 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: November 13, 1997

SEACHANGE INTERNATIONAL, INC.
by:

/s/ William C. Styslinger, III

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

/s/ Joseph S. Tibbetts, Jr.

Joseph S. Tibbetts, Jr.
Vice President, Finance and Administration,
Chief Financial Officer, and Treasurer
(Principal Financial and Accounting Officer)

SEACHANGE INTERNATIONAL, INC.

EXHIBIT INDEX

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11	Computation of Net Income Per Share	21
27	Financial Data Schedule (For SEC Edgar Filing Only; Intentionally Omitted)	22

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EXHIBIT 10

SEACHANGE INTERNATIONAL, INC.

AMENDED AND RESTATED
1996 EMPLOYEE STOCK PURCHASE PLAN

ARTICLE 1 - PURPOSE.

This Amended and Restated 1996 Employee Stock Purchase Plan (the "Plan") is intended to encourage stock ownership by all eligible employees of SeaChange International, Inc. (the "Company"), a Delaware corporation, and its participating subsidiaries (as defined in Article 17) so that they may share in the growth of the Company by acquiring or increasing their proprietary interest in the Company. The Plan is designed to encourage eligible employees to remain in the employ of the Company and its participating subsidiaries. The Plan is intended to constitute an "employee stock purchase plan" within the meaning of Section 423(b) of the Internal Revenue Code of 1986, as amended (the "Code").

ARTICLE 2 - ADMINISTRATION OF THE PLAN.

The Plan may be administered by a committee appointed by the Board of Directors of the Company (the "Committee"). The Committee shall consist of not less than two members of the Company's Board of Directors. The Board of Directors may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, howsoever caused, shall be filled by the Board of Directors. The Committee may select one of its members as Chairman, and shall hold meetings at such times and places as it may determine. Acts by a majority of the Committee, or acts reduced to or approved in writing by a majority of the members of the Committee, shall be the valid acts of the Committee.

The interpretation and construction by the Committee of any provisions of the Plan or of any option granted under it shall be final, unless otherwise determined by the Board of Directors. The Committee may from time to time adopt such rules and regulations for carrying out the Plan as it may deem best, provided that any such rules and regulations shall be applied on a uniform basis to all employees under the Plan. No member of the Board of Directors or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted under it.

In the event the Board of Directors fails to appoint or refrains from appointing a Committee, the Board of Directors shall have all power and authority to administer the Plan. In such event, the word "Committee" wherever used herein shall be deemed to mean the Board of Directors.

ARTICLE 3 - ELIGIBLE EMPLOYEES.

All employees of the Company or any of its participating subsidiaries whose customary employment is more than 20 hours per week and for more than five months in any calendar year shall be eligible to receive options under the Plan to purchase Common Stock (as defined herein), and all eligible employees shall have the same rights and privileges hereunder. Persons who are eligible employees on the first business day of any Payment Period (as defined in Article 5) shall receive their options as of

such day. Persons who become eligible employees after any date on which options are granted under the Plan shall be granted options on the first day of the next succeeding Payment Period on which options are granted to eligible employees under the Plan. In no event, however, may an employee be granted an option if such employee, immediately after the option was granted, would be treated as owning stock possessing five percent or more of the total combined voting power or value of all classes of stock of the Company or of any parent corporation or subsidiary corporation, as the terms "parent corporation" and "subsidiary corporation" are defined in Section 424(e) and (f) of the Code. For purposes of determining stock ownership under this paragraph, the rules of Section 424(d) of the Code shall apply, and stock which the employee may purchase under outstanding options shall be treated as stock owned by the employee.

ARTICLE 4 - STOCK SUBJECT TO THE PLAN.

The stock subject to the options under the Plan shall be shares of the Company's authorized but unissued Common Stock, par value $.01 per share (the "Common Stock"), or shares of Common Stock reacquired by the Company, including shares purchased in the open market. The aggregate number of shares which may be issued pursuant to the Plan is 200,000, subject to adjustment as provided in

Article 12. If any option granted under the Plan shall expire or terminate for any reason without having been exercised in full or shall cease for any reason to be exercisable in whole or in part, the unpurchased shares subject thereto shall again be available under the Plan.

ARTICLE 5 - PAYMENT PERIOD AND STOCK OPTIONS.

