FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
SEC Accession No. 0000950005-96-000995

(HTML Version on secdatabase.com)

FILER

ACCOM INC

CIK:**949335**| IRS No.: **943055907** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **000-26620** | Film No.: **96688011**
SIC: **3861** Photographic equipment & supplies

Business Address
1490 OBRIEN DR
MENLO PARK CA 94025
4153283818

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 1996, 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: 0-26620

ACCOM, INC.
(Exact name of Registrant as specified in its charter)

Delaware	94-3055907
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1490 O'Brien Drive
Menlo Park, CA 94025
(Address of principal executive offices)

Registrant's telephone number, including area code: (415) 328-3818

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.001 par value per share

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 preceding 12 months (or for such shorter period than 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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $5,170,000 as of December 16, 1996, based upon the closing sale price on the Nasdaq National Market reported for such date. Shares of Common Stock held by each officer and director and by each person who owns 5% of more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 6,568,767 shares of Registrant's Common Stock issued and outstanding as of December 16, 1996.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the definitive proxy statement for the Annual Meeting of Shareholders to be held on February 18, 1997.

"Accom," "Axial," and "WSD" are registered trademarks of the Company, and all of the Company's other product names are trademarks of the Company. "Onyx(TM)" is a trademark of Silicon Graphics, Inc. This Report also includes trademarks of companies other than Accom, Inc. and Silicon Graphics. Unless the context indicates otherwise, reference in this Report to the "Company" and "Accom" refers to Accom, Inc. and its consolidated subsidiaries.

PART I

Item 1. Business

General

Accom(R), Inc. ("Accom" or the "Company") designs, manufactures, markets and supports digital video systems for the high-end production, post-production and broadcast markets. The Company's systems are designed to be used by video professionals to create, edit and broadcast high quality video content such as television shows, commercials, news, music videos and video games.

The proliferation of distribution channels for video content, including cable, satellite and direct view systems such as videos and CD ROMs, is increasing the demand for broadcast content while diminishing the potential viewing audience and revenue per channel. To compete more effectively, broadcasters and other high-end content creators require systems that reduce the cost of developing and delivering video content and more flexibly distribute the same or repurposed content over multiple channels. These systems must be capable of performing mission-critical tasks reliably and in real time without detracting from the final video quality. As high-end video professionals transition from traditional stand-alone analog systems to integrated digital systems, they also require systems that can be easily integrated with existing equipment to leverage their significant capital investments.

The Company provides innovative products that cost-effectively meet the needs of high-end professional content creators and broadcasters in real time video production, post-production and distribution. The Company's current products include on-line video editing systems and digital video disk recorders used during the content creation process and networked still image and video clip storage systems used by broadcasters. At the April 1995 National Association of Broadcasters ("NAB") convention, the Company introduced a prototype of the ELSET(TM) virtual set system (the "ELSET Virtual Set"), which operates on a Silicon Graphics, Inc. ("SGI") Onyx(TM) workstation (an "Onyx"). Accom believes that the ELSET Virtual Set has the potential to give video content creators enhanced freedom and control over their production environments by replacing traditional physical studio sets with three-dimensional ("3D") virtual sets. The Company anticipates that the ELSET Virtual Set will be used primarily in the production of news and sports broadcasts, news magazines, music videos, video games and talk shows. The Company shipped its first ELSET virtual set system in the second quarter of fiscal 1996.

The ELSET Virtual Set technology is owned by ELSET Electronic-Set GmbH ("ELSET GmbH"). Since September 29, 1995, 100% of the outstanding shares of ELSET GmbH have been owned by the Company through a wholly-owned subsidiary.

The Company's strategy is to maintain its leadership position in the high-end segment of the video post-production market by enhancing its existing product lines and developing new products that establish higher standards of performance in video editing and digital recording. The Company plans to build upon its established reputation in the high-end post-production segment to market the ELSET Virtual Set and its Axess(TM) news graphics and clip server

(formerly known as the "Brontostore") to the production and distribution markets. In addition, the Company has pursued a strategy of first developing and marketing full-featured systems to prove technological feasibility and market acceptance and then designing lower-priced products with reduced feature sets to appeal to a broader base of customers.

The Company sells its products through a combination of its direct sales force and indirect distribution channels.

Industry Overview

The creation and broadcast of video content consists of four distinct stages: pre-production, production, post-production and distribution. Pre-production involves creation of the script and storyboard. Production (content creation) involves shooting video or film, as well as creation of computer-generated graphics and sound recording. Post-production consists of editing and manipulating diverse images and audio elements into a final program, including off-line and on-line editing. Distribution is the delivery of the finished video content to the viewer through traditional channels such as broadcast, satellite and cable channels or through direct distribution of video rentals, CD ROMs and video games.

The market for systems used in the video content creation, editing and broadcast process ranges from high-end professional users such as television networks, cable television companies and independent production and post-production houses, to professionals and non-professionals that create video content for less demanding applications such as corporate communications. High-end professional users typically drive the performance standards for innovation, quality, speed and features for the video production and broadcast markets.

The channels available for distribution of video content are proliferating as new cable, satellite and direct view alternatives supplement traditional delivery systems. This proliferation is increasing the demand for broadcast content. Concurrently, the viewing audience per channel and, therefore, the potential revenue per channel is being reduced. To more effectively compete in this new environment, broadcasters and other video professionals must reduce the cost of developing and delivering content and find more flexible means to distribute the same or repurposed content over multiple channels. These requirements span the post-production, distribution and content creation segments of the video production and broadcast market.

Post-Production

Video editing is critical to the post-production process and is often completed in two steps: off-line, to reduce raw material to a smaller, more manageable group of elements; and on-line, to assemble video, audio and graphic elements into a final program. The on-line video editing process typically occurs in a video "editing suite" comprised of sophisticated, interconnected equipment such as video recorders and switchers, digital video effects systems, storage devices for still images and computer-based graphics systems. Video editing suites can cost up to several million dollars due to the cost and variety of equipment required, and professional post-production services can cost in excess of $1,000 per hour.

Over the past several years, a number of personal computer-based off-line editing systems have been introduced to enable more efficient and cost-effective editing. However, these off-line systems rely upon compression algorithms to convert raw video content to signals capable of being manipulated on personal computers. This use of highly compressed video compromises video fidelity. Currently, video effects and compositing, as well as two-dimensional ("2D") and 3D graphic elements, must be created in an uncompressed format. An editor using a compression-based off-line system must decompress the video, add effects and graphics and then recompress the video. This adds complexity to the editing process and often further compromises the video fidelity of the final content. Moreover, these off-line systems typically provide the user with a single video stream, which does not allow the simultaneous manipulation of multiple streams of video elements in real time.

To improve productivity and creative flexibility, high-end professionals increasingly require on-line editing systems with simultaneous random access to multiple video streams and video of D1 quality, a standard digital video format that represents one of the highest levels of video quality commercially available today. Unlike traditional taped-based analog systems, an on-line editing system based on digital video disk recorders enables the user to instantly and randomly access any part of the stored video, audio or other material, rearrange the material and play back edited material without repeatedly winding and rewinding tape to locate desired sequences. In contrast to off-line systems, on-line digital-based systems do not require high levels of compression and, therefore, do not detract from the fidelity of the final video content. As post-production professionals transition their on-line edit rooms to digital technologies, they often create hybrid environments that integrate traditional analog video processing equipment with digital systems. Therefore, these professionals need on-line editing systems that easily interface with equipment made by different manufacturers.

Distribution

Most distributors of video content such as television networks and cable broadcasters currently rely on standalone still image disk storage devices and analog tape-based systems when broadcasting graphics and video clips during news, sports or entertainment presentations. These are typically single-user devices that cannot be easily networked to serve multiple users. With the proliferation of distribution channels, distributors of video content increasingly require more flexible means of accessing and distributing content over multiple channels. Quick access by multiple users to content such as computer-generated graphics and short segment video clips is critical to effective and economical news, sports and entertainment broadcasting. Networked digital video disk recorders enable distributors of video content to make material more readily available to multiple users and for broadcast through multiple channels. Distributors of video content are beginning to transition to digitally-based networks that increase the speed at which information is shared, reduce the time necessary to complete production tasks and more efficiently utilize the content they create and distribute.

Content Creation

A large portion of the cost of creating content is attributable to the actual shooting of video, which is performed on location or on studio stages. A typical video studio consists of a

soundproofed stage, a specially designed set, high-intensity lighting, sophisticated video equipment and, often, a fully-equipped control room. Studios are often dedicated to a single type of production due to the time and cost necessary to change, or strike, sets. Actual set costs vary widely depending on the nature of the content being shot on the set and production budget constraints. Physical sets are inflexible and require significant manual effort to assemble and disassemble. With the proliferation of distribution channels, producers of video content need flexible production techniques that will enable them to quickly and efficiently create content for distribution through multiple channels. Content creators are therefore searching for innovative solutions to lower set costs, increase flexibility in the production of video and create more interesting content.

Traditional video systems do not adequately meet the emerging production, post-production and distribution needs of high-end content creators and broadcasters. Professionals in this market segment require flexible, cost-effective systems that perform mission-critical tasks reliably and in real time without detracting from the final video quality. These new systems must also be capable of accommodating high-end video professionals as they transition from traditional stand-alone analog systems to integrated digital systems. In addition, high-end professionals require systems that can be easily integrated with existing video content creation and distribution equipment to leverage their significant equipment investments.

The Accom Approach

Accom provides innovative products that cost-effectively meet the needs of high-end content creators and broadcasters in real time video production, post-production and distribution. Relying on its core technologies and its knowledge of the high-end video market, the Company develops sophisticated digital systems comprised of both standard and proprietary hardware and software. Accom believes that this approach results in flexible solutions, offering price and performance advantages over competitive systems while facilitating the transition to hybrid and digital environments.

Accom's systems offer the following benefits:

Open Systems. The Company designs products for ease of integration with other manufacturers' products, such as video switchers, digital video effects devices and video recorders. This capability allows users to leverage their existing equipment investments and customize their systems to meet current and future requirements.

Real Time Performance. Accom systems operate in real time and execute processing and control functions 50 or 60 times per second. This enables content producers to instantly view video content in full-quality video resolution during production and post-production.

High Video Fidelity. Accom systems operate in fully uncompressed video formats. This capability provides video content creators with D1 quality video, enabling them to deliver the same content for high-end distribution channels or distribution channels requiring lower resolution.

Ease Of Use. The Company's systems are designed to improve the productivity of users and to reduce training time. For example, certain of the Company's products utilize video images and graphical user interfaces that eliminate the need for complicated menu structures and time codes.

Leveraged Solutions. Accom combines certain of its individual products to create integrated solutions that offer performance benefits beyond those available when such products are used individually. For example, the Company integrates its on-line editor products with its digital video disk recorders to provide on-line, random access editing capability.

The Company offers a range of products to the high-end segment of the video production, post-production and distribution markets. The Company's current key products are: on-line video editing systems used by post-production professionals; digital video disk recorders used during the on-line editing process or to produce computer graphics and animation; networked still image and video clip storage systems used by distributors of video content and the ELSET Virtual Set, which is designed to enable content producers to cost-effectively create programs with virtual production sets.

Accom Strategy

Accom's goal is to be a leading supplier of production, post-production and distribution systems to the high-end video content creation and broadcast markets. To achieve this goal, Accom is executing a strategy that includes the following key elements:

Maintain Leadership Position in Current High-End Market. The Company has established a reputation for meeting the exacting needs of the high-end segment of the video post-production market. The Company plans to maintain its leadership position in the high-end segment of the video post-production market by enhancing its existing on-line editing product line and developing new products that establish higher standards of performance in video editing and digital recording.

Expand into New High-End Markets. The Company plans to leverage its existing reputation in the high-end post-production segment to market the ELSET Virtual Set and the Axess (formerly known as the "Brontostore") to the production and distribution markets.

Broaden Lower-Priced Product Line. The Company has introduced products, such as the Axial 2010 on-line editor and the WSD/XL and WSD/Xtreme digital video disk recorders, that provide high-end users with reduced feature sets at lower prices. Under this strategy, the Company first develops and markets full-featured systems to prove technological feasibility and market acceptance. Thereafter, the Company designs lower-priced products with reduced feature sets to appeal to a broader base of customers.

Invest in Innovative Technologies. The Company has developed significant expertise in core technologies relating to editing, real time control, signal processing and digital video disk recording. The Company intends to continue to internally develop and acquire new technologies as necessary to design products that satisfy customer requirements for quality, speed, cost and

functionality. For example, by acquiring ELSET GmbH, the Company obtained access to virtual set technology.

Enhance Distribution Channels. The Company plans to expand its direct marketing and sales efforts to more effectively penetrate the high-end market. In addition, the Company intends to expand its indirect distribution channels, including dealers, value-added resellers and third-party software solutions vendors, to increase sales of lower-priced products such as the Axial 2010 and WSD.

Products

The Company currently offers five product lines that address the needs of the video production, post-production and distribution markets. The Company's on-line video editing systems, digital video disk recorders and digital signal processing equipment are used primarily in post-production. Digital news graphics and clip servers address the needs of video distribution. The ELSET Virtual Set is designed to be used in the production of video content. The following table summarizes the Company's key products:

Product	Date of First Shipment	Primary Applications
On-Line Video Editors		
Axial 2020	November 1991	On-line editing for commercials
Axial 2010	June 1994	and long form television programs
Digital Video Disk Recorders		
RTD 4224	April 1992	On-line editing and effects creation for commercials and long form television programs
WSD/Xtreme	September 1996(1)	Desktop graphics and animation production and post-production
Digital News Graphics and Clip Servers		
Axess (formerly Brontostore) RAID Storage	November 1993	Creation and distribution of news graphics
Virtual Set Production Tools		
ELSET Virtual Set	March 1996	Virtual sets for high-end video content creation in real time

(1) WSD/Xtreme is based on the Company's WSD digital video disk recorder, which was first commercially shipped in November 1993.

On-Line Video Editors

The Company's Axial line of digital, non-linear, on-line video editing systems consists of the Axial 2020 and the Axial 2010. Key options to the Axial 2020 and the Axial 2010 are the Random Access Visual Editing System ("RAVE") and the Axial 2010 Cache Editor, respectively. A primary benefit of the Axial line of products is their ability to import edit decision lists from off-line editing systems for quick assembly of full-quality video content. The Axial 2020 and Axial 2010 are used to perform editing and compositing for the high-end segment of the post-production market.

The Axial 2020 offers an enhanced visual interface that enables the video editor to edit information by working with pictures and video clips instead of only timecode numbers. The Axial 2020 utilizes a text file approach for interfacing with external equipment that minimizes the need to write new software device drivers, thereby facilitating the integration of external equipment with the editing system. The Axial 2020 also contains a multi-processor architecture that enables it to simultaneously control up to 47 independent devices. In August 1994, the Company received an International Teleproduction Society ("ITS") Monitor Award for Special Achievement in Engineering Excellence for the Axial 2020. The United States list price of the Axial 2020 ranges from $70,000 to $124,000, depending on features, including the RAVE option.

The Axial 2010 is a lower-priced, on-line editing system designed to address the needs of a broader group of professional users. The Axial 2010 is used in post-production suites producing content such as long form programs and corporate videos under lower production budgets. In contrast to the Axial 2020, the Axial 2010 employs a graphical representation of the video time line in the user interface rather than live video images. The United States list price of the Axial 2010 ranges from $30,000 to $45,000, depending on features, including the Cache option.

RAVE and the Axial 2010 Cache are options that enable users to integrate the Company's on-line video editing and digital video disk recording technologies. RAVE combines the Axial 2020 and the RTD, Accom's high-end uncompressed digital video disk recorder. The RTD provides immediate random access to stored images and the flexibility of non-linear operation. RAVE was one of the first editing systems to feature non-linear, D1 quality video for on-line editing. The Axial 2010 Cache combines the recording capability of the Company's low-cost WSD/Xtreme with the Axial 2010 to accelerate the on-line editing process by reducing the time necessary to access sequences of video and enabling the automatic assembly of edit decision lists created by off-line systems. The Company intends to continue to pursue other innovative uses of its editor and disk technologies to continue to maintain its leadership position in on-line random access editing.

Digital Video Disk Recorders

The Company's line of digital video disk recorders includes the WSD/Xtreme, which is used in graphics and animation production, and the RTD, which is used in on-line video editing.

The WSD/Xtreme is a D1 quality digital video disk recorder and video subsystem that enables users to record and play back digital video images in real time and rapidly transfer digital video images to and from computer workstations. The WSD/Xtreme enables more efficient creation of 2D and 3D graphics and animation by providing a bridge between the computer workstation and video tape recorders and other video devices. The WSD/Xtreme's digital random access recording and playback features improve the quality of desktop graphics production by eliminating the speed and maintenance problems associated with analog video tape recorders. With the WSD/Xtreme, frames can be played back in real time so the user can see the end result in full motion on a video monitor. The Company has worked closely with a number of third-party software developers to integrate the WSD/Xtreme with their applications. The WSD/Xtreme also provides both Ethernet and SCSI interfaces, thereby enabling connection to other computer platforms. Accom has interfaces for the WSD/Xtreme to enable personal computer and Apple Macintosh users to integrate the WSD/Xtreme into their systems. The United States list price of the WSD/Xtreme ranges from $20,900 to $27,400, depending on features.

The RTD is the Company's higher-priced digital disk recorder that enables the digital recording and playback of D1 quality video onto a real time, random access disk. Applications of the RTD include random access video editing and the editing of 2D and 3D graphics and animation for production and post-production. Unlike a video tape recorder, the RTD can instantly access stored images and play back the images at speeds ranging from 1/100th to 100 times normal play speed. The RTD can also provide from one to seven minutes of video recording time. The Company's RTD digital recorders feature the Smooth Motion(TM) option, which eliminates the picture content stuttering and jerking that normally occurs during off-speed videotape and disk playback. This functionality is derived from the Company's expertise in digital signal processing. The RTD offers a single channel option as well as a dual channel option that can be operated simultaneously by two users. The United States list price of the RTD ranges from $22,000 to $117,500, depending on features.

Digital News Graphics and Clip Servers

The Axess, formerly known as "Brontostore", is designed to be used by broadcast professionals for the preparation and on-air presentation of computer-generated graphics, still images and video clips. The Axess enables broadcasters to digitally store, categorize, search and obtain quick access to a library of previously recorded still images, computer-generated graphics and video clips for use during on-air presentations of news, sports or entertainment events. The Axess is a networked system of individual nodes, each having its own storage modules. Storage is configured to meet the needs of each user, but every node on the network has access to the information stored in other nodes. An option designed with redundant arrays of individual disks ("RAID") provides storage, from eight minutes to fourteen and one-half minutes. The storage options enable a user to record and play back a mixture of still and moving images. Depending on the selected storage options, a single node can be configured to store from 1,000 to 190,000 still images or from eight minutes to one and 3/4 hours of uncompressed video. The price of the Axess varies widely depending on the number of nodes and the amount of storage per node. The

United States list price of the Axess ranges from $27,000 for a single node to more than $1.0 million for a complex, multi-node network.

Digital Video Signal Processing Equipment

The Company offers six digital video signal processing products that can be utilized in film-to-tape transfer and the color correction process and to provide bridges between various signal formats. These components are also sometimes sold as part of the Company's larger systems such as Axial editors and the Axess. In October 1990 and September 1991, the Company won EMMY Awards from the National Academy of Television Arts and Sciences for Outstanding Technical Achievement and, in September 1989 and July 1993, the Company received two ITS Monitor Awards for Special Achievement in Engineering Excellence for its digital video signal processing equipment. The United States list price of the Company's digital video signal processing equipment ranges from $4,000 to $30,000, depending on model and selected features.

Virtual Set Production Tools

The ELSET Virtual Set is designed to enable content creators to create virtual sets utilizing standard 2D and 3D painting, modeling and animation tools and to combine these virtual sets with live actors in real time. The ELSET Virtual Set combines the virtual world and the real world to create the illusion that the actors are a part of the virtual set. Thus, content creators are able to achieve greater artistic control over the environments in which content is developed. Traditional physical sets can be replaced by virtual sets that appear realistic and can be readily altered.

The Company believes that the ELSET Virtual Set will enable content producers and the organizations that service such producers to leverage their investments in existing studio infrastructures. Content producers can utilize the same virtual set in different studios and quickly load new sets to alter the appearance of the set. The Company believes that by implementing the ELSET Virtual Set, these professionals will be able to greatly increase the amount of content that can be produced in their existing studios and substantially reduce the labor and storage costs associated with traditional physical sets. The Company anticipates that the ELSET Virtual Set will be used primarily in the production of news and sports broadcasts, news magazines, music videos, video games and talk shows.

The ELSET Virtual Set currently operates on an Onyx and can be configured to accommodate one or two live video streams. To broadcast a virtual set, content creators will also require equipment such as cameras, camera control heads and video keyers, which are not provided by the Company but are readily available from a variety of sources. Content creators construct virtual sets using 3D modeling tools and apply textures to these models utilizing scanned-in images or 2D paint systems. 3D modeling tools and 2D paint systems are readily available from a variety of sources, including Wavefront Technologies, Inc. and Alias Research, Inc. (each of which is a subsidiary of SGI), SOFTIMAGE Inc. ("SOFTIMAGE"), a subsidiary of Microsoft Corporation ("Microsoft") , Adobe Systems, Inc., Parallax Graphics, Inc., Quantel Ltd. and Autodesk, Inc. Once textures are applied to the 3D models, lighting is applied utilizing a

third-party lighting package included with the ELSET Virtual Set. The virtual set is then rendered and stored for later use in production.

Accom offers the ELSET Virtual Set as a complete system, including the ELSET software, the Onyx and interfaces to third-party video equipment. The

Company also offers a software only option for users that purchase or already own the necessary SGI hardware. The Company's United States list price for the full ELSET Virtual Set ranges from approximately $675,000 to $1.2 million, depending on features, and the United States list price of the software only option ranges from $275,000 to $400,000, depending on the number of video streams and other features. Actual net prices to the Company of these systems will likely be much less than list prices due to pending delivery of the Onyx 2, the successor to the Onyx, from SGI, competition and other factors.

Customers and Applications

The primary end users of the Company's products are production, post-production, broadcast and cable companies and studios. No customer accounted for more than 10.0% of the Company's total revenues during fiscal 1996.

Marketing, Sales and Service

The Company markets its products to the high-end production, post-production and distribution markets and sells its products through a combination of its direct sales force and indirect distribution channels. The Company markets its products at major trade shows for the broadcast and computer graphics industries. The Company also initiates special direct mail and advertising campaigns prior to certain trade shows and regularly advertises in industry trade journals.

In the United States, the Company markets its products at trade shows such as those held by NAB and ACM SIGGRAPH. The Company conducts domestic direct sales through employees based in New Jersey, Chicago and Los Angeles, and uses independent representatives to market its products in geographic areas that are not served by its direct sales organization. The Company utilizes an additional sales channel of 24 distributors for its WSD/Xtreme product line to more effectively reach the independent dealers and VARs that integrate workstations, software and peripheral devices.

Outside the United States, the Company markets its products at trade shows such as those held by the International Broadcast Conference in Europe and the InterBee in Japan. The Company sells its products through a network of 59 distributors that cover 59 countries, 13 of which distribute only the WSD/Xtreme product line. During fiscal 1996, 1995, and 1994 the Company generated 38.2%, 51.1%, and 46.9%, respectively, of its net sales from customers in markets outside of the United States. The Company maintains an office in Reading, England to manage and support the Company's distributors in Europe, Africa and Middle East. The Company manages and supports its international distributors in the Americas, the Pacific and Asia through its corporate headquarters in Menlo Park, California.

The Company provides technical support and training to its customers directly and through its distributors and maintains a technical support group in its Menlo Park facility.

The Company generally ships its products within 30 days after acceptance of a customer purchase order. The Company does not believe that its backlog at any particular point in time is material or indicative of future revenue levels.

Research and Development

The Company's research and development efforts currently are focused on the development of product enhancements and new products for its on-line editor, digital video disk recorder and virtual set product lines. The Company's engineering staff consists of software and hardware engineers and other support personnel. As of September 30, 1996, the Company employed 29 people in its research and development organization, of which approximately 16 professionals are focused on software development. During fiscal 1996, 1995 and 1994, the Company's research and development expenses were approximately $3.9 million, $3.8 million, and $3.4 million, respectively. Expenses in fiscal 1995 do not include amounts related to virtual set system research and development, which was being conducted through ELSET GmbH, and was acquired only shortly before the end of fiscal 1995; however, the Company incurred a charge of approximately $10.8 million for acquired in-process technology in fiscal 1995. The Company believes that its success will depend in part upon its ability to enhance its existing products and to develop and introduce new products and features to incorporate new technologies and meet changing customer requirements and emerging industry standards on a timely and cost-effective basis. Accordingly, the Company currently intends to continue to increase expenditures for research and development activities.

Manufacturing and Suppliers

The Company manufactures its systems at its facility in Menlo Park, California. The Company's manufacturing operation consists primarily of the testing of subassemblies and components purchased from third parties, the duplication of software and the configuration, assembly and testing of complete systems. The Company relies on independent contractors to manufacture certain systems, components and subassemblies in accordance with the Company's specifications. Each of the Company's products undergoes testing and quality inspection during the final assembly stage.

Under a supply agreement with the Company dated June 30, 1995 (the "SGI Agreement"), SGI agreed to supply the Onyx and certain enhancements on a non-exclusive basis to the Company for one year, after which the parties may mutually agree to extend this agreement for subsequent one-year terms. SGI and the Company have not formally renewed this agreement, but are operating under the original terms on an interim basis. Under the SGI Agreement, the Company is required to make a minimum dollar level of Onyx purchases and to use its best efforts to market the Onyx at or above an annual volume level; the Company's success in meeting this annual marketing volume level determines the prices the Company pays for the Onyx. There can be no assurance that the SGI Agreement will be extended or that the Company will be able to obtain sufficient quantities of the Onyx or any successor platform to the Onyx or that the

Company will be able to satisfy the purchase and marketing requirements under the SGI Agreement. Financial, market or other developments adversely affecting SGI could have an adverse effect on its ability to supply the Company with the Onyx or enhancements or upgrades to the Onyx and, consequently, upon the Company's business, financial condition and results of operations. If the Company were unable to obtain sufficient quantities of the Onyx or successor platforms, or certain key enhancements or upgrades, on a timely basis or on a commercially reasonable terms, or experienced defects or performance, compatibility or reliability problems with the Onyx or successor platforms, sales of the ELSET Virtual Set and, therefore, the Company's business, financial condition and results of operations would be materially and adversely affected.

The Company is dependent on sole source suppliers for certain key components and parts used in its products. The Company purchases sole source components in some product lines pursuant to purchase orders placed from time to time, does not carry significant inventories of these components and has no long-term supply arrangements. Financial, market or other developments adversely affecting sole source suppliers could have an adverse effect on its ability to supply the Company with components and, consequently, upon the Company's business, financial condition and results of operations. In addition, the Company and certain of its suppliers subcontract the manufacture of certain systems, components and subassemblies to third parties. While the timeliness and quality of deliveries to date from the Company's suppliers and assemblers have been acceptable, there can be no assurance that supply or assembly problems will not occur in the future. While the Company believes that alternative sources for these components or services could be arranged, the process of qualifying new suppliers or assemblers could be lengthy, and there can be no assurance that any additional sources would be available to the Company on a timely basis or at a cost acceptable to the Company. Any disruption or reduction in the future supply of any key components currently obtained from a single or limited source could have a material adverse effect on the Company's business, financial condition and results of operations.

Competition

The video production, post-production and distribution equipment markets are highly competitive and are characterized by rapid technological change, frequent new product introductions, short product lives, evolving industry standards and significant price erosion over the life of a product. The Company anticipates increased competition in these markets from both existing vendors and new market entrants. The Company believes that the primary competitive factors in the high-end market are feature availability, quality, price, ease of use, compatibility with other manufacturers' products, ability to provide complete systems, continued introduction of new products and product enhancements, customer service and support and distribution. The Company believes that it competes favorably in the high-end segment of the video production, post-production and distribution market with respect to most of these factors.

In the digital on-line video editor and digital video disk recorder market, the Company has to date encountered competition primarily from a limited number of comparably-sized companies as well as larger vendors such as Sony Corporation ("Sony"), Abekas Video Systems, Inc. (a subsidiary of Scitex Corporation Ltd.) ("Abekas"), The Grass Valley Group (a subsidiary

of Tektronix, Inc.) ("Grass Valley"), and Avid Technology, Inc. ("Avid"). Each of these larger companies has substantially greater financial, technical, marketing, sales and customer support resources, greater name recognition and larger installed customer bases than the Company. As the Company continues to broaden its lower-priced on-line video editor and digital video disk recorder product lines, the Company anticipates that it will encounter increased competition, including from these larger vendors.

The digital news graphics and clip server market is an emerging market. The Company currently is encountering competition from established video companies such as Quantel Ltd. (a subsidiary of Carlton Communications plc) ("Quantel"), Leitch Technology Corporation ("Leitch") and Pinnacle Systems, Inc. ("Pinnacle"). In addition, certain established computer and electronics companies are currently offering or have announced their intentions to offer products or solutions that compete with the Axess. These companies include Hewlett-Packard Co. ("Hewlett-Packard") and Sony, through a collaboration with Oracle Corporation ("Oracle"). In addition, the Company expects that existing vendors and new market entrants will develop products that will compete directly with the Axess and that competition will increase significantly as the market for digital news graphics and clip servers develops. Many of the Company's current and potential competitors have substantially greater financial, technical, marketing, sales and customer support resources, greater name recognition and larger installed customer bases than the Company.

The virtual set system market is also an emerging market. The Company competes with Discreet Logic, Inc. ("Discreet Logic"), RT-SET Ltd. (a subsidiary of BVR Technologies Ltd., an Israeli corporation), ORAD (an Israeli corporation) and privately-held companies such as Brainstorm (a Spanish company). The Company expects that competition will increase significantly as the market for virtual set systems develops. In addition, certain established software and computer companies such as SGI, which have substantially greater financial, technical, marketing, sales and customer support resources than the Company, may acquire or develop virtual set technology and compete with the Company.

Increased competition in any of the Company's markets could result in price reductions, reduced margins and loss of market share, all which would materially and adversely affect the Company's business, financial condition and results of operations. There can be no assurance that the Company will be able to compete successfully against current or future competitors.

Proprietary Rights and Licenses

Proprietary Rights

The Company's success and ability to compete is dependent in part upon its proprietary technology. The Company relies on a combination of patent, trade secret, copyright and trademark law, nondisclosure agreements and other intellectual property methods to protect its technology. The Company's products are generally sold pursuant to purchase and license agreements that contain terms and conditions restricting unauthorized disclosure or reverse-compiling of the proprietary software embodied in the products. The Company has been issued seven United States patents, six foreign patents and has applications pending for two additional

patents in the United States. The Company is also pursuing patent applications in certain foreign countries. There can be no assurance that any of the

Company's currently pending patent applications or future applications will be granted in full or in part or that claims allowed will be sufficiently broad to protect the Company's technology. The Company also owns certain registered trademarks in the United States and has one pending foreign trademark application. Although the Company relies to a great extent on trade secret protection for much of its technology, and has obtained written confidentiality agreements from all of its key employees, consultants and vendors, there can be no assurance that third parties will not either independently develop the same or similar technology, obtain unauthorized access to the Company's proprietary technology or misuse the technology to which the Company has granted access.

There has been substantial industry litigation regarding patent, trademark and other intellectual property rights involving technology companies. In the future, litigation may be necessary to enforce any patents issued to the Company, to protect trade secrets, trademarks and other intellectual property rights owned by the Company, to defend the Company against claimed infringement of the rights of others and to determine the scope and validity of the proprietary rights of others. The Company is not aware of any stated claims against it regarding intellectual property rights. Any litigation arising out of such claims could result in substantial cost and diversion of resources and could have a material adverse effect on the Company's business, financial condition and results of operations. Adverse determinations in such litigation could result in the loss of the Company's proprietary rights, subject the Company to significant liabilities, require the Company to seek licenses from third parties or prevent the Company from manufacturing or selling its products, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company believes that, due to the rapid proliferation of new technology in the industry, legal protection through means such as the patent and copyright laws will be less influential on the Company's ability to compete than such factors as the creativity of its development staff and its ability to develop new products and markets and to service its customers.

The laws of certain foreign countries treat the protection of proprietary rights differently from those in the United States, and in many cases the protection afforded by such foreign laws is weaker than in the United States.

ELSET Acquisition

Development of the ELSET Virtual Set was initiated by Video Art Production GmbH ("VAP"), and all title and rights to the ELSET Virtual Set were contributed to ELSET GmbH when ELSET GmbH was formed as a joint venture by the Company and VAP in December 1994. Through its wholly-owned subsidiary, Accom Virtual Studio, Inc. ("AVS"), the Company owns 100% of the outstanding shares of ELSET GmbH. In connection with the completion of the acquisition of 100% of the outstanding shares of ELSET GmbH in September 1995 (the "ELSET Acquisition"), the Company incurred a charge of approximately $10.8 million for acquired in-process technology in fiscal 1995.

Although all title and rights to the ELSET Virtual Set were contributed to ELSET GmbH when it was formed as a joint venture by the Company and VAP, VAP has certain obligations under a December 1991 contract with the Commission of the European Communities entitled "Mona Lisa -- Modeling Natural Images of Synthesis and Animation" (the "Mona Lisa Contract"). In particular, materials developed pursuant to the Mona Lisa Contract must be shared with all members of the consortium of companies that contribute to the Mona Lisa project (the "Mona Lisa Consortium") for such members' research and development purposes. However, pursuant to the Mona Lisa Contract, the materials need not be shared with other members of the Mona Lisa Consortium if such sharing opposes the major business interests of the developer or the products covered by such materials are about to become commercially available. It is possible that the ELSET Virtual Set in the form in which it was contributed to ELSET GmbH by VAP could be deemed to have been developed pursuant to the Mona Lisa Contract. Even if this is found to be the case, the Company believes that since the ELSET Virtual Set is about to become commercially available, the earlier version need not be shared with other members of the Mona Lisa Consortium. However, there can be no assurance that the Mona Lisa Contract would not be interpreted to require VAP to share the earlier version. Although the Company believes that the development work that has been undertaken since the contribution of the ELSET Virtual Set to ELSET GmbH would make it difficult for a member of the Mona Lisa Consortium to duplicate the

ELSET Virtual Set, if such sharing is required, there can be no assurance that members of the Mona Lisa Consortium, acting alone or in concert, would not be able to use the shared technology to develop, market and sell a competitive virtual set system. In such event, the Company's business, financial condition and results of operations would be materially adversely affected. It is also possible that VAP has granted to the other members of the Mona Lisa Consortium the right to use the trademark "ELSET." Therefore, there can be no assurance that the ELSET GmbH will be able to claim the exclusive right to use this trademark, which could have a material adverse effect on the value of such trademark to the Company.

Employees

On September 30, 1996, the Company had 83 full-time employees, including 29 in research and development, 26 in marketing, sales and support, 20 in manufacturing and 8 in finance and administration. The Company's success will depend in large part on its ability to attract and retain qualified personnel, who are in great demand throughout the industry. None of the Company's employees is represented by a labor union. The Company believes that its employee relations are good.

Additional Factors That May Affect Future Results

The company desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Specifically, the Company wishes to alert readers that the following important factors, as well as other factors, could in the future affect, and in the past have affected, the Company's actual results and could cause the Company's results for future years or quarters to differ materially from those expressed in any forward looking statements made by or on behalf of the Company.

Uncertainty as to Development and Market Acceptance of ELSET Virtual Set. The Company's ability to achieve revenue growth and profitability in fiscal 1997 and subsequent years is dependent to a significant degree upon the successful development and market acceptance of its ELSET Virtual Set, a prototype of which was introduced at the April 1995 NAB convention and the first commercial shipments of which were made in March 1996. The ELSET Virtual Set is still being further developed with respect to certain key features, including a user interface, the movement of cameras in the set and porting to the new SGI Onyx 2 platform . There can be no assurance that the Company will be able to successfully complete these developments of the ELSET Virtual Set in a timely manner. The failure to complete the development of the ELSET Virtual Set successfully and in a timely manner would have a material adverse impact on the Company's business, financial condition and results of operations. In addition, the ELSET Virtual Set represents a new approach to studio set creation, and its commercial success will depend on the rate at which potential end users transition from the use of traditional physical sets to virtual sets and whether this transition occurs at all. A potential end user's decision to purchase an ELSET Virtual Set will depend on many factors that are difficult to predict. For example, the ELSET Virtual Set is based to a significant extent on new technology, including continuing enhancements to the Onyx. Therefore, potential end users such as broadcasters may be reluctant to purchase the ELSET Virtual Set, especially for mission-critical functions, until the ELSET Virtual Set's reliability in real time use has been demonstrated. In addition, a potential end user's decision to purchase the ELSET Virtual Set may be subject to SGI's timing of shipments of the Onyx and SGI's announcement of enhancements to the Onyx. The current U.S. list price for the ELSET Virtual Set, including the Onyx, ranges from approximately $675,000 to over $1.2 million, depending on the desired functionality. The Company expects that these prices will be less once the new Onyx 2 platform from SGI is available. Potential end users may therefore be unwilling to incur the significant cost of converting from physical sets to the ELSET Virtual Set. Although the Company currently anticipates that broadcasters and post-production facilities will be the primary end users of virtual set systems, the Company has not conducted any formal market surveys to determine the potential market for and acceptance of the ELSET Virtual Set. The Company expects that sales of the ELSET Virtual Set will entail a longer sales cycle than with the Company's other products. Although the Company made its first commercial shipments of the ELSET Virtual Set in March 1996, there can be no assurance that a significant market for virtual set systems will develop or that the Company will be able to successfully market the ELSET Virtual Set over time. If this market development does not occur or occurs over an extended period, or if the ELSET Virtual Set does not achieve market acceptance, the Company's business, financial condition and results of operations will be materially and adversely affected.

Potential Fluctuations in Operating Results. The Company incurred a net loss of $916,000 for fiscal 1996. The Company also incurred a net loss of $10.8 million in fiscal 1995, primarily as a result of a charge of approximately $10.8 million for acquired in-process technology. There can be no assurance that the Company will be profitable on a quarterly or annual basis in the future. The Company's quarterly operating results have in the past fluctuated and may fluctuate significantly in the future depending on such factors as the timing and shipment of significant orders, new product introductions and changes in pricing policies by the Company and its competitors, the timing and market acceptance of the Company's new products

and product enhancements, particularly the ELSET Virtual Set, the Company's product mix, the mix of distribution channels through which the Company's products are sold, the Company's inability to obtain sufficient supplies of sole or limited source components for its products and charges related to refocusing and streamlining operations. In response to competitive pressures or new product introductions, the Company may make certain pricing changes or other actions, such as restructuring the product lines, that could materially and adversely affect the Company's operating results. In addition, new product introductions by the Company could contribute to quarterly fluctuations in operating results as orders for new products commence and orders for existing products decline. The Company believes that its net sales generally will decrease in the second quarter of each fiscal year as compared to the prior quarter (as occurred in the second quarter of fiscal 1996) due to decreased expenditures in the post-production market during that period and delayed customer purchasing decisions in anticipation of new product introductions by the Company and others at the annual NAB convention.

The Company currently anticipates that a number of factors will cause its gross margins to decline in future periods from current levels. The Company believes that the market for on-line video editors and digital video disk recorders will continue to mature and, therefore, that the gross margins the Company derives from sales of these products will decline in future periods. The Company intends to increase its sales of lower-margin on-line video editor and digital video disk recorder products in the future as it pursues the strategy of broadening its lower-priced product lines. Furthermore, as the Company expands its indirect sales channels, its gross margins will be negatively impacted because of discounts associated with sales through these channels. In addition, the Company currently anticipates that revenues from sales of the ELSET Virtual Set will positively impact the Company's net sales but negatively impact its gross margins because a significant portion of ELSET Virtual Set sales are expected to be the resale of the Onyx, which generates lower gross margins than sales of the Company's products.

The Company's expense levels are based, in part, on its expectations of future revenues. In particular, the Company expects to incur significant expenses in connection with the further development and marketing of the ELSET Virtual Set. The Company may therefore be required to incur significant expenses to support continuing development and marketing of the ELSET Virtual Set. Many of the Company's expenses are relatively fixed and cannot be changed in short periods of time. Because a substantial portion of the Company's revenue in each quarter frequently results from orders booked and shipped in the final month of that quarter, revenue levels are extremely difficult to predict. If revenue levels are below expectations, net income will be disproportionately affected because only a small portion of the Company's expenses varies with its revenue during any particular quarter. In addition, the Company typically does not have material backlog as of any particular date.

As a result of the foregoing factors and potential fluctuations in operating results, the Company believes that its results of operations in any particular quarter should not be relied upon as an indicator of future performance. In addition, in some future quarter the Company's operating results may be below the expectations of public market analysts and investors. In such event, the price of the Company's Common Stock would likely be materially and adversely affected.