The first Payment Period during which payroll deductions will be accumulated under the Plan shall commence on the later to occur of January 1, 1997 and the first day of the first calendar month following effectiveness of the Form S-8 registration statement filed with the Securities and Exchange Commission covering the shares to be issued pursuant to the Plan and shall end on June 30, 1997. The second Payment Period during which payroll deductions will be accumulated under the Plan shall commence on July 1, 1997 and shall end on October 31, 1997. The third Payment Period during which payroll deductions will be accumulated under the Plan shall commence on November 1, 1997 and shall end on April 30, 1998. For the remainder of the duration of the Plan, Payment Periods shall consist of the six-month periods commencing on May 1 and November 1 and ending on October 31 and April 30.

Twice each year, on the first business day of each Payment Period, the Company will grant to each eligible employee who is then a participant in the Plan an option to purchase on the last business day of such Payment Period, at the Option Price hereinafter provided for, a maximum of 500 shares, on condition that such employee remains eligible to participate in the Plan throughout the remainder of such Payment Period. The participant shall be entitled to exercise the option so granted only to the extent of the participant's accumulated payroll deductions on the last business day of such Payment Period. If the participant's accumulated payroll deductions on the last business day of the Payment Period would enable the participant to purchase more than 500 shares except for the 500-share limitation, the excess of the amount of the accumulated payroll deductions over the aggregate purchase price of the 500 shares shall be promptly refunded to the participant by the Company, without interest. The Option Price per share for each Payment Period shall be the lesser of (i) 85% of the average market price of the Common Stock on the first business day of the Payment Period and (ii) 85% of the average market price of the Common Stock on the last business day of the Payment Period, in either event rounded up to avoid fractions of a dollar other than 1/4, 1/2 and 3/4. The foregoing limitation on the number of shares subject to options and the Option Price shall be subject to adjustment as provided in Article 12.

For purposes of the Plan, the term "average market price" on any date means (i) the average (on that date) of the high and low prices of the Common Stock on the principal national securities exchange on which the Common Stock is traded, if the Common Stock is then traded on a national securities exchange; or (ii) the last reported sale price (on that date) of the Common Stock on the Nasdaq National Market, if the Common Stock is not then traded on a national securities exchange; or (iii) the average of the closing bid and asked prices last quoted (on that date) by an established quotation service for over-the-counter securities, if the Common Stock is not then traded on a national securities exchange or reported on the Nasdaq National Market; or (iv) if the Common Stock is not publicly traded, the fair market value of the Common Stock as determined by the Committee after taking into consideration all factors which it deems appropriate, including, without limitation, recent sale and offer prices of the Common Stock in private transactions negotiated at arm's length.

For purposes of the Plan, the term "business day" means a day on which there is trading on the Nasdaq National Market or the aforementioned national securities exchange, whichever is applicable pursuant to the preceding paragraph; and if neither is applicable, a day that is not a Saturday, Sunday or legal holiday in the Commonwealth of Massachusetts.

No employee shall be granted an option which permits the employee's right to purchase stock under the Plan, and under all other Section 423(b) employee stock purchase plans of the Company and any parent or subsidiary corporations, to accrue at a rate which exceeds $25,000 of fair market value of such stock (determined on the date or dates that options on such stock were granted) for each calendar year in which such option is outstanding at any time. The purpose of the limitation in the preceding sentence is to comply with Section 423(b)(8) of the Code. If the participant's accumulated payroll deductions on the last business day of the Payment Period would otherwise enable the participant to purchase Common Stock in excess of the Section 423(b)(8) limitation described in this paragraph, the excess of the amount of the accumulated payroll deductions over the aggregate purchase price of the shares actually purchased shall be promptly refunded to the participant by the Company, without interest.

ARTICLE 6 - EXERCISE OF OPTION.

Each eligible employee who continues to be a participant in the Plan on the last business day of a Payment Period shall be deemed to have exercised his or her option on such date and shall be deemed to have purchased from the Company such number of full shares of Common Stock reserved for the purpose of the Plan as the participant's accumulated payroll deductions on such date will pay for at the Option Price, subject to the 500-share limit of the option and the Section 423(b)(8) limitation described in Article 5. If the individual is not a participant on the last business day of a Payment Period, he or she shall not be entitled to exercise his or her option. Only full shares of Common Stock may be purchased under the Plan. Unused payroll deductions remaining in a participant's account at the end of a Payment Period by reason of the inability to purchase a fractional share shall be carried forward to the next Payment Period.

ARTICLE 7 - AUTHORIZATION FOR ENTERING THE PLAN.