Dependence on Silicon Graphics, Inc. The ELSET Virtual Set currently operates only on the Onyx. Under its agreement with the Company (the "SGI Agreement"), SGI has agreed to supply the Onyx and certain enhancements to the Company for one year, after which the parties may mutually agree to extend this agreement for subsequent one-year terms. SGI and the Company have not formally renewed this agreement, but are operating under the original terms on an interim basis. Although the Company expects to renew this agreement under similar terms, there can be no assurance that such renewal will occur. Under the SGI Agreement, the Company is required to make a minimum dollar level of Onyx purchases and to use its best efforts to market the Onyx at or above an annual volume level. There can be no assurance that the SGI Agreement will be extended or that the Company will be able to obtain sufficient quantities of the Onyx or any successor platform to the Onyx or that the Company will be able to satisfy the purchase and marketing requirements under the SGI Agreement. Financial, market or other developments adversely affecting SGI could have an adverse effect on its ability to supply the Company with the Onyx or enhancements or upgrades to the Onyx and, consequently, upon the Company's business, financial condition and results of operations. If the Company were unable to obtain sufficient quantities of the Onyx or successor platforms, or certain key enhancements or upgrades, on a timely basis or on commercially reasonable terms, or experienced defects or performance, compatibility or reliability problems with the Onyx or successor platforms, sales of the ELSET Virtual Set and, therefore, the Company's business, financial condition and results of operations would be materially and adversely affected.

Rapid Technological Change; Product Development. The market for the Company's products is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. The Company's success will depend in part upon its ability to enhance its existing products and to develop and introduce new products and features to incorporate new technologies and meet changing customer requirements and emerging industry standards in a timely and cost-effective manner. The Company is currently developing new products and product enhancements for its ELSET Virtual Set, on-line video editor and digital video disk recorder product lines. There can be no assurance that the Company will be successful in developing, manufacturing and marketing these or other new products and product enhancements, that the Company will not experience difficulties that delay or prevent the successful development and introduction of these products and enhancements or that the Company's new products and product enhancements will achieve market acceptance. The Company's business, financial condition and results of operations would be materially and adversely affected if the Company were to experience delays in developing new products or product enhancements or if these products or enhancements did not gain market acceptance. In addition, the introduction of products embodying new technologies or the emergence of new industry standards can render existing products unmarketable. There can be no assurance that products or technologies developed by others will not render the Company's products non-competitive or obsolete. In such case, the Company's business, financial condition and results of operations would be materially and adversely affected.

The introduction of new products or product enhancements with reliability, quality or compatibility problems can result in reduced or delayed sales, delays in collecting accounts receivable or additional service and warranty costs. In the past, the Company has delivered certain new products to customers prematurely, and, as a result, such products have contained

performance deficiencies. For example, in the first half of fiscal 1995, the Company first delivered its Axess (formerly known as Brontostore) to certain customers. The Company experienced technical problems with the introduction of Axess, including delays in delivering additional functionality when originally requested by these customers. Similarly, the software component of the Company's products, particularly the ELSET Virtual Set, may contain errors that may be detected at any point in the product's life cycle, including after product introduction. For example, the Company has from time to time needed to update the software for its products to address performance problems. The Company expects the software content of its products to increase in the future. There can be no assurance that the Company will not experience delays and software or hardware related technical problems in its current and future efforts to develop products and product enhancements. Any such delays or problems could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on Key Personnel. The Company's success depends in large part on the continued service of its key technical and senior management personnel and on its ability to attract, motivate and retain highly qualified employees. None of the Company's key technical and senior management personnel is bound by an employment agreement or an agreement not to compete with the Company following termination of employment. Competition for highly qualified employees is intense, and the process of identifying and successfully recruiting personnel with the combination of skills and attributes required to execute the Company's strategies is often lengthy. Accordingly, the loss of the services of key personnel could have a material adverse effect upon the Company's research and development efforts and on its business, financial condition and results of operations. There can be no assurance that the Company will be successful in retaining its key technical and management personnel and in attracting and retaining the personnel it requires for continued growth. The Company has key person life insurance covering certain of its management personnel.

Management of Growth. The Company's long-term success will depend in part on its ability to manage growth, both domestically and internationally. In addition, the Company will be required to enhance its operational, management information and financial control systems. The Company may be required at some point to recruit a substantial number of qualified employees to continue the development and marketing of the ELSET Virtual Set. To support growth, the Company will be required to increase the personnel in its sales, marketing and customer support departments. If the Company is unable to hire a sufficient number of employees with the appropriate levels of experience to increase the capacity of these departments in a timely manner, or if the Company is unable to effectively manage its growth, the Company's business, financial condition and results of operations could be materially and adversely affected.

International Operations. In the fiscal 1996 and 1995, international sales accounted for 38.2% and 51.1%, respectively, of the Company's total net sales. The Company expects that international sales will continue to represent a significant portion of its net sales in the future. The Company's results of operations may be adversely affected by fluctuations in exchange rates, difficulties in collecting accounts receivable, tariffs and difficulties in obtaining export licenses. Although the Company's sales are currently denominated in U.S. dollars, future international sales of the ELSET Virtual Set may result in foreign currency denominated sales. Gains and losses on the conversion to U.S. dollars of receivables and payables arising from international

operations may contribute to fluctuations in the Company's results of operations. In addition, international sales are primarily made through distributors and result in lower gross margins than direct sales. Moreover, the Company's international sales may be adversely affected by lower sales levels that typically occur during the summer months in Europe and other parts of the world. International sales and operations are also subject to risks such as the imposition of governmental controls, political instability, trade restrictions and changes in regulatory requirements, difficulties in staffing and managing international operations, generally longer payment cycles and potential insolvency of international dealers. There can be no assurance that these factors will not have a material adverse effect on the Company's future international sales and, consequently, on the Company's business, financial condition and results of operations.

Dependence on Distributors. The Company derives a majority of its revenues from sales through distributors. The Company depends on distributors for substantially all of its international sales. The loss of certain of these distributors could have a material adverse effect on the Company. Certain of the Company's distributors also act as distributors for competitors of the Company and could devote greater effort and resources to marketing competitive products. Because the Company's products are sold to high-end video professionals, effective distributors must possess sufficient technical, marketing and sales resources and must devote these resources to a lengthy sales cycle and subsequent customer support. There can be no assurance that the Company's current distributors will be able to continue to market and support the Company's existing products effectively or that economic conditions or industry demand will not adversely affect such distributors. The markets for new products such as the ELSET Virtual Set and digital video disk based servers require a different marketing, sales, distribution and support strategy than markets for the Company's other products. In addition, the Company currently intends to expand its existing indirect sales channels to implement its strategy of broadening its lower-priced on-line video editor and digital video disk recorder product lines. There can be no assurance that the Company's distributors will choose or be able to effectively market and support these new products or to continue to market the Company's existing products. A failure of the Company's distributors to successfully market and support the Company's products would have a material adverse effect on the Company's business, financial condition and results of operations.

Substantial Control by Existing Stockholders; Effect of Certain Anti-Takeover Provisions. As of December 16, 1996, the Company's executive officers and directors, and their affiliates, beneficially own approximately 45% of the Company's outstanding Common Stock. As a result, the Company's executive officers and directors and their affiliates will be able to exercise significant influence over the Company and its business and affairs as well as over the election of directors, regardless of how other stockholders of the Company may vote. Furthermore, acting together, such stockholders may be able to block any change in control of the Company. In addition, the Board of Directors has the authority to issue up to 2,000,000 shares of undesignated Preferred Stock and to determine the rights, preferences, privileges and restrictions of such shares without further vote or action by the Company's stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely effected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock could have the effect of making it more difficult for third parties to acquire a majority of the outstanding voting stock of the Company. In September 1996, the Company's Board of Directors adopted a

stockholder rights plan, which entitles existing stockholders of the Company to certain rights (including the right to purchase shares of Preferred Stock) in the event of the acquisition of 15% or more of the Company's outstanding common stock, or an unsolicited tender offer for such shares. The existence of the rights plan could delay, prevent, or make more difficult a merger, tender offer or proxy contest involving the Company. Further, certain provisions of the Company's Amended and Restated Certificate of Incorporation and Bylaws and of Delaware law could delay or make difficult a merger, tender offer or proxy contest involving the Company.

Possible Volatility of Stock Price. The Company's stock price may be subject to significant volatility, particularly on a quarterly basis. Any shortfall in revenue or earnings from levels expected by securities analysts or others could have an immediate and significant adverse effect on the trading price of the Company's common stock in any given period. Additionally, the Company may not learn of, or be able to confirm, revenue or earnings shortfalls until late in the fiscal quarter or following the end of the quarter, which could result in an even more immediate and adverse effect on the trading of the Company's common stock. Finally, the Company participates in a highly dynamic industry, which may result in significant volatility of the Company's common stock price.

Item 2. Properties

The Company's principal offices are located in Menlo Park, California and consist of approximately 30,000 square feet under a lease that expires in February 1997. The Company is currently in negotiations with its landlord and expects to renew the lease. The Company occupies a sales office in Reading, England under a tenancy agreement that is renewable every 90 days. The Company believes that its existing facilities are adequate to meet its requirements for the near term and that additional space will be available on commercially reasonable terms if needed.

Item 3. Legal Proceedings

There is no material legal proceeding to which the Company is a party or to which any of its properties are subject. No material legal proceedings were terminated in the year ended September 30, 1996.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Executive Officers of the Company
<TABLE>

The executive officers of the Company, and their ages as of December 31, 1996, are as follows:

<CAPTION>

Name	Age	Position(s)
<S>	<C>	<C>
Junaid Sheikh....................	43	Chairman of the Board, President and Chief Executive Officer
Robert L. Wilson.................	42	Executive Vice President, Chief Operating Officer, Chief Financial Officer and Director
Ian Craven.......................	42	Senior Vice President, Engineering
Paul G. Hansil...................	52	Senior Vice President, Sales and Marketing
Lance E. Kelson..................	35	Vice President,Virtual Studios
Donald W. Petersen...............	51	Vice President, Manufacturing

</TABLE>

Junaid Sheikh has served as the Chairman of the Company's Board of Directors since June 1988 and as the Company's President and Chief Executive Officer since November 1991. Mr. Sheikh was also the President and Chairman of the Board of Directors of Axial Systems Corporation ("Axial"), a maker of on-line editing systems, from May 1990 to October 1991.

Robert L. Wilson has served as Executive Vice President, Chief Operating Officer and Chief Financial Officer of the Company since joining the Company in May 1994 and has served on the Company's Board of Directors since April 1995. From March 1991 to April 1994, Mr. Wilson served as President and Chief Executive Officer of Grass Valley, which provides video systems to the high-end production post-production and broadcast market. From March 1989 to March 1991, Mr. Wilson was a Vice President of the Merchant Banking Group of Wasserstein Perella & Co., Inc. ("Wasserstein Perella"), an investment bank; in that capacity, he was Chief Financial Officer and a director of the Wickes Companies, which was an affiliate of Wasserstein Perella.

Ian Craven has served as Senior Vice President, Engineering since the merger of Axial with and into the Company in October 1991. From October 1991 to April 1995 he also served as a director of the Company. From February 1990 to October 1991, Mr. Craven served as Vice President of Engineering and a director of Axial, which he co-founded.

Paul G. Hansil has served as Senior Vice President, Sales and Marketing of the Company since March 1995. From January 1992 to March 1995, Mr. Hansil was with Crawford Communications, Inc., a diversified media production and post-production company, serving initially as Vice President of Business Development and then as Executive Vice President. From November 1990 to January 1992, Mr. Hansil was Senior Vice President of Quantel, a digital video systems manufacturer. From May 1987 to November 1990, Mr. Hansil served as Regional Sales Manager and as Vice President of Sales and Marketing for Abekas, a digital video systems manufacturer.

Lance E. Kelson has served as Vice President, Virtual Studios since July 1996 and Vice President of Product Planning of the Company from October 1994 through June 1996. From October 1991 to October 1994, Mr. Kelson served as Vice President of Marketing. In January 1990, Mr. Kelson co-founded Axial and served as Vice President of Marketing until the merger of Axial with and into the Company in October 1991.

Donald W. Petersen has served as Vice President, Manufacturing of the Company since April 1990.

Each executive officer serves at the sole discretion of the Board of Directors.

PART II

Item 5. Market for the Registrant's Common Stock and Related Shareholder

Matters

The Company's Common Stock has been traded on the Nasdaq National Market under the symbol ACMM since the effective date of the Company's initial public offering on September 26, 1995. Prior to the initial public offering, no public market existed for the Common Stock. The price per share reflected in the table below represents the range of low and high closing sale prices for the Company's Common Stock as reported in the Nasdaq National Market for the quarters indicated.

Fiscal Year ended September 30, 1996	High	Low
First Quarter...............................	$9.75	$6.25
Second Quarter..............................	$7.75	$5.00
Third Quarter...............................	$5.63	$2.38
Fourth Quarter..............................	$4.25	$1.00

Fiscal Year ended September 30, 1995	High	Low
Fourth Quarter ended September 30, 1995 (from September 26, 1995)...................	$9.50	$8.00

The Company had approximately 95 stockholders of record as of December 16, 1996, including several holders who are nominees for an undetermined number of beneficial owners.

The Company has never paid cash dividends on its capital stock. The Company currently anticipates that it will retain all available funds for use in the operation and expansion of its business, and does not anticipate paying any cash dividends in the foreseeable future. However, the Board of Directors of the Company will review the dividend policy periodically to determine whether the declaration of dividends is appropriate.

Item 6. Selected Consolidated Financial Data

The following table presents selected consolidated financial data of the Company. This historical data should be read in conjunction with the attached consolidated Financial Statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in Item 7 of this Form 10-K. In addition, in order to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company hereby notifies readers that the factors set forth above in Item 1 under "Additional Factors That May Affect Future Results," as well as other factors, could in the future affect, and in the past have affected, the Company's actual results and could cause the Company's results for future periods to differ materially from those expressed in any forward looking statements made by or on behalf of the Company, including without limitation those made in the discussion set forth in Item 7 below.
<TABLE>

Selected Consolidated Financial Data
(in thousands, except per share data)

<CAPTION>

	Fiscal Year Ended September 30,				
	1992	1993	1994	1995(1)	1996
<S>	<C>	<C>	<C>	<C>	<C>
Consolidated Statement of Operations Data:					
Net sales..........................	$8,533	$12,230	$18,034	$21,312	$21,408
Gross margin.......................	5,401	6,927	9,591	11,175	10,398
Operating income (loss)............	972	1,254	1,428	(10,792)	(1621)
Net income (loss)..................	665	909	918	(10,840)	(916)
Net income (loss) per share(2)......	0.15	0.21	0.20	(3.85)	(0.14)
Shares used in computing net income (loss) per share(2)...	4,364	4,392	4,660	2,816	6,439

Fiscal Year Ended September 30,

	1992	1993	1994	1995	1996
Balance Sheet Data:					
Working capital....................	$3,210	$3,809	$4,522	$12,220	$11,171
Total assets.......................	6,075	8,169	10,111	19,712	17,279
Long-term obligations..............	--	--	--	83	24
Total stockholders' equity.........	$3,796	$4,731	$5,650	$13,679	$12,952

<FN>

----

(1) Reflects a charge of approximately $1.7 million in the second quarter and $9.02 million in the fourth quarter of fiscal 1995 for acquired in-process technology.

(2) Computed on the basis described in Note 1 of Notes to Consolidated Financial Statements.

</FN>
</TABLE>

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Accom designs, manufactures, markets and supports digital video systems for the high-end production, post-production and broadcast markets. The Company was incorporated in December 1987 and began shipments of its digital signal processing products in fiscal 1988. In

November 1991, the Company merged with Axial Systems Corporation ("Axial"), a developer of digital on-line editing systems. The first shipments of the Company's Axial(R) 2020 Visual On-Line Editing System ("Axial 2020") and RTD 4224 digital video disk recorder (the "RTD") occurred in fiscal 1992. The first shipments of the Company's Brontostore(TM) news graphics and clip server (the "Brontostore", renamed "Axess" in April 1996) and the Company's lower cost Axial 2010 On-Line Editing System ("Axial 2010") and WSD(R) Work Station Disk Recorder (the "WSD") occurred in fiscal 1994. In January 1995, the Company began shipping the WSD(R)/XL Work Station Disk Recorder ("WSD/XL") , in June 1996 began shipping the WSD(R)/XLS and in September 1996 began shipping the WSD(R)/Xtreme.

In September 1995, the Company increased its ownership interest in ELSET Electronic-Set GmbH, a German limited liability company ("ELSET GmbH"), to 100% for approximately $7.6 million in cash, funded with a portion of the proceeds of the Company's initial public offering (the "ELSET Acquisition"). At the April 1995 National Association of Broadcasters ("NAB") convention, the Company introduced a prototype of the ELSET(TM) virtual set system (the "ELSET Virtual Set"), which operates on a Silicon Graphics, Inc. ("SGI") Onyx(TM) Reality Engine2 or OnyxTM Infinite Reality workstation (an "Onyx"). The Company shipped its first ELSET Virtual Set in the second quarter of fiscal 1996. See "Additional Factors That May Affect Future Results" above.

The Company's gross margin has historically fluctuated from quarter to quarter and declined on an annual basis. As the Company begins to resell the Onyx as part of the ELSET Virtual Set, gross margins may decline. In the future, gross margins will be dependent on the mix of higher and lower-priced products and the percentage of sales made through direct and indirect distribution channels.

The Company's revenues are currently derived primarily from product sales. The Company generally recognizes revenue upon product shipment. If significant obligations exist at the time of shipment, revenue recognition is deferred until obligations are met. Beginning in the second quarter of fiscal 1996, the Company's revenues included revenues from licensing of ELSET software. In the fourth quarter of 1996, revenues also included the resale of SGI Onyxs.

Software development costs are recorded in accordance with Statement of Financial Accounting Standards No. 86. To date, the Company has expensed all of its software development costs.

Results of Operations

<TABLE>

The following table sets forth, for the periods indicated, certain consolidated statement of operations data as a percentage of net sales:
<CAPTION>

	Fiscal Year Ended September 30,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Net sales	100.0%	100.0%	100.0%
Cost of sales	51.4	47.6	46.8
Gross margin	48.6	52.4	53.2
Operating expenses:			
Research and development	18.3	17.8	18.7
Marketing and sales	34.4	28.8	20.6
General and administrative	6.9	5.9	5.9
Charge (credit)for acquired in-process technology	(3.5)	50.5	
Total operating expenses	56.1	103.1	45.3
Operating income (loss)	(7.6)	(50.6)	7.9
Interest and other income (expense), net	1.0	(0.8)	(0.6)
Income (loss) before income taxes	(6.6)	(51.5)	7.4
Provision (benefit) for income taxes	(2.3)%	(0.6)	2.3
Net income (loss)	(4.3)%	(50.9)%	5.0%

</TABLE>

Years Ended September 30, 1996, 1995 and 1994

Net Sales. The Company's annual net sales increased by 0.5% to $21.4 million in fiscal 1996, 18.3% to $21.3 million in fiscal 1995, and 47.5% to $18.0 million in fiscal 1994. The increase in fiscal 1996 was due to increased shipments of the Axial editors and Axess (formerly called Brontostore) and the initial shipments of the ELSET Virtual Set, offset by decreased shipments of the RTD, WSD, and the Company's digital video signal processing products. The increase in fiscal 1995 was primarily due to increased shipments of the WSD and Axial 2010, partially offset by lower Brontostore shipments. The increase in fiscal 1994 was primarily due to the initial shipments of the WSD, Brontostore and Axial 2010, partially offset by lower RTD shipments. International sales represented approximately 38.2%, 51.1%, and 46.9% of the Company's sales during fiscal 1996, 1995, and 1994.

Cost of Sales. Gross margin was 48.6%, 52.4%, and 53.2% in fiscal 1996, 1995, and 1994, respectively. Gross margin declined in fiscal 1996 due to increases in inventory reserves and increased costs of manufacturing disk recording products. Gross margin declined in fiscal 1995 due to increases in inventory reserves partially offset by sales of higher margin disk recording products. Gross margin declined in fiscal 1994 due to increased sales of lower-margin WSD and Axial 2010 products.

Research and Development. Research and development expenses increased by 3.6% to $3.9 million in fiscal 1996, by 12.3% to $3.8 million in fiscal 1995, and by 19.8% to $3.4 million in fiscal 1994. The increase in fiscal 1996 was primarily due to an increase in personnel costs related to ELSET development partially offset by reduced personnel costs in other product development areas and by a decrease in prototyping expenses related to new product introductions. The increase in fiscal 1995 was primarily due to an increase in prototyping expenses related to new product introductions and expenses related to the hiring of additional software engineers. The increase in fiscal 1994 was primarily due to an increase in expenses related to the hiring of software engineers. Research and development expenses as a percentage of net sales were 18.3%, 17.8%, and 18.7% in fiscal 1996, 1995, and 1994, respectively.

Marketing and Sales. Marketing and sales expenses increased by 19.8% to $7.4

million in fiscal 1996, by 65.2% to $6.1 million in fiscal 1995, and by 74.6% to $3.7 million in fiscal 1994. The increase in fiscal 1996 resulted from a charge of $594,000 related to write-downs of demonstration inventory used for marketing purposes and staff reductions as a result of implementing a plan to refocus and streamline operations and as a result of an increase in ELSET marketing activities and an increase in salary expense for sales personnel. The increase in fiscal 1995 was attributable to the initiation of ELSET marketing activities which included personnel and promotional expenses, an increase in costs related to sales and marketing personnel, an increase in promotional activities, increased trade show expenditures, an increase due to commissions paid to independent sales representatives, and higher travel expenses. The increase in fiscal 1994 was significantly attributable to an increase in expenses related to the hiring of additional product and technical support personnel, and expenses related to trade show and promotion expenditures for the Company's on-line video editors and desktop digital video recorders. Marketing and sales expenses as a percentage of net sales were 34.4%, 28.8%, and 20.6% in fiscal 1996, 1995, and 1994, respectively.

General and Administrative. General and administrative expenses increased 17.3% to $1.5 million in fiscal 1996, 18.4% to $1.3 million in fiscal 1995, and by 47.5% to $1.1 million in fiscal 1994. The increase in fiscal 1996 was primarily due to an increase in insurance expenses. The increases in fiscal 1995 and fiscal 1994 were primarily due to an increase in financial and administrative personnel and costs associated with higher staffing levels. General and administrative expenses as a percentage of net sales were 6.9%, 5.9%, and 5.9% in fiscal 1996, 1995, and 1994, respectively.

Charge for acquired in-process technology. In fiscal 1996, the Company reversed $750,000 of charges for acquired in-process technology which had been accrued in connection with the ELSET Acquisition in fiscal 1995. The original charges were for accrual of expenses which the Company determined in 1996 would not be incurred. The Company incurred a charge of approximately $10.8 million for acquired in-process technology in fiscal 1995. No such charge was incurred in fiscal 1994.

Interest and Other Income (Expense). Net interest and other income increasedto $209,000 in fiscal 1996. Net interest and other expense was $180,000 in fiscal 1995, a 17.6% increase over fiscal 1994. The increase in interest and other income in fiscal 1996 was attributable to an increase in interest earned on short-term investments, which consist primarily of proceeds from the Company's initial public offering in September 1995, and as a result of the Company paying down its outstanding bank borrowings. The increases in interest and other expense in fiscal 1995 and 1994 were due primarily to increases in indebtedness under the Company's bank line of credit.

Provision (Benefit) for Income Taxes. For fiscal 1996, there was a tax benefit of approximately $496,000, or 35.1% of the pretax loss. The Company's tax rate was reduced below the applicable statutory rates primarily due to the utilization of research and development tax credits.

Income tax expense as a percentage of pretax income (loss) was 1.2% and 30.8% in fiscal 1995 and 1994, respectively.

Liquidity and Capital Resources

Since inception, the Company has financed its operations and expenditures for property and equipment through the sale of capital stock, borrowings under a bank line of credit and term loans. On September 29, 1995 the Company completed its initial public offering and received approximately $17.8 million in net proceeds. On September 29, 1995 it completed the acquisition of the shares of ELSET GmbH it did not already own for approximately $7.6 million. As of September 30, 1996, the Company had $4.2 million of cash and cash equivalents.

Operating activities used $3.7 million in net cash during fiscal 1996. Operating activities provided $419,000 in net cash during fiscal 1995 and used net cash in operations of $371,000 in fiscal 1994. Net cash used in 1996 was due primarily to decreases in other accrued liabilities and increases in accounts receivable and inventories partially offset by increases in accounts payable. Net cash provided in fiscal 1995 consisted primarily of increases in accounts payable and accrued liabilities, partially offset by increases in inventories. Net cash used in fiscal 1994 consisted primarily of increases in accounts receivable and inventories, partially offset by net income and increases in accrued liabilities.

The Company has a revolving line of credit with Comerica Bank that allows for borrowings of up to $4.0 million, subject to the level of accounts receivable. As of September 30, 1996, approximately $4.0 million of borrowings was available under this line of credit, of which the Company had no borrowings outstanding. Indebtedness under the line of credit accrues interest at Comerica's base rate and is secured by substantially all of the Company's assets. The line of credit may be terminated by either party upon 30 days' notice. Borrowings under the line of credit are subject to certain financial covenants, and the Company was in compliance with all such covenants at September 30,1996.

The Company believes that its existing cash, cash equivalents and credit facilities will be sufficient to meet its cash requirements for at least the next twelve months. Although operating activities may provide cash in certain periods, to the extent the Company grows in the future, its operating and investing activities may use cash and, consequently, such growth may require the Company to obtain additional sources of financing. There can be no assurance that any necessary additional financing will be available to the Company on commercially reasonable terms, or at all.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 14(a) for an index to the consolidated financial statements and supplementary financial information that are attached hereto.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Certain information required by Part III is omitted from this report because the Company will file a definitive proxy statement within 120 days after the end of its fiscal year pursuant to Regulation 14A (the "Proxy Statement") for its annual meeting of shareholders to be held February 18, 1996 and the information included therein is incorporated herein by reference.

Item 10. Directors and Executive Officers of the Registrant

Information with respect to directors of the Company is incorporated by reference from the information under the caption "Election of Directors--Nominees" in the Company's Proxy Statement.

Information as to the Company's executive officers appears at the end of Part I of this report.

Information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated by refrence from the information under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement.

Item 11. Executive Compensation

Incorporated by reference from the information under the caption "Executive Compensation and Related Information" in the Company's Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Incorporated by reference from the information under the caption "Common Stock Ownership of Certain Beneficial Owners and Management" in the Company's Proxy Statement.

Item 13. Certain Relationships and Related Transactions

Incorporated by reference from the information under the caption "Certain Relationships and Related Transactions" in the Company's Proxy

Statement.

Part IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) The following documents are filed as part of this Report:

(1) Financial Statements and Report of Ernst & Young LLP, Independent Auditors

Report of Ernst & Young LLP, Independent Auditors.

Consolidated Balance Sheet at September 30, 1996 and 1995.

Consolidated Statements of Operations Years ended September 30, 1996, 1995 and 1994.

Consolidated Statement of Shareholders' Equity - Three years ended September 30, 1996.

Consolidated Statements of Cash Flows Years ended September 30, 1996, 1995, and 1994.

Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules

The following financial statement schedule is included herein:

Schedule II - Valuation and Qualifying Accounts

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

(3) Exhibits (numbered in accordance with Item 601 of Regulation S-K)

Number	Description
2.1(1)	Agreement and Plan of Merger, dated October 14, 1991, by and between the Company and Axial Systems Corporation.
3.1(1)	Certificate of Incorporation of the Company.
3.2(1)	Bylaws of the Company.
3.3(1)	Amended and Restated Certificate of Incorporation of the Company filed with the Delaware Secretary of State upon the Company's reincorporation in Delaware
3.4(3)	Amended and Restated Certificate of Incorporation of the Company filed with the Delaware Secretary of State upon the closing of the Company's initial public offering.

Number	Description
3.5	Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock. Reference is made to Exhibit 4.4
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 4.3 and 4.4.
4.2(1)	Specimen Common Stock Certificate.

4.3(1)	Amended and Restated Investors' Rights Agreement dated as of December 3, 1994, by and among the Company and the persons listed on Schedule A, B, and C thereto.
4.4(4)	Preferred Shares Rights Agreement, dated as of September 13, 1996, between the Company and U.S. Stock Transfer Corporation, including the Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock, the form of Rights Certificate and the Summary of Rights attached thereto as Exhibits A, B and C, respectively.
10.1(1)	Form of Indemnification Agreement between the Company and its directors and officers.
10.2(1)*	1995 Stock Option/Stock Issuance Plan.
10.3(1)*	Employee Stock Purchase Plan.
10.4(1)	Investment Agreement, dated February 2, 1995, by and among VAP Video Art Production GmbH, ELSET Electronic-Set GmbH, Richard Kunicki, and Accom Virtual Studio, Inc.
10.5(1)	Distribution Agreement, dated February 2, 1995, by and between ELSET Electronic-Set GmbH and the Company.
10.6(1)	Voting Agreement, dated February 2, 1995, by and among VAP Video Art Production GmbH, Richard Kunicki, Accom Virtual Studio, Inc., and the Company.
10.7(1)	Agreement dated August 10, 1995 by and between the Company, Accom Virtual Studio, Inc., ELSET Electronic-Set GmbH, and Richard Kunicki.
10.8(1)	Value-Added Reseller Agreement dated June 30, 1995 between the Company and Silicon Graphics, Inc., and Addendum dated June 30, 1995.
10.9(1)	Lease dated January 28, 1992, by and between Menlo Business Park and Patrician Associates, Inc., and the Company.
10.10(1)	Loan and Security Agreement dated May 31, 1994 between Comerica Bank -- California and the Company.
10.12(1)	Offer made by Accom Virtual Studio, Inc. and Accom Virtual Studio GmbH to purchase from Mr. Robert Vogel shares in ELSET Electronic-Set GmbH, and Mr. Vogel's acceptance of such offer. (Translation from German original.)
10.13	Master Revolving Note dated July 7, 1996 between Comerica Bank -- California and the Company
11.1	Statement Re: Computation of Net Income per Share
21.1	Subsidiaries of the Company.
23.1	Consent of Ernst & Young LLP, Independent Auditors.
24.1	Power of Attorney (reference is made to page 34 of this Report).
27.1	Financial Data Schedule.

----

(1) Incorporated by reference to exhibits filed in response to Item 16(a), "Exhibits," of the Registrant's Registration Statement on Form S-1 and Amendment No. 1, Amendment No. 2 and Amendment No. 3 thereto (File No. 33-95728), which became effective on September 26, 1995.

(2) Confidential treatment has been granted as to certain portions of this Exhibit by the Securities and Exchange Commission.

(3) Incorporated by reference from an exhibit filed with the Company's Annual Report on 10-K for the fiscal year ended September 30, 1995 (File No. 0-26620).

(4) Incorporated by reference from an exhibit filed with the Company's Registration Statement on Form 8-A (File No. 0-26620) to register Preferred Share Purchase Rights under the Company's stockholder rights plan, adopted by the Company's board of directors on September 3, 1996.

* Management contract or compensatory plan or arrangement

(b) Reports on Form 8-K

No Reports on Form 8-K were filed during the three months ended September 30, 1996.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Menlo Park, California on this 17 day of December 1996.

ACCOM, INC.

By: /s/ ROBERT L. WILSON
\---
Robert L. Wilson
Executive Vice President, Chief Operating
Officer and Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Junaid Sheikh and Robert L. Wilson, jointly and severally, his attorneys-in-fact, each with the power of substitution, for him in any and all capacities, to sign any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes may do or cause to be done by virtue hereof.
<TABLE>

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons in the capacities and on the dates indicated.
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ JUNAID SHEIKH --------------------------- (Junaid Sheikh)	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)	December 17, 1996
/s/ ROBERT L. WILSON --------------------------- (Robert L. Wilson)	Executive Vice President, Chief Operating Officer, Chief Financial Officer, and Director (Principal Financial and Accounting Officer)	December 17, 1996
/s/ LIONEL M. ALLAN --------------------------- (Lionel M. Allan)	Director	December 17, 1996
/s/ GARY W. KALBACH	Director	December 17, 1996

(Gary W. Kalbach)

</TABLE>

Consolidated Financial Statements
Accom, Inc.
Years ended September 30, 1996, 1995 and 1994
with Report of Independent Auditors

Accom, Inc.

Consolidated Financial Statements

Years ended September 30, 1996, 1995 and 1994

Contents

Report of Ernst & Young LLP, Independent Auditors

The Board of Directors and Stockholders
Accom, Inc.

We have audited the accompanying consolidated balance sheets of Accom, Inc. at September 30, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended September 30, 1996. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Accom, Inc. at September 30, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

Ernst & Young LLP

Palo Alto, California
October 29, 1996

<TABLE>

Accom, Inc.

Consolidated Balance Sheets

<CAPTION>

	September 30, 1996	September 30, 1995
	(In thousands)	
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	$ 4,221	$ 8,769
Accounts receivable, net of allowance for doubtful accounts of $223 and $221 in 1996 and 1995, respectively	4,714	3,754
Inventories	5,447	4,736
Deferred tax assets	695	508
Prepaid expenses and other current assets	377	295
Total current assets	15,454	18,062
Property and equipment, net	1,683	1,596
Other assets	142	54
	$ 17,279	$ 19,712
Liabilities and stockholders' equity		
Current liabilities:		
Bank borrowings - line of credit	$ --	$ --
Notes payable	58	58
Accounts payable	2,242	1,719
Accrued compensation	328	318
Accrued inventory purchases	(6)	530
Accrued initial public offering costs	11	830
Accrued ELSET transaction costs	265	619
Other accrued liabilities	792	706
Income taxes payable	--	650
Customer deposits	65	76
Deferred revenue	528	336
Total current liabilities	4,283	5,842
Note payable - noncurrent	24	83
Deferred tax liabilities	20	108
Commitments		
Stockholders' equity:		
Preferred stock, $0.001 par value; 2,000,000 shares authorized, issuable in series; no shares issued and outstanding in 1996 and 1995	--	--
Common stock, $0.001 par value; 20,233,497 shares authorized; 6,493,734 shares and 6,404,197 shares issued and outstanding in 1996 and 1995, respectively	7	6
Additional paid-in capital	21,317	21,128
Retained earnings (accumulated deficit)	(8,372)	(7,455)
Total stockholders' equity	12,952	13,679
	$ 17,279	$ 19,712

<FN>

See accompanying notes.

</FN>
</TABLE>

Accom, Inc.

Consolidated Statements of Operations

(In thousands, except per-share data)

	Years ended September 30, 1996	1995	1994
Net sales	$ 21,408	$ 21,312	$ 18,034
Cost of sales	11,010	10,137	8,443
Gross margin	10,398	11,175	9,561
Operating expenses:			
Research and development	3,926	3,791	3,375
Marketing and sales	7,356	6,142	3,717
General and administrative	1,487	1,268	1,071
Charge (credit) for acquired in-process technology	(750)	10,766	--
Total operating expenses	12,019	21,967	8,163
Operating income (loss)	(1,621)	(10,792)	1,428
Interest income	235	7	8
Interest expense	(12)	(120)	(102)
Other expense	(14)	(67)	(8)
Income (loss) before income taxes	(1,412)	(10,972)	1,326
Provision (benefit) for income taxes	(496)	(132)	408
Net income (loss)	$ (916)	$(10,840)	$ 918
Net income (loss) per share	$ (0.14)	$ (3.85)	$ 0.20
Shares used in computation of net income (loss) per share	6,439	2,816	4,660

See accompanying notes.

<TABLE>

Accom, Inc.

Consolidated Statements of Stockholders' Equity

(In thousands, except share data)

<CAPTION>

	Convertible Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
Balance at September 30, 1993	1,478,965	$ 1	2,337,914	$ 2
Issuance of common stock upon exercise of stock options	--	--	1,040	--
Net income	--	--	--	--
Balance at September 30, 1994	1,478,965	1	2,338,954	2
Issuance of Series B preferred stock, net of issuance costs of $83	416,914	1	--	--
Issuance of common stock upon exercise of stock options	--	--	44,364	--
Conversion of preferred stock into common stock	(1,895,879)	(2)	1,895,879	2
Initial public offering of common stock, net of issuance costs of $2,496	--	--	2,125,000	2
Net loss	--	--	--	--
Balance at September 30, 1995	--	--	6,404,197	6
Issuance of common stock upon exercise of stock options			36,364	
Purchase of common stock through Employee Stock Purchase Plan			53,173	
Net Loss				
Balance at September 30, 1996	--	$ -	6,493,734	$ 6

</TABLE>

Continued ....

<TABLE>

Accom, Inc.

Consolidated Statements of Stockholders' Equity

(In thousands, except share data)

<CAPTION>

	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
<S>	<C>	<C>	<C>
Balance at September 30, 1993	$ 2,261	$ 2,467	$ 4,731
Issuance of common stock upon exercise of stock options	1	--	1
Net income	--	918	918
Balance at September 30, 1994	2,262	3,385	5,650
Issuance of Series B preferred stock, net of issuance costs of $83	2,217	--	2,218
Issuance of common stock upon exercise of stock options	22	--	22
Conversion of preferred stock into common stock	--	--	--
Initial public offering of common stock, net of issuance costs of $2,496	16,627	--	16,629
Net loss	--	(10,840)	(10,840)
Balance at September 30, 1995	21,128	(7,455)	13,679
Issuance of common stock upon exercise of stock			

options	19		19
Purchase of common stock through Employee Stock Purchase Plan	170		170
Net Loss		(916)	(916)
Balance at September 30, 1996	$ 21,317	$ (8,371)	$ 12,952

</TABLE>

See accompanying notes.

F-4(a)

<TABLE>

Accom, Inc.

Consolidated Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

(In thousands)

<CAPTION>

	Years ended September 30, 1996	1995	1994
<S>	<C>	<C>	<C>
Cash flows from operating activities			
Net income (loss)	$ (916)	$(10,840)	$ 918
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Change (credit) for acquired in-process technology	(750)	10,766	--
Depreciation and amortization	760	533	343
Changes in operating assets and liabilities, net of effects of acquisition:			
Accounts receivable	(960)	173	(775)
Inventories	(711)	(539)	(1,075)
Deferred tax assets, net	(275)	(17)	(65)
Prepaid expenses and other current assets	(82)	(155)	(31)
Accounts payable	523	503	(66)
Accrued compensation	10	84	17
Other accrued liabilities	(873)	283	470
Income taxes payable	(650)	(128)	128
Customer deposits	(11)	(206)	(39)
Deferred revenue	192	(38)	(196)
Net cash provided by (used in) operating activities	(3,743)	419	(371)
Cash flows from investing activities			
Acquisition of ELSET, net of cash acquired	--	(9,195)	--
Expenditures for property and equipment	(847)	(965)	(588)
Other assets	(88)	(1)	5
Net cash used in investing activities	(935)	(10,161)	(583)
Cash flows from financing activities			
Borrowings on line of credit	--	1,850	1,350
Payments on line of credit	--	(2,875)	(1,175)
Borrowings on notes payable	--	175	500
Repayments on notes payable	(58)	(534)	--
Issuance of convertible preferred stock	--	2,218	--
Issuance of common stock	188	17,481	1
Net cash provided by financing activities	130	18,315	676
Net increase (decrease) in cash and cash equivalents	(4,548)	8,573	(278)
Cash and cash equivalents at beginning of period	8,769	196	474
Cash and cash equivalents at end of period	$ 4,221	$ 8,769	$ 196

======== ======== ========

<FN>

See accompanying notes.

</FN>
</TABLE>

Accom, Inc.

Consolidated Statements of Cash Flows (continued)

Increase (Decrease) in Cash and Cash Equivalents (continued)

(In thousands)

	Years ended September 30, 1996	1995	1994
Supplemental disclosure of cash flow information			
Interest paid	$ 11	$ 120	$ 87
Income taxes paid	$ 2	$ 118	$ 366
Supplemental disclosure of noncash investing and financing activities			
Accrued acquisition costs	$(354)	$ 619	$ --
Net liabilities assumed in acquisition	$ --	$ 892	$ --
Conversion of preferred stock to common stock (par value)	$ --	$ 1	$ --
Accrued initial public offering costs	$(819)	$ 830	$ --

Accom, Inc.

Notes to Consolidated Financial Statements

September 30, 1995

1. Summary of Significant Accounting Policies

Accom, Inc. (the "Company" or "Accom") was founded in California in December 1987 and reincorporated in the State of Delaware on September 14, 1995. Accom designs, manufactures, markets and supports digital video systems for the high-end production, post-production and broadcast markets.

On September 29, 1995, the Company completed an underwritten public offering of its common stock. At the closing of the IPO, all outstanding shares of Series A and B convertible preferred stock were converted into shares of common stock on a one-for-one basis.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries after elimination of significant intercompany transactions and balances.

Major Customers and Concentration of Credit Risk

The Company sells its processing equipment to customers in the content creation and broadcast markets primarily in North America, Europe and the Pacific Rim. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains allowances for potential credit losses and such losses have historically been within management's expectations. No customers accounted for 10% or more of net sales in fiscal 1996 and fiscal 1995. During fiscal 1994, one customer accounted for 11% of net sales. Export sales for fiscal 1996, 1995, and 1994 were approximately 38%, 51% and 47%, respectively. Export sales to Europe and the Pacific Rim as percentage of total sales were 14% and 19%, respectively, for fiscal 1996, 19% and 24%, respectively, for fiscal 1995, 14% and 21%, respectively, for fiscal 1994.