An employee may elect to enter the Plan by filling out, signing and delivering to the Company an authorization:

A. Stating the percentage to be deducted regularly from the employee's pay;

B. Authorizing the purchase of stock for the employee in each Payment Period in accordance with the terms of the Plan; and

C. Specifying the exact name or names in which stock purchased for the employee is to be issued as provided under Article 11 hereof.

Such authorization must be received by the Company at least ten days before the first day of the next succeeding Payment Period and shall take effect only if the employee is an eligible employee on the first business day of such Payment Period.

Unless a participant files a new authorization or withdraws from the Plan, the deductions and purchases under the authorization the participant has on file under the Plan will continue from one Payment Period to succeeding Payment Periods as long as the Plan remains in effect.

The Company will accumulate and hold for each participant's account the amounts deducted from his or her pay. No interest will be paid on these amounts.

ARTICLE 8 - MAXIMUM AMOUNT OF PAYROLL DEDUCTIONS.

An employee may authorize payroll deductions in an amount (expressed as a whole percentage) not less than one percent (1%) but not more than ten percent (10%) of the employee's total compensation, including base pay or salary and any overtime, bonuses or commissions.

ARTICLE 9 - CHANGE IN PAYROLL DEDUCTIONS.

Deductions may not be increased or decreased during a Payment Period. However, a participant may withdraw in full from the Plan.

ARTICLE 10 - WITHDRAWAL FROM THE PLAN.

An employee may withdraw from the Plan (in whole but not in part) at any time prior to the last business day of a Payment Period by delivering a withdrawal notice to the Company, in which event the Company shall promptly refund the entire balance of the employee's deductions not previously used to purchase stock under the Plan.

To re-enter the Plan, an employee who has previously withdrawn must file a new authorization at least ten days before the first day of the next Payment Period in which he or she wishes to participate. The employee's re-entry into the Plan becomes effective at the beginning of such Payment Period, provided that he or she is an eligible employee on the first business day of the Payment Period.

ARTICLE 11 - ISSUANCE OF STOCK.

Certificates for stock issued to participants shall be delivered as soon as practicable after each Payment Period by the Company's transfer agent.

Stock purchased under the Plan shall be issued only in the name of the participant, or if the participant's authorization so specifies, in the name of the participant and another person of legal age as joint tenants with rights of survivorship.

ARTICLE 12 - ADJUSTMENTS.

Upon the happening of any of the following described events, a participant's rights under options granted under the Plan shall be adjusted as hereinafter provided:

A. In the event that the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if, upon a reorganization, split-up, liquidation, recapitalization or the like of the Company, the shares of Common Stock shall be exchanged for other securities of the Company, each participant shall be entitled, subject to the conditions herein stated, to purchase such number of shares of Common Stock or amount of other securities of the Company as were exchangeable for the number of shares of Common Stock that such participant would have been entitled to purchase except for such action, and appropriate adjustments shall be made in the purchase price per share to reflect such subdivision, combination or exchange; and

B. In the event the Company shall issue any of its shares as a stock dividend upon or with respect to the shares of stock of the class which shall at the time be subject to option hereunder, each participant upon exercising such an option shall be entitled to receive (for the purchase price paid upon such exercise) the shares as to which the participant is exercising his or her option and, in addition thereto (at no additional cost), such number of shares of the class or classes in which such stock dividend or dividends were declared or paid, and such amount of cash in lieu of fractional shares, as is equal to the number of shares thereof and the amount of cash in lieu of fractional shares, respectively, which the participant would have received if the participant had been the holder of the shares as to which the participant is exercising his or her option at all times between the date of the granting of such option and the date of its exercise.

Upon the happening of any of the foregoing events, the class and aggregate number of shares set forth in Article 4 hereof which are subject to options which have been or may be granted under the Plan and the limitations set forth in the second paragraph of Article 5 shall also be appropriately adjusted to reflect the events specified in paragraphs A and B above. Notwithstanding the foregoing, any adjustments made pursuant to paragraphs A or B shall be made only after the Committee, based on advice of counsel for the Company, determines whether such adjustments would constitute a "modification" (as that term is defined in Section 424 of the Code). If the Committee determines that such adjustments would constitute a modification, it may refrain from making such adjustments.