Revenue Recognition

The Company generally recognizes revenue upon shipment of its systems. Estimated costs for insignificant post shipment obligations are accrued for at the time of shipment. If significant post shipment obligations exist or there are concerns about collection at the time of shipment, revenue is deferred until obligations are met or collection occurs.

1. Summary of Significant Accounting Policies (continued)

Investment in ELSET; Acquired In-Process Technology

The Company's investment in ELSET (see Note 2), a development stage enterprise, was charged to expense as acquired in-process technology, reflecting ELSET's stage of product development. At September 30, 1996, ELSET is a wholly owned consolidated subsidiary.

Cash, Cash Equivalents and Short-Term Investments

Cash equivalents consist of financial investments with maturities of 90 days or less at the time of acquisition that are readily convertible into cash and have insignificant interest rate risk. At September 30, 1996, cash equivalents consist of money market accounts, commercial paper, treasury bills, and municipal auction notes.

Inventories

Inventories, which include demonstration equipment, are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment is stated at cost and is depreciated using the straight-line method over the assets' estimated useful lives, generally three to five years.

Per-Share Data

Except as noted below, net income (loss) per share is computed using the weighted average number of common and dilutive common equivalent shares (dilutive in 1994 only) outstanding during the period. Dilutive common equivalent shares consist of the incremental common shares issuable upon conversion of the convertible preferred stock (using the if-converted method) and shares issuable upon the exercise of stock options (using the treasury stock method). In addition, pursuant to the Securities and Exchange Commission Staff Accounting Bulletins and Staff policy, such computations through June 30, 1995 include all dilutive and antidilutive common and common equivalent shares issued at prices below the public offering price during the 12-month period prior to the initial filing of the public offering and have been included as if they were outstanding for all periods presented using the treasury stock method and the initial public offering price of $9.00.

1. Summary of Significant Accounting Policies (continued)

Per-Share Data (continued)

Had the conversion of the shares taken place at the beginning of the year, net loss per share for the year ended September 30, 1995 would have been $2.47 and the number of shares 4,394,000.

Accounting Change - Income Taxes

In February 1992, the Financial Accounting Standards Board issued Statement No. 109, "Accounting for Income Taxes." The Company adopted the provisions of the standard in its 1993 financial statements and has elected to restate all prior periods. The effect of adopting Statement 109 was to reduce net income by $156,000 for the year ended September 30, 1993. The cumulative effect of adopting Statement 109 as of October 1, 1992 was to increase the beginning balance of retained earnings by $407,000. The cumulative effect is primarily the result of recording a benefit for the 1991 net operating loss of Axial Systems, Inc. in the year incurred in accordance with the principles of Statement 109.

Under Statement 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

2. ELSET Acquisition

On February 2, 1995, the Company and its wholly owned subsidiary, Accom Virtual Studio, Inc. ("AVS"), entered into several related agreements with VAP Video Art Production GmbH ("VAP"), ELSET Electronic-Set GmbH ("ELSET"), a newly formed German company, and Richard Kunicki, the majority shareholder of VAP.

As of June 30, 1995, AVS had acquired 25% of ELSET's share capital from VAP, and recorded a charge for acquired in-process technology of $1,742,000, which reflects a $1,500,000 investment made or accrued through June 30, 1995 plus $242,000 of other costs, including transaction costs.

2. ELSET Acquisition (continued)

On September 29, 1995, the Company completed the acquisition of the remaining 75% from VAP and one individual stockholder, of ELSET's outstanding share capital for $7.6 million. The Company accounted for the transaction as a purchase. The purchase price was $9,024,000 and consisted of the $7.6 million paid for the share capital, $892,000 of ELSET liabilities assumed in excess of its assets and $532,000 of estimated transaction costs. Based on the stage of the acquired technology at the date of acquisition, the purchase price was charged to acquired in-process technology and charged to expense in the quarter ended September 30, 1995.

At September 30, 1996, the Company re-evaluated its estimates of the liabilities assumed based on information available at the time. As a result of this re-evaluation, $750,000 was reversed as a credit for acquired in-process technology in the quarter ended September 30, 1996.

The following unaudited pro forma financial summary is presented as if the operations of the Company and ELSET were combined as of October 20, 1994, the date of inception of ELSET. The unaudited pro forma combined results are not necessarily indicative of the actual results that would have occurred had the purchase been consummated at this date, or of the future operations of the combined entities.

In accordance with SEC Regulation S-X, Rule 11-02(b)(5), nonrecurring charges, such as the charge for acquired in-process technology resulting from the acquisition of the 75% interest in ELSET, are not reflected in the following pro forma financial summary:

	Fiscal Year Ended September 30, 1995
	(In thousands) (Unaudited)
Revenues	$21,312
Net loss	$(1,978)
Net loss per share	$ (0.70)

Accom, Inc.

Notes to Consolidated Financial Statements (continued)

3. Inventories

Inventories consist of the following:

	September 30, 1996	1995
	(In thousands)	
Purchased parts and materials	$ 1,105	$1,075
Work-in-process	1,842	985
Finished goods	440	611
Demonstration inventory	2,060	2,065
	$ 5,447	$4,736

4. Property and Equipment

Property and equipment consist of the following:

	September 30, 1996	1995
	(In thousands)	
Machinery and equipment	$ 2,574	$ 2,033
Furniture and fixtures	207	204
Computer equipment	1,171	868
	3,952	3,105
Less accumulated depreciation	(2,269)	(1,509)
Net property and equipment	$ 1,683	$ 1,596

5. Bank Borrowings

The Company has a revolving line of credit with a bank which allows for borrowings up to $4,000,000, subject to the level of accounts receivable. As of September 30, 1996, the Company had no borrowings outstanding. The line of credit remains in effect until terminated by either party upon 30 days' notice. Interest on the line of credit accrues at the bank's base rate (8.25% at September 30, 1996). Borrowings under the line are secured by all property of the Company. Borrowings on the credit arrangement are subject to certain financial covenants. As September 30, 1996, the Company was in compliance with these financial covenants.

In March 1995, the Company entered into a variable interest note payable with the same bank in the amount of $175,000, which is due in equal monthly installments plus interest through April 1, 1998. The interest rate on the note is equal to the bank's base rate plus 0.75% (9.0% at September 30, 1996). Borrowings under the note are secured by certain assets of the Company.

6. Commitments

Leasing Arrangements

The Company leases its office and manufacturing facility under operating lease agreements. Rent expense for fiscal years 1994, 1995 and 1996 was approximately, $424,000, $430,000 and $ 424,000, respectively.

Minimum future rental payments under noncancelable leases at September 30, 1996 are as follows (in thousands):

1997	$245
1998	19
Total	$264

6. Commitments (continued)

401(k) Plan

The Company has a 401(k) plan under which the employee may defer and invest a portion of his or her annual compensation up to certain annual limitations. The Company may, at its discretion, make certain matching contributions to the plan. The Company has made no contributions to the 401(k) plan through September 30, 1996.

7. Stockholders' Equity

Stock Options

Under the Company's Restated 1990 Stock Option Plan (the "1990 Plan") up to 833,333 shares of common stock could have been issued upon exercise of incentive stock options issued to employees or officers. Options were granted at a price not less than 100% of the fair market value of the Company's common stock on date of grant. Options generally vested over a period of five years. In July

1995, the 1990 Plan was terminated with respect to future grants.

In July 1995, the 1995 Stock Option/Stock Issuance Plan (the "1995 Plan") was adopted, increasing the number of shares available for grant by 1,258,036 plus automatic annual increases in 1996, 1997 and 1998. Options may be granted and shares may be issued at a price not less than 85% of the fair value of the Company's common stock on date of grant.

7. Stockholders' Equity (continued)

Stock Options (continued)
<TABLE>

Stock option activity is summarized below:
<CAPTION>

	Shares Available for Grant of Options	Outstanding Options	
		Number of Shares	Price Per Share
<S>	<C>	<C>	<C>
Balance at September 30, 1993	86,692	273,308	$0.48-$2.40
Shares authorized	416,667	--	--
Options granted	(12,909)	12,909	$2.40-$4.80
Options exercised	--	(1,040)	$0.48-$2.40
Options canceled	2,208	(2,208)	$0.48-$2.40
Balance at September 30, 1994	492,658	282,969	$0.48-$4.80
Shares authorized	1,258,036	--	--
Options granted	(507,645)	507,645	$4.80-$7.20
Options exercised	--	(44,364)	$0.48
Options canceled	6,161	(6,161)	$0.48-$4.80
Balance at September 30, 1995	1,249,210	740,089	$0.48-$7.20
Shares authorized	64,042	--	--
Options granted	(1,530,703)	1,530,703	$1.88-$9.25
Options exercised	--	(36,364)	$0.48-$4.80
Options canceled	1,066,612	(1,066,612)	$0.48-$9.25
Balance at September 30, 1996	849,161	1,167,816	$0.48-$5.88

</TABLE>

At September 30, 1996, options to purchase 439,630 common shares were exercisable and vested.

As of September 30, 1995, the Company has reserved 2,016,977 shares of common stock for issuance upon the exercise of stock options.

7. Stockholders' Equity (continued)

Employee Stock Purchase Plan

In July 1995, the Company's Employee Stock Purchase Plan (the "Purchase Plan") was adopted which authorizes the issuance of 250,000 shares of common stock. Shares may be purchased under the Purchase Plan at 85% of the lesser of the fair market value of the common stock on the grant or purchase date.

Stockholder Rights Plan

In September 1996, the Company's Board of Directors adopted a stockholder rights plan, which entitles existing stockholders of the Company to certain rights (including the right to purchase shares of Preferred Stock) in the event of the acquisition of 15% or more of the Company's outstanding common stock, or an unsolicited tender offer for such shares.

8. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities computed in accordance with FAS 109 are as follows:

	September 30, 1996	September 30, 1995
	(In thousands)	
Deferred tax assets:		
Deferred revenue	$ 189	$135
Nondeductible reserves and accruals	256	204
Inventory valuation	441	158
Valuation allowance	(199)	--
Other	8	11
	695	508
Deferred tax liabilities:		
Depreciation	20	108
Net deferred tax assets	$ 675	$400

8. Income Taxes (continued)

The provision (benefit) for income taxes consists of the following:

	September 30, 1996	1995	1994
	(In thousands)		
Federal:			
Current	$(231)	$(100)	$334
Deferred	(231)	(23)	3
	(462)	(123)	337
State:			
Current	11	(20)	139
Deferred	(45)	6	(68)
	(34)	(14)	71
Foreign:			

Current	--	5	--
Total	$(496)	$(132)	$408

A reconciliation of the income tax provision (benefit) at the federal statutory rate to the income tax provision at the effective tax rate is as follows:

	September 30, 1996	1995	1994
	(In thousands)		
Income taxes computed at the federal statutory rate	$(480)	$(3,730)	$451
State taxes (net of federal benefit)	(23)	(9)	47
Foreign sales corporation tax benefit	--	--	(17)
Research and development tax credit	(18)	(62)	(63)
Acquired in-process technology	(204)	3,660	--
Valuation allowance	199		
Other	30	9	(10)
Total	$(496)	$ (132)	$408

The Company believes that net deferred tax assets are more likely than not to be realized because of a history of past earnings and carryback refund potential.

SCHEDULE II

<TABLE>

ACCOM, INC.

VALUATION AND QUALIFYING ACCOUNTS
ALLOWANCE FOR DOUBTFUL ACCOUNTS
(In thousands)

<CAPTION>

<S>	Balance at Beginning of Period <C>	Charges to Cost and Expenses <C>	Deductions* <C>	Balance at End of Period <C>
Year ended September 30, 1994...............	123	52	1	174
Year ended September 30, 1995...............	174	80	33	221
Year ended September 30, 1996...............	221	67	65	223

<FN>

* All deductions represent write-offs of bad debt.
</FN>
</TABLE>

[LOGO OMITTED]

MASTER REVOLVING NOTE

Variable Rate-Demand-Obligatory Advances (Business and Commercial Loans Only)

AMOUNT	NOTE DATE	MATURITY DATE	TAX IDENTIFICATION #
$4,000,000.00	JULY 7, 1996	ON DEMAND	94-3055907

For Value Received, the undersigned promise(s) to pay ON DEMAND to the order of COMERICA BANK-CALIFORNIA ("Bank"), at any office of the Bank in the State of California, FOUR MILLION AND NO/100 Dollars (U.S.) (or that portion of it advanced by the Bank and not repaid as later provided) with interest until demand or an Event of Default, as later defined, at a per annum rate equal to the Bank's base rate from time to time in effect PLUS 0.000% per annum and after that at a rate equal to the rate of interest otherwise prevailing under this Note plus 3% per annum (but in not event in excess of the maximum rate permitted by law). The Bank's "base rate" is that annual rate of interest so designated by the Bank and which is changed by the Bank from time to time. Interest rate changes will be effective for interest computation purposes as and when the Bank's base rate changes. Interest shall be calculated on the basis of a 360-day year for the actual number of days the principal is outstanding. Unless sooner demanded, accrued interest on this Note shall be payable on the 1ST day of each MONTH commencing AUGUST 1, 1996. If the frequency of interest payments is not otherwise specified, accrued interest on this Note shall be payable monthly on the first day of each month, unless sooner demanded. If any payment of principal or interest under this Note shall be payable on a day other than a day on which the Bank is open for business, this payment shall be extended to the next succeeding business day and interest shall be payable at the rate specified in this Note during this extension. A late payment charge equal to 5% of each late payment may be charged on any payment not received by the Bank within 10 calendar days after the payment due date, but acceptance of payment of this charge shall not waive any Default under this Note.

**SEE ADDENDUM ATTACHED HERETO AND MADE A PART HEREOF. RLW (initial here)

The principal amount payable under this Note shall be the sum of all advances made by the Bank to or at the request of the undersigned, less principal payments actually received in cash by the Bank. The books and records of the Bank shall be the best evidence of the principal amount and the unpaid interest amount owing at any time under this Note and shall be conclusive absent manifest error. No interest shall accrue under this Note until the date of the first advance made by the Bank; after that interest on all advances shall accrue and be computed on the principal balance outstanding from time to time under this Note until the same is paid in full.

This Note and any other indebtedness and liabilities of any kind of the undersigned (or any of them) to the Bank, and any and all modifications, renewals or extensions of it, whether joint or several, contingent or absolute, now existing or later arising, and however evidenced (collectively "Indebtedness") are secured by and the Bank is granted a security interest in all items deposited in any account of any of the undersigned with the Bank and by all proceeds of these items (cash or otherwise), all account balances of any of the undersigned from time to time with the Bank, by all property of any of the undersigned from time to time in the possession of the Bank and by any other collateral, rights and properties described in each and every deed of trust, mortgage, security agreement, pledge, assignment and other security or collateral agreement which has been, or will at any time(s) later be, executed by any (or all) of the undersigned to or for the benefit of the Bank (collectively "Collateral"). Notwithstanding the above, (i) to the extent that any portion of the Indebtedness is a consumer loan, that portion shall not be secured by any deed of trust or mortgage on or other security interest in any of the undersigned's principal dwelling or any of the undersigned's real property which is not a purchase money security interest as to that portion, unless expressly provided to the contrary in another place, or (ii) if the undersigned (or any of them) has (have) given or give(s) Bank a deed of trust or mortgage covering real property, that deed of trust or mortgage shall not secure this Note or any other indebtedness of the undersigned (or any of them), unless expressly provided to the contrary in another place.

If the undersigned (or any of them) or any guarantor under a guaranty of all or part of the Indebtedness ("guarantor") (i) fail(s) to pay any of the Indebtedness when due, by maturity, acceleration or otherwise, or fails(s) to pay any Indebtedness owing on a demand basis upon demand; or (ii) fail(s) to comply with any of the terms or provisions of any agreement between the undersigned (or any of them) or any such guarantor and the Bank; or (iii) become(s) insolvent or the subject of a voluntary or involuntary proceeding in bankruptcy, or a reorganization, arrangement or creditor composition proceeding, (if a business entity) cease(s) doing business as a going concern, (if a natural person) die(s) or become(s) incompetent, (if a partnership) dissolve(s) or any general partner of it dies, becomes incompetent or becomes the subject of a bankruptcy proceeding or (if a corporation or a limited liability company) is the subject of a dissolution, merger or consolidation; or (a) if any warranty or representation made by any of the undersigned or any guarantor in connection with this Note or any of the Indebtedness shall be discovered to be untrue or incomplete; or (b) if there is any termination, notice of termination, or breach of any guaranty, pledge, collateral assignment or subordination agreement relating to all or any part of the Indebtedness; or (c) if there is any failure by any of the undersigned or any guarantor to pay when due any of its indebtedness (other than to the Bank) or in the observance or performance of any term, covenant or condition in any document evidencing, securing or relating to such indebtedness; or (d) if the Bank deems itself insecure believing that the prospect of payment of this Note or any of the Indebtedness is impaired or shall fear deterioration, removal or waste of any of the Collateral; or (e) if there is filed or issued a levy or writ of attachment or garnishment or other like judicial process upon the undersigned (or any of them) or any guarantor or any of the Collateral, including without limit, any accounts of the undersigned (or any of them) or any guarantor with the Bank, then the Bank, upon the occurrence of any of these events (each a "Default"), may at its option and without prior notice to the undersigned (or any of them), declare any or all of the Indebtedness to be immediately due and payable (notwithstanding any provisions contained in the evidence of it to the contrary), sell or liquidate all or any portion of the Collateral, set off against the Indebtedness any amounts owing by the Bank to the undersigned (or any of them), charge interest at the default rate provided in the document evidencing the relevant Indebtedness and exercise any one or more of the rights and remedies granted to the Bank by any agreement with the undersigned (or any of them) or given to it under applicable law. In addition, if this Note is secured by a deed of trust or mortgage covering real property, then the trustor or mortgagor shall not mortgage or pledge the mortgaged premises as security for any other indebtedness or obligations. This Note, together with all other indebtedness secured by said deed of trust or mortgage, shall become due and payable immediately, without notice, at the option of the Bank, (a) if said trustor or mortgagor shall mortgage or pledge the mortgaged premises for any other indebtedness or obligations or shall convey, assign or transfer the mortgaged premises by deed, installment sale contract or other instrument, or (b) if the title to the mortgaged premises shall become vested in any other person or party in any manner whatsoever, or (c) if there is any disposition (through one or more transactions) of legal or beneficial title to a controlling interest of said trustor or mortgagor.

The undersigned acknowledge(s) that this Note matures upon issuance, and that the Bank, at any time, without notice, and without reason, may demand that this Note be immediately paid in full. The demand nature of this Note shall not be deemed modified by reference to a Default in this Note or in any agreement to a default by the undersigned or to the occurrence of an event of default (collectively an "Event of Default"). For purposes of this Note, to the extent there is reference to an Event of Default this reference is for the purpose of permitting the Bank to accelerate Indebtedness not on a demand basis and to receive interest at the default rate provided in the document evidencing the relevant Indebtedness. It is expressly agreed that the Bank may exercise its demand rights under this Note whether or not an Event of Default has occurred. The Bank, with or without reason and without notice, may from time to time make demand for partial payments under this Note and these demands shall not preclude the Bank from demanding at any time this Note be immediately paid in full. All payments under this note shall be in immediately available United States funds, without setoff or counterclaim.

[LOGO OMITTED]

Borrower's Telephone and Facsimile Authorization

Date: August 16, 1996

Obligor Number: ______________________ Obligation Number: ______________________

Assignment Unit: ______________________

The undersigned confirms certain borrowing arrangements pursuant to and subject to the terms of the $4,000,000.00 Note, and all renewals, extensions, modifications, and/or substitutions thereof (the "Note") dated July 7, 1996, executed and delivered by the undersigned to COMERICA BANK-CALIFORNIA ("Bank").

Until notice to the contrary to the undersigned, Bank has agreed that advances under the Note may be requested from time to time at the discretion of the undersigned by telephone or facsimile transmission. Immediately upon receipt from time to time of such telephone request or facsimile transmission from the undersigned, Bank is authorized to lend and credit such sums of money as requested to any of the following accounts or any other account with Bank designated by the undersigned (together with the Security Code) (such accounts(s) referred to as "Designated Accounts(s)")

A/C #8511006945

Bank may rely on receipt of the Security Code as proof that the caller or sender is authorized to make the request for advance, repayment, or change of Designated Accounts(s) on behalf of the undersigned.

The undersigned acknowledges that borrowings under the Note may be repaid from time to time at the election of the undersigned, but subject to the terms of the Note and any related agreement with Bank, upon receipt of instructions to do so sent from the undersigned to Bank by telephone or facsimile transmission (together with the Security Code). Repayment may be effected (in whole or in part) by debiting any account designated above (or designated in compliance with the above paragraph) in accordance with the undersigned's instructions (together with the Security Code). The undersigned shall remain fully responsible for any amounts outstanding under the Note if the undersigned's accounts with Bank are insufficient for the repayment of the Note. All requests for payments are to be against collected funds.

The undersigned acknowledges that if Bank makes an advance or effects a repayment based on a request made by telephone or facsimile transmission, it shall be for the convenience of the undersigned and all risks involved in the use of this procedure shall be borne by the undersigned, and the undersigned expressly agrees to indemnify and hold Bank harmless therefor. Without limitation of the foregoing, the undersigned acknowledges that Bank shall have no duty to confirm the authority of anyone requesting an advance or repayment by telephone or facsimile transmission, and further the Bank has advised the undersigned to protect and safeguard the Security Code to prevent its unauthorized use. The undersigned assumes any losses or damages whatsoever which may occur or arise out of its failure to protect and safeguard the Security Code or out of its unauthorized use.

Borrower(s): ACCOM, INC.

Address: 1490 O'BRIEN DR., MENLO PARK, CA 94025

STREET ADDRESS CITY STATE ZIP CODE

By: /s/ ROBERT L. WILSON	Its: C.F.O.
SIGNATURE OF	TITLE (if applicable)
By:	Its:
SIGNATURE OF	TITLE (if applicable)
By:	Its:
SIGNATURE OF	TITLE (if applicable)
By:	Its:
SIGNATURE OF	TITLE (if applicable)

If this Note is signed by two or more parties (whether by all as makers or by one or more as an accommodation party or otherwise), the obligations and undertakings under this Note shall be that of all and any two or more jointly and also of each severally. This Note shall bind the undersigned, and the undersigned's respective heirs, personal representatives, successors and assigns.

The undersigned waive(s) presentment, demand, protest, notice of dishonor, notice of demand or intent to demand, notice of acceleration or intent to accelerate, and all other notices and agree(s) that no extension or indulgence to the undersigned (or any of them) or release, substitution or nonenforcement of any security, or release or substitution of any of the undersigned, any guarantor or any other party, whether with or without notice, shall affect the obligations of any of the undersigned. The undersigned waive(s) all defenses or right to discharge available under Section 3-605 of the California Uniform Commercial Code and waive(s) all other suretyship defenses or right to discharge. The undersigned agree(s) that the Bank has the right to sell, assign, or grant participations, or any interest, in any or all of the Indebtedness, and that, in connection with this right, but without limiting its ability to make other disclosures to the full extent allowable, the Bank may disclose all documents and information which the Bank now or later has relating to the undersigned or the Indebtedness. The undersigned agree(s) that the Bank may provide information relating to the Note or to the undersigned to the Bank's parent, affiliates, subsidiaries and service providers.

The undersigned agree(s) to reimburse the holder or owner of this Note for any and all costs and expenses (including without limit, court costs, legal expenses and reasonable attorney fees, whether inside or outside counsel is used, whether or not suit is instituted and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in collecting or attempting to collect this Note or incurred in any other matter or proceeding relating to this Note.

The undersigned acknowledge(s) and agree(s) that there are no contrary agreements, oral or written, establishing a term of this Note and agree(s) that the terms and conditions of this Note may not be amended, waived or modified except in a writing signed by an officer of the Bank expressly stating that the writing constitutes an amendment, waiver or modification of the terms of this Note. As used in this Note, the word "undersigned" means, individually and collectively, each maker, accommodation party, indorser and other party signing this Note in a similar capacity. If any provision of this Note in unenforceable in whole or part for any reason, the remaining provisions shall continue to be effective. THIS NOTE IS MADE IN THE STATE OF CALIFORNIA AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

THE MAXIMUM INTEREST RATE SHALL NOT EXCEED THE HIGHEST APPLICABLE USURY CEILING.

See Business Loan Agreement dated 7/23/96.

[Paragraph deleted and initialed by RLW.]

For Corporations, Partnerships, Trust or Estates

ACCOM, INC.	By: /S/ ROBERT L. WILSON	Its: CFO
OBLIGOR NAME TYPED/PRINTED	SIGNATURE OF	TITLE
1490 O'BRIEN DR.	By:	Its:
STREET ADDRESS	SIGNATURE OF	TITLE
MENLO PARK	By:	Its:
CITY	SIGNATURE OF	TITLE
CA 94025	By:	Its:
STATE ZIP CODE	SIGNATURE OF	TITLE

<TABLE>
<CAPTION>

For Individuals or Sole Proprietorships

<S>	Name(s) of Obligor(s)(Type or Print) <C>	Signature(s) or Obligor(s) <C>
STREET ADDRESS		
CITY		

STATE ZIP CODE
</TABLE>

<TABLE>
<CAPTION>

	For Bank Use Only		CCAR #	
<S>	<C>	<C>	<C>	<C>
Loan Officer Initials AMY AZAR	Loan Group Name OAKLAND METRO	Obligor(s) Name ACCOM, INC.		
Loan Officer I.D. No. 48302	Loan Group No. 95750	Obligor #	Note #	Amount $4,000,000.00

</TABLE>

Addendum To Master Revolving Note Dated July 7, 1996

This Addendum to the Master Revolving Note (this "Addendum") is entered into as of this 7th day of July, 1996, by and between Comerica Bank-California ("Bank") and ACCOM, INC. ("Borrower"). This Addendum supplements the terms of the Note date July 7, 1996.

1. Definitions.

a. Advance. As used herein, "Advance" means a borrowing requested by Borrower and amde by Bank under the Note, including a LIBOR Option Advance and/or a Base Rate Option Advance.

b. Business Day. As used herein, "Business Day" means any day except a Saturday, Sunday or any other day designated as a holiday under Federal or California statute or regulation.

c. LIBOR. As used herein, "LIBOR" means the rate per annum (rounded upward, if necessary, to the nearest whole 1/8 or 1%) and determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(1) "Base LIBOR" means the rate per annum for United States dollar deposits quoted by Bank as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Bank for the purpose of calculating effective rates of interest for loans making reference thereto, on the first day of a LIBOR Period for delivery of funds on said date for a period of time approximately equal to the number of days in such LIBOR Period and in an amount approximately equal to the principal amount to which such LIBOR Period applies. Borrower understands and agrees that Bank may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Bank in its discretion deems appropriate including, but not limited to, the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(2) "LIBOR Reserve Percentage" means the reserve percentage

prescribed by the Board of Governors of the Federal Reserved System (or any successor) for "Eurocurrency Liabilities" (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Bank for expected changes in such reserve percentage during the applicable LIBOR Period.

d. LIBOR Period. As used herein, "LIBOR Period" means a period commencing on a Business Day, and continuing for, in every case, no greater than thirty (30), sixty (60) or ninety (90) days, as designated by Borrower, during which all or a portion of the outstanding principal balance of the Note bears interest determined in relation to Bank's LIBOR, provided that:

(1) In any LIBOR Period would end on day that is not a Business Day, then such LIBOR Period shall be extended to the next succeeding Business Day; and

(2) No LIBOR Period shall extend beyond the Maturity Date of the Note.

e. Note. As used herein, "Note" means the Master Revolving Note dated July 7, 1996 herewith.

f. Regulation D. As used herein, "Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as amended or supplemented from time to time.

g. Regulatory Development. As used herein, "Regulatory Development" means any or all of the following: (I) any change in any law, regulation or interpretation thereof by any public authority (whether or not having the force of law); (ii) the application of any existing law, regulation or the interpretation thereof by any public authority (whether or not having the force of law); and (iii) compliance by Bank with any request or directive (whether or not having the force of law) of any public authority.

2. Selection of Interest Rate Options. Borrower shall have the following options regarding the interest rate to be paid by Borrower on advances under the Note or portions of principal balance of the outstanding amount on the Note in such amount as set forth by the borrower:

a. A rate equal to Two and Three Quarter percent (2.75%) above Bank's LIBOR, (the "LIBOR Option"), which LIBOR Option shall be in effect during the relevant LIBOR Period; or

b. A rate equal to Zero percent (0.00%) above the "Base Rate" as referenced in the Note and quoted from time to time by Comerica Bank-California, as such rate may change from time to time (the "Base Rate Option").

3. LIBOR Option Advance. The minimum LIBOR option advance will be not less than $200,000.00 for any LIBOR Option Advance.

4. Payment of LIBOR Option. Interest on each LIBOR Option Advance shall be payable on the last day of the LIBOR Period applicable thereto. Interest on such LIBOR Option Advance shall be computed on the basis of a 360-day year and shall be assessed for the actual number of days elapsed from the first day of the LIBOR Period applicable thereto but not including the last day thereof.

5. Bank's Records Re: LIBOR Option Advances. With respect to each

LIBOR-Option Advance, Bank is hereby authorized to note the day, principal amount, interest rate and LIBOR Period applicable thereto and any payments made thereon on Bank's books and records (either manually or by electronic entry) and/or on any schedule attached to the Note, which notations shall be prima facie evidence of the accuracy of the information noted.

6. Conversion of Interest Rate Options. At any time the LIBOR Option is in effect, Borrower may, at the end of the applicable LIBOR Period, convert to the Base Rate Option. At any time the Base Rate Option is in effect, Borrower may convert to the LIBOR Period designated by Borrower. At the time each advance is requested under the Note and/or Borrower wishes to select the LIBOR Option for all or a portion of the outstanding principal balance of the Note, and at the end of each LIBOR Period, Borrower shall give Bank notice specifying (a) the interest rate option selected by Borrower; (b) the principal amount subject thereto; and (c) if the LIBOR Option is selected, the length of the applicable LIBOR Period. Any such notice may be given by telephone so long as, with respect to each LIBOR Option selected by Borrower, (I) Bank receives written confirmation from Borrower not later than three (3) Business Days after such telephone notice is given; and (ii) such notice is given to Bank prior to 10:00 a.m., California time, on the first day of the LIBOR Period. For each LIBOR Option requested hereunder, Bank will quote the applicable fixed LIBOR rate to Borrower at approximately 10:00 a.m., California time, on the first day of the LIBOR Period. If Borrower does not immediately accept the rate quoted by Bank, any subsequent acceptance by Borrower shall be subject to a redetermination by Bank; provided however, that if Borrower fails to accept any such quotation is given, then the quoted rate shall expire and Bank shall have no obligation to permit a LIBOR Option to be selected on such day. If no specific designation of interest is made at the time any advance is requested under the Note or at the end of any LIBOR Period, Borrower shall be deemed to have selected the Base Rate Option for such advance or the principal amount to which such LIBOR Period applied.

7. Default Interest. From and after the maturity date of the Note, or such earlier date as all principal owing hereunder becomes due and payable by acceleration or otherwise, the outstanding principal balance of the Note shall bear interest until paid in full at an increased rate per annum (computed on the basis of a 360-day year, actual days elapsed) equal to Three percent (3.00%) above the rate of interest from time to time applicable to the Note.

8. Prepayment. Bank does not have to accept any prepayment of principal under the Note except as described below or as required under applicable law. Borrower may prepay the principal balance of the Note in increments of Five Hundred Dollars ($500.00) at any time, as long as Bank is provided written notice of the prepayment at least five (5) business days prior to the date of prepayment (the "Prepayment Date"). The notice of prepayment shall contain the following information: (a) the Prepayment Date and (b) the amount of principal to be prepaid. On the Prepayment Date, Borrower will pay to Bank, in addition to the other amounts then due on the Note, the Prepayment Amount described below. Bank, in its sole discretion, may accept any prepayment of principal even if not required to do so under the Note and may deduct from the amount to be applied against principal the other amounts required as part of the Prepayment Amount.

The Prepaid Principal Amount (as defined below) will be applied to the Note in the reverse order of which the principal payments would have been due under the Note's principal amortization schedule. In other words, if the Note requires multiple principal payments, then as opposed to prepaying the next Principal Payment due, the Prepaid Principal Amount will be applied beginning with the final principal payment due on the Note.

If Bank exercise its right to accelerate the payment the Note prior to maturity, Borrower will pay to Bank, in addition to the other amounts then due on the Note, on the date specified by Bank as the Prepayment Date, the Prepayment Amount.

Bank's determination of the Prepayment Amount will be conclusive in the absence of obvious error or fraud. If requested in writing by Borrower, Bank will provide Borrower a written statement specifying the Prepayment Amount.

The following (the "Prepayment Amount") shall be due and payable in full on the Prepayment Date:

a. If the face amount of the Note exceeds Seven Hundred Fifty Thousand Dollars ($750,000) (regardless of what the outstanding principal balance may be on the Prepayment Date) then

the Prepayment Amount is the sum of: (I) the amount of principal which Borrower has elected to prepay or the amount of principal which Bank has required Borrower to prepay because of acceleration, as the case may be (the "Prepaid Principal Amount"); (ii) interest accruing on the Prepaid Principal Amount up to, but not including, the Prepayment Date; (iii) Five Hundred Dollars ($500.00); plus (iv) the present value, discounted at the Reinvestment Rates (as defined below) of the positive amount by which (A) the interest Bank would have earned had the Prepaid Principal Amount been paid according to the Note's amortization schedule at the Note's interest rate exceeds (B) the interest Bank would earn by reinvesting the Prepaid Principal Amount at the Reinvestment Rates.

b. If the face amount of the Note is Seven Hundred Fifty Thousand Dollars ($750,000) or less (regardless of what the outstanding principal balance may be on the Prepayment Date) then the Prepayment Amount is the sum of: (I) the amount of principal which Borrower has elected to prepay or the amount of principal which Bank has required Borrower to prepay because of acceleration, as the case may be (the "Prepaid Principal Amount"); (ii) interest accruing on the Prepaid Principal Amount up to, but not including, the Prepayment Date; plus (iii) an amount equal to one percent (1%) of the Prepaid Principal Amount multiplied by the number of calendar years remaining until the maturity date of the Note, but in no event less than two percent (2%) of the Prepaid Principal Amount. For purposes of this computation, any portion of a calendar year until the maturity date of the Note shall be deemed to be a full calendar year.

"Reinvestment Rates" mean the per annum rates of interest equal to one half percent (1/2%) above the rates of interest reasonably determined by Bank to be in effect not more than seven (7) days prior to the Prepayment Date in the secondary market for United States Treasury Obligations in amount(s) and with maturity(ies) which correspond (as closely as possible) to the principal installment amount(s) and the payment date(s) against which the Prepaid Principal Amount will be applied.

BY INITIALING BELOW, BORROWER ACKNOWLEDGE(S) AND AGREE(S) THAT: (A) THERE IS NO RIGHT TO PREPAY THE NOTE, IN WHOLE OR IN PART, WITHOUT PAYING THE PREPAYMENT AMOUNT, EXCEPT AS OTHERWISE REQUIRED UNDER APPLICABLE LAW; (B) BORROWER SHALL BE LIABLE FOR PAYMENT OF THE PREPAYMENT AMOUNT IF BANK EXERCISES ITS RIGHT TO ACCELERATE PAYMENT OF THE NOTE, INCLUDING WITHOUT LIMIT,

ACCELERATION UNDER A DUE-ON-SALE PROVISION; (C) BORROWER WAIVES(S) ANY RIGHTS UNDER SECTION 2954.10 OF THE CALIFORNIA CIVIL CODE, OR ANY SUCCESSOR STATUTE; AND (D) BANK HAS MADE THE LOAN EVIDENCED BY THE NOTE IN RELIANCE ON THESE AGREEMENTS. RLW

BORROWER'S INITIALS

9. Hold Harmless and Indemnification. Borrower agrees to indemnify Bank and to hold harmless from, and to reimburse Bank on demand for, all losses and expenses which Bank sustains or incurs as a result of (I) any payment of a LIBOR Option Advance prior to the last day of the LIBOR period for such LIBOR Option Advance for any reason, including termination of the Note, whether pursuant to this Addendum or the occurrence of an Event of Default for any reason; (ii) any termination of a LIBOR Period in accordance with this Addendum; or (iii) any failure by Borrower, for any reason, to borrow any portion of a LIBOR Option Advance.

10. Funding Losses. The indemnification and hold harmless provisions set forth in this Addendum shall include, without limitation, all losses and expenses arising from interest and fees that Bank pays to lenders of funds it obtained in order to fund the loans to Borrower on the basis of the LIBOR Option(s) and all losses incurred in liquidating or re-deploying deposits from which such funds were obtained and loss of profit for the period after termination. A written statement by Bank to Borrower of such losses and expenses shall be conclusive and binding, absent manifest error, for all purposes. This obligation shall survive the termination of this Addendum and the payment of the Note.

11. Regulatory Developments Or Other Circumstances Relating to Illegality or Impracticality of LIBOR. If any Regulatory Development or other circumstances relating to the interbank Euro-dollar markets shall, at any time, in Bank's reasonable determination, make it unlawful or impractical for Bank to fund or maintain, during any LIBOR Period, to determine or charge interest rates based upon LIBOR, Bank shall give notice of such circumstances to Borrower and:

(I) In the case of a LIBOR Period in progress, Borrower shall, if requested by Bank, promptly pay any interest which had accrued prior to such request and the date of such request shall be deemed to be the last day of the term of the LIBOR Period; and

(ii) No LIBOR Period may be designated thereafter until Bank determines that such would be practical.

[Item 12 deleted and initialed by RLW.]

13. Legal Effect. Except as specifically modified hereby, all of the terms and conditions of the Note remain in full force and effect.

IN WITNESS WHEREOF, the parties have agreed to the foregoing as of the date first set forth above.

ACCOM, INC.	COMERICA BANK-CALIFORNIA
By: /S/ ROBERT L. WILSON	By:/s/ AMY AZAR
	Amy Azar
Title: CFO	Assistant Vice President

[LOGO OMITTED]

BORROWER'S AUTHORIZATION

DATE: JULY 7, 1996

I (we) hereby authorize and direct COMERICA BANK-CALIFORNIA ("Bank") to pay to PAYOFF AND CLOSE LOAN #0059970008-26 $ 0

to____ $__________________________

to____ $__________________________

to____ $__________________________

of the proceeds of my (our) loan from the Bank evidenced by a note in the original principal amount of $4,000,000.00, dated JULY 7, 1996.

Borrower(s): ACCOM, INC.

By: /S/ ROBERT L. WILSON Its: CFO
Signature of Title (if applicable)

By:______________________________________ Its:____________________________
Signature of Title (if applicable)

By:______________________________________ Its:____________________________
Signature of Title (if applicable)

By:______________________________________ Its:____________________________
Signature of Title (if applicable)

COLLATERAL ASSIGNMENT, PATENT MORTGAGE AND SECURITY AGREEMENT

This Collateral Assignment, Patent Mortgage and Security Agreement is made as of JULY 7, 1996, by and between ACCOM, INC. ("Assignor"), and COMERICA BANK-CALIFORNIA "Assignee").

RECITALS

A. Assignee has agreed to lend to Assignor certain funds (the "Loan"), and Assignor desires to borrow such funds from Assignee. The Loan will be evidenced by one or more promissory notes of even date herewith (a "Note" or, collectively, the "Notes") and will be secured in part pursuant to the terms of a Master Revolving Note of even date herewith (the "Loan Agreement").

B. In order to include Assignee to make the Loan, Assignor has agreed to assign certain intangible property to Assignee for purposes of securing the obligations of Assignor to Assignee.

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Assignment, Patent Mortgage and Grant of Security Interest. As collateral security for the prompt and complete payment and performance of all of Assignor's present or future indebtedness, obligations and liabilities to Assignee, Assignor hereby assigns, transfers, conveys and grants a security interest and mortgage to Assignee, as security, Assignor's entire right, title and interest in, to and under the following (all of which shall collectively be called the "Collateral"):

(a) Any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, nor or hereafter existing, created, acquired or held, including without limitation those set forth on Exhibit A attached hereto (collectively, the "Copyrights");

(b) Any and all trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;

(c) Any and all design rights which may be available to Assignor nor or hereafter existing, created, acquired or held;

(d) All patents, patent applications and like protections including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, including without limitation the patents and patent applications set forth on Exhibit B attached hereto (collectively, the "Patents");

(e) Any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Assignor connected with and symbolized by such trademarks, including without limitation those set forth on Exhibit C, attached hereto (collectively, the "Trademarks");

(f) Any and all claims for damages by way of past, present and future infringement of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above:

(g) All licenses or other rights to use any of the Copyrights, Patents or Trademarks, and all license fees and royalties arising from such use; and

(h) All amendments, extensions, renewals and extensions of any of the Copyrights, Trademarks or Patents; and

(i) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

THE INTEREST IN THE COLLATERAL BEING ASSIGNED HEREUNDER SHALL NOT BE CONSTRUED AS A CURRENT ASSIGNMENT, BUT AS A CONTINGENT ASSIGNMENT TO SECURE ASSIGNOR'S OBLIGATIONS TO ASSIGNEE UNDER THE NOTE AND SECURITY AGREEMENT.