If the Company is to be consolidated with or acquired by another entity (x) in a merger, consolidation or other reorganization in which the holders of the outstanding voting stock of the Company immediately preceding the consummation of such event shall, immediately following such event, hold, as a group, less than a majority of the voting securities of the surviving or resulting entity, (y) a sale of all or substantially all of the Company's assets or (z) otherwise (an "Acquisition"), the Committee or the board of directors of any entity assuming the obligations of the Company hereunder (the "Successor Board") shall, with respect to options then outstanding under the Plan, either (i) make appropriate provision for the continuation of such options by arranging for the substitution on an equitable basis for the shares then subject to such options either (a) the consideration payable with respect to the outstanding shares of the Common Stock in connection with the Acquisition, (b) shares of stock of the surviving or successor corporation, or a parent or subsidiary of such corporation, or (c) such other securities as the Successor Board deems appropriate, the fair market value of which shall not materially exceed the fair market value of the shares of Common Stock subject to such options immediately preceding the Acquisition; or (ii) terminate each participant's options in exchange for a cash payment equal to the excess of (a) the fair market value on the date of the Acquisition, of the number of shares of Common Stock that the participant's accumulated payroll deductions as of the date of the Acquisition could purchase, at an option price determined with reference only to the first business day of the applicable Payment Period and subject to the 500-share, Code Section 423(b)(8) and fractional-share

limitations on the amount of stock a participant would be entitled to purchase, over (b) the result of multiplying such number of shares by such option price.

The Committee or Successor Board shall determine the adjustments to be made under this Article 12, and its determination shall be conclusive.

ARTICLE 13 - NO TRANSFER OR ASSIGNMENT OF EMPLOYEE'S RIGHTS.

An option granted under the Plan may not be transferred or assigned and may be exercised only by the participant.

ARTICLE 14 - TERMINATION OF EMPLOYEE'S RIGHTS.

Whenever a participant ceases to be an eligible employee because of retirement, voluntary or involuntary termination, resignation, layoff, discharge, death or for any other reason, his or her rights under the Plan shall immediately terminate, and the Company shall promptly refund, without interest, the entire balance of his or her payroll deduction account under the Plan. Notwithstanding the foregoing, eligible employment shall be treated as continuing intact while a participant is on military leave, sick leave or other bona fide leave of absence, for up to 90 days, or for so long as the participant's right to re-employment is guaranteed either by statute or by contract, if longer than 90 days.

ARTICLE 15 - TERMINATION AND AMENDMENTS TO PLAN.

Unless terminated sooner as provided below, the Plan shall terminate on December 31, 2006. The Plan may be terminated at any time by the Company's Board of Directors but such termination shall not affect options then outstanding under the Plan. It will terminate in any case when all or substantially all of the unissued shares of stock reserved for the purposes of the Plan have been purchased. If at any time shares of stock reserved for the purpose of the Plan remain available for purchase but not in sufficient number to satisfy all then unfilled purchase requirements, the available shares shall be apportioned among participants in proportion to the amount of payroll deductions accumulated on behalf of each participant that would otherwise be used to purchase stock, and the Plan shall terminate. Upon such termination or any other termination of the Plan, all payroll deductions not used to purchase stock will be refunded, without interest.

The Committee or the Board of Directors may from time to time adopt amendments to the Plan provided that, without the approval of the stockholders of the Company, no amendment may (i) increase the number of shares that may be issued under the Plan, or (ii) change the class of employees eligible to receive options under the Plan, if such action would be treated as the adoption of a new plan for purposes of Section 423(b) of the Code.

ARTICLE 16 - LIMITS ON SALE OF STOCK PURCHASED UNDER THE PLAN.

The Plan is intended to provide shares of Common Stock for investment and not for resale. The Company does not, however, intend to restrict or influence any employee in the conduct of his or her own affairs. An employee may, therefore, sell stock purchased under the Plan at any time the employee chooses, subject to compliance with any applicable federal or state securities laws and subject to any restrictions imposed under Article 21 to ensure that tax withholding obligations are satisfied. THE EMPLOYEE ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE COMMON STOCK.

ARTICLE 17 - PARTICIPATING SUBSIDIARIES.

The term "participating subsidiary" shall mean any present or future subsidiary of the Company, as that term is defined in Section 424(f) of the Code, which is designated from time to time by the Board of Directors to participate in the Plan. The Board of Directors shall have the power to make such designation before or after the Plan is approved by the stockholders.

ARTICLE 18 - OPTIONEES NOT STOCKHOLDERS.

Neither the granting of an option to an employee nor the deductions from his or her pay shall constitute such employee a stockholder of the shares covered by an option until such shares have been actually purchased by the employee.