2. Authorization and Request. Assignor authorizes and requests that the Register of Copyrights and the Commissioner of Patents and Trademarks record this conditional assignment.

3. Covenants and Warranties. Assignor represents, warrants, covenants and agrees as follows:

(a) Assignor is now the sole owner of the Collateral, except for non-exclusive licenses granted by Assignor to its customers in the ordinary course of business and except for liens, encumbrances or security interests described in Schedule 3 attached hereto;

(b) Performance of this Assignment does not conflict with or result in a breach of any agreement to which Assignor is party or by which Assignor is bound;

(c) During the term of this Assignment, Assignor will not transfer or otherwise encumber any interest in the Collateral, except for non-exclusive licenses granted by Assignor in the ordinary course of business;

(d) Each of the Patents is valid and enforceable, and no part of the Collateral has been judged invalid or unenforceable, in whole or in part, and no claim has been made that any part of the Collateral violates the rights of any third party;

(e) Assignor shall promptly advise Assignee of any material change in the composition of the Collateral, including but not limited to any subsequent ownership right of the Assignor in or to any Trademark, Patent or Copyright not specified in this Assignment;

(f) Assignor shall (i) protect, defend and maintain the validity and enforceability of the Trademarks, Patents and Copyrights, (ii) use its best efforts to detect infringements of the Trademarks, Patents and Copyrights and promptly advise Assignee in writing of material infringements detected and (iii) not allow any Trademarks, Patents or Copyrights to be abandoned, forfeited or dedicated to the public without the written consent of Assignee, which shall not be unreasonably withheld; subject to reasonable review and the materiality of the trademarks, patents, or copyrights by Assignee and Assignor.
[ADDITION TO PARAGRAPH INITIALED BY RLW.]

(g) Assignor shall promptly register the most recent version of any of Assignor's Copyrights, if not so already registered, and shall, from time to time, execute and file such other instruments, and take such further actions as Assignee may request from time to time to perfect or continue the perfection of Assignee's interest in the Collateral to perfect or continue the perfection of Assignee's interests in the Collateral at Assignor's sole expense.

(h) This Assignment creates, and in the case of after acquired Collateral, this Agreement will create at the time Assignor first has rights in such after acquired Collateral, in favor of Assignee a valid and perfected first priority security interest in the Collateral in the United States securing the payment and performance of the obligations evidenced by the Note upon making the filings referred to in clause (i) below;

(i) Except for, and upon, the filing with the United States Patent and Trademark office with respect to the Patents and Trademarks and the Register of Copyrights with respect to the Copyrights necessary to perfect the security interests and assignment created hereunder, and, except as has been already made or obtained, no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required either (i) for the grant by Assignor of the security interest granted hereby or for the execution, delivery or performance of this Assignment by Assignor or (ii) for the perfection in the United States or the exercise by Assignee of its rights and remedies hereunder;

(j) All information heretofore, herein or hereafter supplied to Assignee by or on behalf of Assignor with respect to the Collateral is accurate and complete in all material respects.

(k) Assignor shall not enter into any agreement that would materially impair or conflict with Assignor's obligation hereunder without Assignee's prior written consent. Assignor shall not permit the inclusion in any contract to which it becomes a party of any provisions that could or might in any way impair or prevent the creation of a security interest in Assignor's rights and interests in any property included within the definition of the Collateral acquired under such contracts.

(l) Upon any officer of Assignor obtaining knowledge thereof, Assignor will promptly notify Assignee in writing of any event that materially adversely affects the value of any of the Collateral, the ability of Assignor or Assignee to dispose of any of the Collateral or the rights and remedies of Assignee in relation thereto, including the levy of any legal process against any of the Collateral.

4. Assignee's Rights. Assignee shall have the right, but not the obligation, to take in the event of default at Assignor's sole expense, any actions that Assignor is required under this Assignment to take but which Assignor fails to take, after five (5) days' notice to Assignor. Assignor shall reimburse and indemnify Assignee for all costs and expenses incurred in the reasonable exercise of its rights under this section 4.
[ADDITION TO PARAGRAPH INITIALED BY RLW.]

5. Inspection Rights. Assignor hereby grants to Assignee and its employees, representatives and agents the right to visit, during reasonable hours upon prior reasonable notice to Assignor, and any of Assignor's and its subcontractors' plants and facilities that manufacture, install or store products (or that have done so during the prior six-month period) that are sold under any of the Collateral, and to inspect the products and quality control records relating thereto upon reasonable notice to Assignor and as often as may be reasonably requested; provided, however, nothing herein shall entitle Assignee access to Assignor's trade secrets and other proprietary information.

6. Further Assurances; Attorney in Fact.

(a) On a continuing basis, Assignor will, subject to any prior licenses, encumbrances and restrictions and prospective licenses, make, execute, acknowledge and deliver, and file and record in the proper filing and recording places in the United States, all such instruments, including, appropriate financing and continuation statements and collateral agreements and filings with the United States Patent and Trademark Office and the Register of Copyrights, and take all such action as may reasonably be deemed necessary or advisable, or as requested by Assignee, to perfect Assignee's security interest in all Copyrights, Patents and Trademarks and otherwise to carry out the intent and purposes of this Collateral Assignment, or for assuring and confirming to Assignee the grant or perfection of a security interest in all Collateral.

(b) Assignor hereby irrevocably appoints Assignee as Assignor's attorney-in-fact, with full authority in the place and stead of Assignor and in the name of Assignor, Assignee or otherwise, from time to time in Assignee's discretion, to take any action and to execute any instrument which Assignee may deem necessary or advisable to accomplish the purposes of this Collateral Assignment, including:

(i) To modify, in its sole discretion, this

Collateral Agreement without first obtaining Assignor's approval of or signature to such modification by amending Exhibit A, Exhibit B and Exhibit C, thereof, as appropriate, to include reference to any right, title or interest in any Copyrights, Patents or Trademarks acquired by Assignor after the execution hereof or to delete any reference to any right, title or interest in any Copyrights, Patents or Trademarks in which Assignor no longer has or claims any right, title or interest; and

(ii) To file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Assignor where permitted by law.

The assignee agrees not to exercise the Power of Attorney granted herein unless there has been a material event of default or bankruptcy is imminent in the reasonable opinion of the Assignee.
[ADDITION TO PARAGRAPH INITIALED BY RLW.]

7. Events of Default. The occurrence of any of the following shall constitute an Event of Default under the Assignment:

(a) An Event of Default occurs under the Loan Agreement or any Note; or

(b) Assignor breaches any warranty or agreement made by Assignor in this Agreement.

8. Remedies. Upon the occurrence of an Event of Default. Assignee shall have the right to exercise all the remedies of a secured party under the California Uniform Commercial Code, including without limitation the right to require Assignor to assemble the Collateral and any tangible property in which Assignee has a security interest and to make it available to Assignee at a place designated by Assignee. Assignee shall have a nonexclusive, royalty free license to use the Copyrights, Patents and Trademarks to the extent reasonably necessary to permit Assignee to exercise its rights and remedies upon the occurrence of an Event of Default. Assignor will pay any expenses (including attorneys' fees) incurred by Assignee in connection with the exercise of any of Assignee's rights hereunder, including without limitation any expense incurred in disposing of the Collateral. All of Assignee's rights and remedies with respect to the Collateral shall be cumulative.

9. Indemnity. Assignor agrees to defend, indemnity and hold harmless Assignee and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement, and (b) all losses or expenses in any way suffered, incurred, or paid by Assignee as a result of or in any way arising out of, following or consequential to transactions between Assignee and Assignor, whether under this Assignment or otherwise (including without limitation attorneys fees and expenses), except for losses arising from or out of Assignee's gross negligence or willful misconduct.

10. Reassignment. At such time as Assignor shall completely satisfy all of the obligations secured hereunder, Assignee shall execute and deliver to Assignor all deeds, assignments and other instruments as may be necessary or proper to revest in Assignor full title to the property assigned hereunder, subject to any disposition thereof which may have been made by Assignee pursuant hereto.

11. Course of Dealing. No course of dealing, nor any failure to exercise, nor any delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

12. Attorneys Fees. If any action relating to this Assignment is brought by either party hereto against the other party, the prevailing party shall be entitled to recover reasonable attorneys fees, costs and disbursements.

13. Amendments. This Assignment may be amended only by a written instrument signed by both parties hereto.

14. Counterparts. This Assignment may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute the same instrument.

15. California Law and Jurisdiction. This Assignment shall be governed by the laws of the State of California, without regard for choice of law provisions. Assignor and Assignee consent to the nonexclusive jurisdiction of any state or federal court located in Santa Clara County, California.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment on the day and year first above written.

Address of Assignor:	ASSIGNOR: ACCOM, INC.
1490 O'Brien Drive Menlo Park, CA 94025	By: /s/ ROBERT L. WILSON ------------------------------
	Title: C.O.O CFO ------------------------------
Address of Assignee:	ASSIGNEE: COMERICA BANK-CALIFORNIA
333 W. Santa Clara St. San Jose, CA 95113	By: /s/ AMY AZAR ------------------------------ Amy Azar Assistant Vice President

Exhibit "A"

List of Copyrights

None

RLW
INITIAL HERE

EXHIBIT B

Patents

Description	Patent Number	Issue Date
Still Store System and Method With Simple Image Access	5,451,982	09/19/95
Three-Dimensional Median and Recursive Filtering Apparatus and Method for Video Image Enhancement	5,446,501	08/29/95
Real-Time Disk System	5,396,339	03/07/95
Digital Image Compositing System and Method	5,347,622	09/13/94
Three-Dimensional Adaptive Decoding System and Method	5,097,321	03/17/92

RLW
INITIAL HERE

EXHIBIT C

Trademarks

Trademark Application Number	Application Date
75-005,784	10/16/95

Trademark Registration Number	Registration Date
1,886,994	04/04/95
1,845,523	07/19/94
1,879,377	02/14/95
1,872,319	01/10/95
1,881,686	02/28/95
1,883,174	03/07/95
1,847,645	08/02/94

RLW
INITIAL HERE

BUSINESS LOAN AGREEMENT

This Business Loan Agreement (this "Agreement") is entered into by and between Comerica Bank-California ("Bank") and Accom, Inc. ("Borrower") as of this 23 day of July, 1996.

1. Loans to Borrower. Bank is prepared to make loans to Borrower subject to the terms and conditions of this Agreement, that promissory note(s)

executed in connection herewith and/or previously or subsequently executed, and all amendments, renewals and extensions thereof (singularly or collectively, the "Note"), and those certain security agreements and/or such other security or other documents as Bank may now or hereafter require (collectively, the "Loan Documents") in connection with Loans made now or in the future by Bank pursuant to the Loan Documents sometimes hereinafter collectively referred to as the "Loan").

2. Legal Effect. This Agreement supplements the terms and conditions of the Loan Documents. Except as otherwise specified herein, all terms used in this Agreement shall have the same meaning as given in the Note and/or Loan Documents which are incorporated herein by this reference. Any and all terms used in this Agreement, the Note and/or the Loan Documents shall be construed and defined in accordance with the meaning and definition such term under and pursuant to the California Uniform Commercial Code, as amended. Except as specifically modified hereby, all of the terms and conditions of the Note and/or the Loan Documents shall remain in full force and effect.

3. Interest Rate; Payment Terms; Loan Fees. The principal and interest on the Loan shall be payable on the terms set forth in the Note and/or the Loan Documents. A 1/2% ($20,000) loan fee in equivalent of fees and/or deposit balances shall be collected quarterly in arrears and automatically debited from the general account, as described in Example B. In addition, Borrower shall pay such additional loan fees from time to time in the future as agreed between Bank and Borrower.

4. Security. As security for Borrower's obligations to Bank under this Agreement, the Note and/or the Loan Documents and all other indebtedness and liabilities whatsoever of Borrowed to Bank, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, evidenced by the Note and/or the Loan Documents (collectively, the "Indebtedness"). Borrower hereby grants to Bank, prior to or simultaneously with the borrowing hereunder, a continuing security interest of first priority in all accounts receivable, inventory, equipment and intangibles and all proceeds thereof, and in all collateral provided to Bank pursuant to any security agreement and/or all collateral that is delivered to Bank and/or which Bank possesses and all proceeds thereof, (collectively, the "Collateral").

5. Guaranty. [OMITTED. Initialed by RLW]

6. Conditions Precedent. As conditions precedent to the making of the Loan and the extension of the financial accommodations hereunder, Borrower shall execute, or cause to be executed, and deliver to Bank, in form and substance satisfactory to Bank and its counsel, the following:

(a) This Agreement, the Note, and/or the Loan Documents and such other documents required by Bank;

(b) Financing statements (Form UCC-1) in form satisfactory to Bank for filing and recording with the appropriate governmental authorities;

(c) If Borrowers is a corporation, certified extracts from the minutes of meeting of its board of directors, authorizing the borrowings and the granting of the security interest provided for herein and authorizing specific officers to execute and deliver the agreements provided for herein;

(d) If Borrower is a corporation, a certificate of good standing showing that Borrower is in good standing under the laws of the state of its incorporation and certificates indicating that Borrower is qualified to transact business and is in good standing in any other state in which it conducts business;

(e) If Borrower is a partnership, a copy of Borrower's partnership agreement certified by each general partner of Borrower;

(f) UCC searches, tax lien and litigation searches, fictitious business statement filings, insurance certificates, notices or other similar documents which Bank may require and in such form as Bank may require, in order to reflect, perfect or protect Bank's first priority security interest in the Collateral and in order to fully consummate all of the transactions contemplated under this Agreement, the Note and/or the Loan Documents;

(g) Waivers executed by landlords and mortgagees of any real property on which any Collateral is located;

(h) Warranties and representations of officers; and

(i) Payment of all loan fees and expenses, if any.

7. Representations and Warranties of Borrower. Borrower represents and warrants to Bank that as of the date of acceptance of this Agreement, the Note and/or the Loan Documents, as of the date of borrowing hereunder and at all times the Loan or any other Indebtedness are outstanding heredunder:

(a) If Borrower is a corporation, Borrower is duly organized, validly existing and in good standing under the laws of the state of its incorporation; or if a partnership, Borrower is duly organized and validly existing under the partnership agreement and the applicable laws of the state in which the partnership is formed or exists;

(b) Borrower has the legal power and authority, to own its properties and assets and to carry out its business as now being conducted; it is qualified to do business in every jurisdiction wherein such qualification is necessary; it has the legal power and authority to execute and perform this Agreement, the Note and/or the Loan Documents to borrow money in accordance with its terms, to execute and deliver the Note and the Loan Documents, and to do any and all other things required of it hereunder; and this Agreement, the Note and all the Loan Documents, when executed on behalf of Borrower by its duly authorized officers, shall be its valid and binding obligations legally enforceable in accordance with their terms;

(c) The execution, delivery and performance of this Agreement, the Note and/or the Loan Documents and the borrowings hereunder and thereunder (i) have been duly authorized by all requisite corporate action; (ii) do not require governmental approval; (iii) will not result (with or without notice and/or the passage of time) in any conflict with or breach or violation of or default under, any provision of law, the articles of incorporation, bylaws or partnership agreement of Borrower, any provision of any indenture, agreement or other instrument to which Borrower is a party, or by which it or any of its properties or assets are bound; and (iv) will not result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of Borrower;

(d) The balance sheet of Borrower as provided to Bank in connection herewith and the related statement of income of Borrower for the period ended 5/25/96, fairly present the financial condition of Borrower in accordance with accounting principles ("GAAP"); and from the date thereof to the date hereof, there has been no material adverse change in such condition or operations; and

(e) There is not pending nor, to the best of Borrower's knowledge, threatened, any litigation, proceeding or governmental investigation which could materially and adversely affect its business or its ability to perform its obligations, pay the Indebtedness and/or comply with the covenants set forth herein and/or in the Note and/or the other Loan Documents.

8. Affirmative Covenants. Until the Indebtedness is paid in full, Borrower covenants and agrees to do the following:

(a) Furnish within thirty (30) days after the end of each month, a company-prepared balance sheet and profit and loss statement covering Borrower's operations, 10Q's within forty-five (45) days after the quarter-end, and deliver to Bank within one hundred twenty (120) days of the end of each of Borrower's fiscal years a statement of the financial condition of Borrower for each such fiscal year, including but not limited to, a (an) CPA-audited balance sheet and profit and loss statement, 10K, and any other report requested by Bank relating to any Collateral and the financial condition of Borrower, and a certificate signed by an authorized employee of Borrower to the effect that all reports, statements, computer disc or tape files, computer printouts, computer runs or other computer prepared information of any kind or nature relating to the foregoing or documents delivered or caused to be deliver to Bank under this subparagraph are complete, correct and thoroughly present the financial condition of Borrower and that there exists on the date of delivery to Bank no condition or event which constitutes a breach or an event of default under this Agreement, the Note and/or the Loan Documents. Monthly company-prepared financial statements and covenant compliance certificates to be received within 30 days of month-end until first quarter of net profitability is attained. After reaching first quarter of net profitability, quarterly company prepared financial statements, 10Q's and covenant compliance certificates to be received within 45 days of quarter-end.

(b) In addition to the financial statements requested above, Borrower agrees to provided Bank with the following schedules:

X Accounts Receivable Aging Reports on a monthly basis within 15 days of month-end

X Accounts Payable Aging Summary on a monthly basis; and within 15 days of month-end

if no borrowings on line of credit, quarterly accounts receivable aging reports and accounts payable aging summary to be received within 15 days of quarter-end.

(c) Promptly inform Bank of the occurrence of any event of default (as defined in the Note and/or the Loan Documents) or of any event which could have a materially adverse effect upon Borrower's business, properties, financial condition or ability to comply with its obligations hereunder, including without limitation its ability to pay the indebtedness;

(d) Furnish such other information as Bank may reasonably request;

(e) Keep in full force and effect its own corporate or partnership existence in good standing; continue to conduct and operate its business substantially as presently conducted and operated and maintain and protect all franchises and trade names and preserve all the remainder of its property used or useful in the conduct of its business and keep the same in good repair and condition;

(f) Comply with the financial covenants set forth in Addendum A, attached hereto and made a part hereof;

(g) Maintain a standard and modern system of accounting in accordance with GAAP consistently applied with ledger and account cards and/or computer tapes and computer disks, computer printouts and computer records pertaining to the Collateral which contain information as may from time to time be requested by Bank, no modify or change its method of accounting without the written consent of Bank first obtained, permit Bank and any of its employees, officers, or agents, upon demand, during Borrower's usual business hours, or the usual business hours of any third person having control thereof, to have access to and examine all of Borrower's records relating to the Collateral, Borrower's financial condition and the results of Borrower's operations and in connection therewith, permit Bank or any of its agents, employees, or officer to copy and make extracts therefrom;

(h) Provide personal financial statement on an annual basis and tax returns of any Guarantor, within thirty (30) days of the filing of such tax returns;

(i) Maintain Borrower's same place of business or chief executive office or residence as indicated below, and not relocate said address without giving Bank prior written notice; and

(j) Maintain insurance in such amounts and of a type satisfactory to Bank, with Bank to be designated as the payee of any such insurance policies.

9. Negative Covenants. Borrower shall not, without Bank's prior written consent, do any of the following:

(a) Grant a security interest in or permit a lien, claim or encumbrance upon any of the Collateral to any person, association, firm, corporation, entity, governmental agency or instrumentality;

(b) Permit any levy, attachment or restraint to be made affecting any of Borrower's assets;

(c) Permit any judicial officer or assignee to be appointed or to take possession of any or all of Borrower's assets;

(d) Other than sales of inventory in the ordinary course of Borrower's business, to sell, lease or otherwise dispose of, move, or transfer, whether by sale or otherwise, any of Borrower's assets;

(e) Change its name, business structure, corporate identity or structure; add any new fictitious name, liquidate, merge or consolidate with or into any other business organization;

(f) Move or relocate any collateral except in the ordinary course of Borrower's business;

(g) Enter into any transaction not in the usual course of Borrower's business;

(h) Make any investment in securities of any person, association, firm, entity or corporation other than securities of the United States of America;

(i) Make any change in Borrower's financial structure or in any of its business objects, purposes or operations which would adversely affect the ability of Borrower to pay its obligations;

(h) Incur any debt outside the ordinary course of Borrower's business;

(i) Make any advance or loan except in the ordinary course of

Borrower's business as currently conducted;

(j) Make loans, advances of extensions of credit to any person, except for sales on open account and otherwise in the ordinary course of business;

(k) Guaranty or otherwise, directly or indirectly, in any way be or become responsible for obligations of any other person, whether by or agreement to purchase the indebtedness of any other person,

agreement for the furnishing of funds to any other person through the furnishing of goods, supplies or services, by way of stock purchase, capital contribution, advance or loan, for the purpose of paying and discharging (or causing the payment or discharge of) the indebtedness of any other person, or otherwise, except for the endorsement of negotiable instruments by Borrower in the ordinary course of business for deposit or collection;

(l) Sell, lease, transfer or otherwise dispose of properties and assets having an aggregate book value of more than Five Hundred Thousand Dollars ($500,000) (whether in one transaction or in a series of transactions) except as to the sale of the inventory in the ordinary course of business; change its name, consolidate with or merge into any corporation, permit another corporation to merge into it, acquire all or substantially all of the properties or assets of any other person, enter into any reorganization or recapitalization or reclassify its capital stock, or enter into any sale-lease back transaction;

(m) Purchase or hold beneficially any stock or other securities of, or make any investment or acquire any interest whatsoever in, any other person, except for the common stock of the subsidiaries owned by Borrower on the date of this Agreement or other applicable date and except for certificates of deposit with maturities of one year or less of a United States commercial bank with capital, surplus and undivided profits in excess of one hundred million dollars ($100,000,000), and direct obligations of the United States government maturing within one (1) year from the date of acquisition thereof; or

(n) Allow any fact, condition or event to occur or exist with respect to any employee, pension or profit sharing plan established or maintained by it which might constitute grounds for termination of any such plan or for the court appointment of a trustee to administer any such plan.

10. Default. The term "Default", as used herein, shall have the meaning given in the Note and/or the Loan Documents. In addition, the parties agree that any one or more of the following events shall constitute a default by Borrower under this Agreement, the Note and/or the Loan Documents: (a) if Borrower fails or neglects to perform, keep or observe any term, provision, condition, covenant, agreement, warranty or representation contained in this Agreement, the Note, the Loan Documents or any other present or future agreement between Borrower and Bank; (b) if any material representation, statement, report or certificate made or delivered by Borrower, or any of its officers, employees or agents to Bank is not true and correct; (c) if Borrower fails to pay when due and payable or declared due and payable, all or any portion of the Indebtedness (whether or principal, interest, taxes, reimbursement of Bank expenses, or otherwise); (d) if there is a material impairment of the prospect of repayment of all or any portion of Borrower's obligations, including without limitation the Indebtedness or a material impairment of the value or priority of Bank's security interest in the collateral; (e) if all or any of Borrower's assets are affected, become subject to a writ or distress warrant, or are levied upon, or come into the possession of any judicial officer or assignee and the same are

not released, discharged or bonded against within ten (10) days thereafter; (f) if any insolvency proceeding is filed or commenced by or against Borrower without being dismissed within ten (10) days thereafter; (g) if any proceeding is filed or commenced by or against Borrower for its dissolution or liquidation without being dismissed within ten (10) days of its commencement; (h) if Borrower is enjoined, restrained or in any way prevented by court order from continuing to conduct all or any material part of its business affairs; (i) if a notice of lien, levy or assessment is filed of record with respect to any or all of Borrower's assets by the United States Government, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, or if any taxes or debts owing at any time hereafter to any one or more of such entities becomes a lien, whether choate or otherwise, upon any or all of the Borrower's assets and the same is not paid on the payment date thereof; (j) if a judgment or other claim becomes a lien or encumbrance upon any or all of Borrower's assets and the same is not satisfied, dismissed or bonded against within ten (10) days thereafter; (k) if Borrower's records are prepared and kept by an outside computer service bureau at the time this Agreement, the Note and/or the Loan Documents are entered into or during the term of this Agreement, the Note and/or the Loan Documents, such an agreement with an outside service bureau is entered into, and at any time thereafter, without first obtaining the written consent of Bank, Borrower terminates, modifies, amends or changes its contractual relationship with said computer service bureau or said computer service bureau fails to provide Bank with any requested information or financial data pertaining to Bank's Collateral, Borrower's financial condition or the results of Borrower's operations; (l) if Borrower permits a default in any material agreement to which Borrower is a party with third parties so as to result in an acceleration of the maturity of Borrower's indebtedness to others, whether under any indenture, agreement or otherwise; (m) if Borrower makes any payment on account of indebtedness which has been subordinated to Borrower's obligations to Bank, including without limitation the Indebtedness; (n) if any material misrepresentation exists now or thereafter in any warranty or representation made to Bank by any officer or director of Borrower, or if any such warranty or representation is withdrawn by any officer or director; (o) if any party subordinating its claims to that of Bank's or any guarantor of Borrower's obligations terminates its subordination or guaranty, becomes insolvent or any insolvency proceeding is commenced by or against any such subordinating party or guarantor; (p) if Borrower is an individual and Borrower dies; (q) if there is a change of ownership or control of n/a percent (%) or more of the issued and outstanding stock of Borrower; or (r) if any reportable event, which the Bank determines constitutes grounds for the termination of any deferred compensation plan by the Pension Benefit Guaranty Corporation or for the appointment by the appropriate Untied States District Court of a trustee to administer any such plan, shall have occurred and be continuing thirty (30) days after written notice of such determination shall have been given to Borrower by Bank, or any such Plan shall be terminated within the meaning of Title IV of the Employment Retirement Income Security Act ("ERISA"), or a trustee shall be appointed by the appropriate Untied States District Court to administer any such plan, or the Pension Benefit Guaranty Corporation shall institute proceedings to terminate any plan and in case of any event described in this

Section 10, the aggregate amount of the Borrower's liability to the Pension Benefit Guaranty Corporation under Sections 4062, 4063 or 4064 of ERISA shall exceed five percent (5%) of Borrower's Tangible Effective Net Worth. (s) It shall be an event of default hereunder and under the Loan Documents if for any reason Bank's security interest in any collateral is not in first priority.

Notwithstanding anything contained in this Section 10 to the contrary, Bank shall refrain from exercising its rights and remedies and Event of Default shall thereafter not be deemed to have occurred by reason of the occurrence of any of the events set forth in Sections 10(e), 10(f), 10(j), 10(r) of this Agreement if, within ten (10) days from the date thereof, the same is released, discharged, dismissed, bonded against or satisfied; provided, however, that Bank shall not be obligated to make advances to Borrower during only such ten (10) day cure period.

11. Rights and Remedies. The parties have agreed as follows with respect to Bank's rights and remedies upon default: (a) upon default, Bank shall have all rights and remedies available hereunder and under the Note and the Loan Documents and under applicable law: (b) upon default, Bank may at its option, accelerate the Indebtedness and declare all Indebtedness to be due, owing and payable in full; (c) no default (as defined in this Agreement, the Note and/or the Loan Documents) shall be waived by Bank except in writing and a waiver of any default shall not be a waiver of any other default or of the same default on a future occasion; (d) no single or partial exercise of any right, power or privilege hereunder, or any delay in the exercise hereof, shall preclude other or further exercise of the rights of the parties under this Agreement, the Note and/or the Loan Documents; and (e) no forbearance on the part of Bank in enforcing any of its rights under this Agreement, the Note and/or the Loan Documents nor any renewal, extension or rearrangement of any payment or covenant be made or performed by Borrower hereunder shall constitute a waiver of any of the terms of this Agreement, the Note, and/or the Loan Documents, or of any such right.

12. Cross-Default. A default under this Agreement shall also be a default under the Note and the Loan Documents, and vice versa. A default under this Agreement, the Note and/or the Loan Documents shall also be a default under every other note and other agreement between Bank and Borrower, and vice versa.

13. Cross-Collateral. Any Collateral for this Agreement, the Note and/or the Loan Documents shall also be Collateral for any other obligations owing by Borrower to Bank, except that no real property collateral shall be security for the Note pursuant to this paragraph unless Bank gives its prior written express consent therein.

14. Survival of Covenants, Agreements, Representations and Warranties. All covenants, agreements, representations and warranties (a) previously made (except as specifically subsequently modified); (b) made in connection herewith or with the Note and/or the Loan Documents and/or any document contemplated hereby; or (c) executed hereafter (unless such document expressly states that this Agreement does not apply thereto) shall survive the borrowing hereunder and thereunder and the repayment in full of the Note and/or the Loan Documents and any amendments, renewals or extensions thereof and shall be deemed to have been relied upon by Bank. All statements contained in any certificate or other document delivered to Bank at any time by or on behalf of Borrower shall constitute representations and warranties by Borrower.

15. Miscellaneous. The parties agree to the following miscellaneous terms:

(a) This Agreement, the Note and the Lon Documents shall be governed by California law, without regard for the effect of conflict of laws;

(b) Borrower agrees that it will pay all out of pocket costs of Bank and expenses (including, without limitation, Bank's attorneys' fees and costs and/or fees and costs of Bank's in house counsel) and other expenses in connection with the preparation of this Agreement, the Note and/or the Loan Documents and/or the documents contemplated hereby;

(c) This Agreement, the Note and/or the Loan Documents shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns; provided, however, that Borrower shall not assign or transfer its right or obligations under this Agreement, the Note and/or the Loan Documents without the prior written consent of Bank;

(d) Borrower acknowledges that Bank may provide information regarding Borrower and the Loan to Bank's parent, subsidiaries and affiliates and service providers in the ordinary course of business as required by law or regulation, and

(e) This Agreement is an integrated agreement and supersedes all prior negotiations and agreements regarding the subject matter hereof. Any amendments hereto shall be in writing and be signed by all parties hereto.

IN WITNESS WHEREOF, the parties have executed this Business Loan Agreement as of the date first set forth above.

Borrower:

Accom, Inc.
1490 O'Brien Drive, Menlo Park, CA 94025

By: /s/ ROBERT L. WILSON

Title: Exec VP C.O.O. CFO

Comerica Bank-California
("Bank")

By: /s/ AMY AZAR

Title: AVP

ADDENDUM A TO BUSINESS LOAN AGREEMENT

1. Definitions Relating to Financial Covenants.

Cash Flow as used in this Agreement means for any applicable period of determination, the net income (after deduction for income taxes and other taxes of Borrower or its subsidiaries, determined by reference to income or profits of Borrower or its subsidiaries) for such period, plus, to the extent deducted in computation of such net income, the amount of depreciation and amortization expense and the amount of deferred tax liability during such period, all as determined in accordance with GAAP. The applicable period of determination will be N/A, beginning with the period from N/A.

Current Assets as used in this Agreement means as of any applicable date of determination, all cash, non-affiliated accounts receivable, United States government securities and/or claims against the United States government, securities acceptable to Bank inventories of Borrower and its subsidiaries.

Current Liabilities as used in this Agreement means as of any applicable date of determination, (i) all liabilities of Borrower or its subsidiaries that should be classified as current in accordance with GAAP, including without limitation any portion of the principal of the Indebtedness under this Agreement, the Note and/or the Loan Documents classified as current, plus (ii) to the extent not otherwise included, all liabilities of Borrower to any of its affiliates (including officers, directors, subsidiaries and commonly held companies), whether or not classified as current in accordance with GAAP.

Fixed Charges as used in this Agreement means as of any applicable period of determination with respect to Borrower and its subsidiaries, the sum, without duplication, of (a) all interest paid or payable during such period by Borrower or its subsidiaries on debt of such person; plus (b) all payments of principal or other sums paid or payable during such period by such person with respect to Debt having a final maturity more than one year from the date of creation of such Debt; plus (c) all debt discount and expense amortized or required to be amortized during such period by such person; plus (d) the maximum amount of all rents and other payments paid or required to be paid by such person during such period under any lease or other contract or arrangement providing for use of real or personal property in respect of which such person is obligated as a lessee, user or obligor; plus (e) all dividends and other distributions paid or payable by Borrower or its subsidiaries or otherwise accumulating during such period on any capital stock of Borrower or its subsidiaries; plus (f) all loans or other advances made by Borrower or its subsidiaries during such period to any affiliate of such person. The applicable period of determination will be N/A, beginning with the period from N/A to N/A.

Quick Assets as used in this Agreement means as of any applicable date of determination, the cash and net accounts receivable arising from the sale of goods and services of Borrower and its subsidiaries.

Tangible Effective Net Worth as used in this Agreement means net worth as determined in accordance with GAAP consistently applied as of any applicable date of determination, increased by subordinated debt, if any, and decreased by the following: Patents, licenses, goodwill, subscription lists, organization expenses, trade accounts receivable converted to notes, money due from affiliates (including officers, directors, subsidiaries and commonly held companies), and any soft assets such as $100,000 invested in Lightscape.

Tangible Net Worth as used in this Agreement means, as of any applicable date of determination, the excess of:

(a) the net book value of all assets of a person (other than patents, patent rights, trademarks, trade names, franchises, copyrights, licenses, goodwill and similar intangible assets) after all appropriate deductions in accordance with GAAP (including, without limitation, reserves for doubtful receivables, obsolescence, depreciation and amortization), over

(b) all total liabilities

Total Liabilities as used in this Agreement means as of any applicable date, the total of all items of indebtedness, obligation or liability which, in accordance with GAAP consistently applied, would be included in determining the total liabilities of Borrower or its subsidiaries, including without limitation (a) all obligations secured by any mortgage, pledge, security interest or other lien on property owned or acquired, whether or not the obligations secured thereby shall have been assumed; (b) all obligations which are capitalized lease obligations; and (c) all guaranties, endorsements or other contingent or surety obligations with respect to the indebtedness of others, whether or not reflected on the balance sheets of Borrower or its subsidiaries, including without limitation any obligation to furnish funds, directly or indirectly through the purchase of goods, supplies, services, or by way of stock purchase, capital contribution, advance or loan or any obligation to enter into a contract for any of the foregoing.

Subordinated Debt as used in this Agreement means indebtedness of Borrower to third parties which has been subordinated to all indebtedness owing by Borrower to Bank pursuant to a subordination agreement in form and content satisfactory to Bank.

Working Capital as used in this Agreement means as of any applicable date of determination, Current Assets less Current Liabilities.

Other. N/A

---

2. Financial Covenants. Borrower shall maintain the following financial ratios and covenants on a and non-consolidated basis:

(a) Working Capital in an amount not less than N/A;

(b) Tangible Effective Net Worth in an amount less than N/A;

(c) a ratio of Current Assets to Current Liabilities of not less than N/A;

(d) a ratio of Quick Assets to Current Liabilities of not less than 1.5x;

(e) a ratio of Total Liabilities to Tangible Effective Net Worth of less than .75x;

(f) a ratio of Cash Flow to Fixed Charges of not less than N/A;

(g) No two consecutive quarters of losses with no one quarter loss to exceed $250,000.

(h) Annual net profitability beginning with YE9/30/97.

(i) Annual YE9/30/96 net loss not to exceed $1,000,000.
[Initialed by RLW.]

(j) Borrower shall not without Bank's prior written consent acquire or expend for or commit itself to acquire or expend for fixed assets by lease, purchase or otherwise in an aggregate amount that exceeds n/a ($______) except in any fiscal year;

(k) Borrower shall not, unless approved in writing by Bank, merge into or otherwise consolidate with another person, corporation or partnership nor shall it sell or otherwise dispose of assets in excess of n/a ($______) except in the ordinary course of Borrower's business; and

(l) Borrower shall not without Bank's prior written consent pledge or otherwise hypothecate any of its assets except for n/a nor shall it become liable for borrowed money or finance loans in excess of n/a ($_______) during any fiscal year.

(m) Other applicable terms: Annual Bank A/R audits and annual projections.

(n) Borrowings on line of credit not to exceed 100% of prior month-end's gross accounts receivable.

All financial covenants shall be computed in accordance with GAAP consistently applied except as otherwise specifically set forth in this Agreement. All monies due from affiliates (including officers, directors and shareholders) shall be excluded from Borrower's assets for all purposes hereunder.

/s/ RLW

Debtor's Initials

Example B

$2,000 average service charges/quarter x 4=$8,000 service charges/year

$8,000 service charges/year divided by 5.10%
(earnings credit rate as of quarter end) = $156,862 average investable balances to be kept to cover service charges

$20,000 Bank fee/3% (Bank profit on demand deposits) = $666,666 investable balances

9.98% Federal Reserve Requirement x ($666,666 + $156,862) = $82,188

Total balances to be held in general depository account = $905,716
========

If actual investable balance is lower than $905,716, a fee would be collected at the end of the quarter. For example, if actual investable balance at the end of the quarter was $535,000, then quarterly fee would be $2,780 calculated as follows:

$905,716 - $535,000=$370,716 balance shortfall

$370,716 x 3% (Bank profit on demand deposits)=$11.121/4=$2,780 fee/quarter
==================

EXHIBIT 11.1

<TABLE>

ACCOM, INC.

STATEMENT RE COMPUTATION OF NET INCOME (LOSS) PER SHARE

(In thousands, except share data)

<CAPTION>

	Fiscal Years Ended September 30, 1996	1995	1994
<S>	<C>	<C>	<C>
Historical primary and fully diluted:			
Shares used in calculation of net income (loss) per share:			
Weighted average common stock outstanding	6,439,272	2,363,545	2,338,578
Series A preferred stock, if converted	--	--	1,478,965
Net effect of dilutive stock options assumed exercised, based on the treasury stock method	--	--	239,238
Shares related to SAB Nos. 55, 64 and 83:			
Stock Options (1)	--	139,788	186,384
Series B preferred stock, if-converted	--	312,686	416,914
	6,439,272	2,816,019	4,660,079
Net Income (loss)	$ (916,000)	$(10,840,000)	$ 918,000
Net income (loss) per share	$ (.14)	$ (3.85)	$ 0.20
Pro forma:			
Shares used in calculation of pro forma net income (loss) per share:		2,363,546	2,338,578
Weighted average common stock outstanding		1,577,931	1,478,965
Series A preferred stock, if converted			
Net effect of dilutive stock options assumed exercised, based on the treasury stock method		--	239,238
Shares related to SAB Nos. 55, 64 and 83:			
Stock Options (1)		139,788	186,384
Series B preferred stock, if-converted		312,686	416,914
		4,393,951	4,660,079
Net Income (loss)		$(10,840,000)	$ 918,000
Pro forma net income (loss) per share		$ (2.47)	$ 0.20

<FN>

(1) Assumed exercise of stock options granted during the 12 months ended September 1995, and purchase of treasury stock at the assumed IPO Price applied retroactively for all periods presented.

</FN>
</TABLE>

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Accom Virtual Studio, Inc., a Delaware corporation ("AVS").

Accom Europe, Ltd., a United Kingdom corporation.

Accom International, Inc., a Barbados corporation.

Accom Virtual Studio GmbH, a German corporation ("AVS GmbH").

ELSET Electronic-Set GmbH, a German corporation, which is owned by AVS and AVS GmbH.

Exhibit 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-97538) pertaining to the Accom, Inc. 1995 Stock Option/Stock Issuance Plan and the Accom, Inc. Employee Stock Purchase Plan of our reports dated October 29, 1996, with respect to the consolidated financial statements and the schedule included in this Annual Report (Form 10-K) of Accom, Inc.

Ernst & Young LLP

Palo Alto, California
December 20,1996

<TABLE> <S> <C>

<ARTICLE> 5

<S>	<C>	
<PERIOD-TYPE>	12-MOS	
<FISCAL-YEAR-END>		SEP-30-1996
<PERIOD-START>		OCT-01-1995
<PERIOD-END>		SEP-30-1996
<CASH>		4,221,000
<SECURITIES>		0
<RECEIVABLES>		4,937,000
<ALLOWANCES>		(223,000)
<INVENTORY>		5,447,000
<CURRENT-ASSETS>		15,454,000
<PP&E>		3,952,000
<DEPRECIATION>		(2,269,000)
<TOTAL-ASSETS>		17,279,000
<CURRENT-LIABILITIES>		4,283,000
<BONDS>		0
<COMMON>		6,000,000
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<OTHER-SE>		6,952,000
<TOTAL-LIABILITY-AND-EQUITY>		17,279,000
<SALES>		21,408,000
<TOTAL-REVENUES>		0
<CGS>		11,010,000
<TOTAL-COSTS>		0
<OTHER-EXPENSES>		12,019,000
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		(209,000)
<INCOME-PRETAX>		(1,412,000)
<INCOME-TAX>		(496,000)
<INCOME-CONTINUING>		0
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(916,000)
<EPS-PRIMARY>		(0.14)
<EPS-DILUTED>		(0.14)

</TABLE>