ARTICLE 19 - APPLICATION OF FUNDS.

The proceeds received by the Company from the sale of Common Stock pursuant to options granted under the Plan will be used for general corporate purposes.

ARTICLE 20 - NOTICE TO COMPANY OF DISQUALIFYING DISPOSITION.

By electing to participate in the Plan, each participant agrees to notify the Company in writing immediately after the participant transfers Common Stock acquired under the Plan, if such transfer occurs within two years after the first business day of the Payment Period in which such Common Stock was acquired. Each participant further agrees to provide any information about such a transfer as may be requested by the Company or any subsidiary corporation in order to assist it in complying with the tax laws. Such dispositions generally are treated as "disqualifying dispositions" under Sections 421 and 424 of the Code, which have certain tax consequences to participants and to the Company and its participating subsidiaries.

ARTICLE 21 - WITHHOLDING OF ADDITIONAL INCOME TAXES.

By electing to participate in the Plan, each participant acknowledges that the Company and its participating subsidiaries are required to withhold taxes with respect to the amounts deducted from the participant's compensation and accumulated for the benefit of the participant under the Plan, and each participant agrees that the Company and its participating subsidiaries may deduct additional amounts from the participant's compensation, when amounts are added to the participant's account, used to purchase Common Stock or refunded, in order to satisfy such withholding obligations. Each participant further acknowledges that when Common Stock is purchased under the Plan the Company and its participating subsidiaries may be required to withhold taxes with respect to all or a portion of the difference between the fair market value of the Common Stock purchased and its purchase price, and each participant agrees that such taxes may be withheld from compensation otherwise payable to such participant. It is intended that tax withholding will be accomplished in such a manner that the full amount of payroll deductions elected by the participant under Article 7 will be used to purchase Common Stock. However, if amounts sufficient to satisfy applicable tax withholding obligations have not been withheld from compensation otherwise payable to any participant, then, notwithstanding any other provision of the Plan, the Company may withhold such taxes from the participant's accumulated payroll deductions and apply the net amount to the purchase of Common Stock, unless the participant pays to the Company, prior to the exercise date, an amount sufficient to satisfy such withholding obligations. Each participant further acknowledges that the Company and its participating subsidiaries may be required to withhold taxes in connection with the disposition of stock acquired under the Plan

and agrees that the Company or any participating subsidiary may take whatever action it considers appropriate to satisfy such withholding requirements, including deducting from compensation otherwise payable to such participant an amount sufficient to satisfy such withholding requirements or conditioning any disposition of Common Stock by the participant upon the payment to the Company or such subsidiary of an amount sufficient to satisfy such withholding requirements.

ARTICLE 22 - GOVERNMENTAL REGULATIONS.

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

Government regulations may impose reporting or other obligations on the Company with respect to the Plan. For example, the Company may be required to identify shares of Common Stock issued under the Plan on its stock ownership records and send tax information statements to employees and former employees who transfer title to such shares.

ARTICLE 23 - GOVERNING LAW.

The validity and construction of the Plan shall be governed by the laws of the State of Delaware, without giving effect to the principles of conflicts of law thereof.

ARTICLE 24 - APPROVAL OF BOARD OF DIRECTORS AND STOCKHOLDERS OF THE COMPANY.

The Plan was adopted by the Board of Directors on September 6, 1996 and was approved by the stockholders of the Company on October 25, 1996. The Plan was amended on May 29, 1997.

EXHIBIT 11

SEACHANGE INTERNATIONAL, INC.

COMPUTATION OF NET INCOME PER SHARE (1)

(UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	1996	1997	1996	1997
WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES:				
Weighted average common shares outstanding during the period	10,359,690	12,897,606	10,357,173	12,888,534
Weighted average common equivalent shares (2)	1,230,760	447,257	1,230,760	500,100
	11,590,450	13,344,863	11,587,933	13,388,634
Net income	$ 1,425,988	$ 102,310	$ 3,548,042	$ 4,239,886
Primary net income per share	$ 0.12	$ 0.01	$ 0.31	$ 0.32

(1) Fully diluted net income per share has not been separately presented, as the amounts would not be materially different from primary net income per share.

(2) Common share equivalents issued subsequent to September 1995 which are comprised of common stock options and Series B convertible preferred stock have been included in the calculation for the three-month and nine-month periods ended September 30, 1996 pursuant to Securities and Exchange Commission Staff Accounting Bulletin No. 83.

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