

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): October 29, 2002  
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SEACHANGE INTERNATIONAL, INC.

-----  
(Exact Name of Registrant as Specified in Charter)

DELAWARE

0-21393

04-3197974

-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

-----  
(Commission File Number)

-----  
(I.R.S. Employer  
Identification No.)

124 Acton Street, Maynard, MA

01754

-----  
(Address of Principal Executive Offices)

-----  
(Zip Code)

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

No change since last report

-----  
(Former Name or Address, if Changed Since Last Report)

Item 2. Acquisition or Disposition of Assets.

On October 29, 2002, SeaChange International, Inc. ("SeaChange") entered into a Subscription and Shareholders Agreement (the "Agreement") with ON Demand Group Limited, a company incorporated in England and Wales ("ODG") pursuant to which SeaChange subscribed for 600,000 newly issued ordinary shares of ODG (the "Investment Shares") for an aggregate subscription price of (pound)1.5 million, which is approximately equal to USD \$2,337,750 as of October 29, 2002 (the "Investment").

Pursuant to the terms of the Agreement, William C. Styslinger, III, President, Chief Executive Officer, Chairman of the Board and Director of SeaChange and William L. Fiedler, Chief Financial Officer, Treasurer, Secretary and Vice President, Finance and Administration of SeaChange, will each become a member of the board of directors of ODG. In addition, the Agreement and the ODG articles of association also contain protective provisions for the benefit of SeaChange, including, but not limited to, veto rights over significant corporate decisions of ODG, pre-emptive rights with respect to future sales and issuances of ODG capital stock and the right to participate in sales of the capital stock of ODG's management to third parties.

ODG also agreed in a business development agreement with SeaChange for a minimum period of five years to exclusively purchase and to market and promote SeaChange's video-on-demand systems and software worldwide in connection with furnishing video-on-demand services to ODG's customers.

In addition to the (pound)1.5 million investment paid by SeaChange in consideration of the Investment Shares, SeaChange agreed to acquire, in two tranches, additional ordinary shares and preference shares of ODG from ODG and certain of its pre-existing shareholders for an additional aggregate purchase price of up to (pound)8.5 million (approximately USD \$13,247,250 as of October 29, 2002), subject to ODG's satisfaction of conditions set forth in the Agreement.

In tranche one, SeaChange would subscribe for an additional 200,000 newly issued ordinary shares of ODG for an aggregate subscription price of (pound)0.5 million, and would purchase an additional 400,000 ordinary shares of ODG from certain pre-existing shareholders of ODG for an aggregate purchase price of (pound)1.0 million, subject to ODG's satisfaction of the conditions set forth in the Agreement for this investment tranche, including the execution of an agreement by ODG with a major European cable operator for the supply of video-on-demand products and services to the customers of such European cable operator on or prior to December 31, 2002 (the "Tranche 1 Investment").

In tranche two, SeaChange would subscribe for an additional 309,350 newly issued ordinary shares of ODG for an aggregate subscription price of (pound)773,375, and 6,226,625 preference shares of ODG for an aggregate subscription price of (pound)6,226,625, subject to ODG's satisfaction of the conditions set forth in the Agreement for this investment tranche, including the satisfaction of all of the conditions for the Tranche 1 Investment and the execution of content provision agreements by ODG with at least three studios providing for the supply of content for video-on-demand service on or prior to December 31, 2003 (the "Tranche 2 Investment").

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Prior to the consummation of the Tranche 2 Investment, ODG and its pre-existing shareholders have the right to repurchase all of the shares acquired by SeaChange for the same consideration paid by SeaChange to acquire such shares, plus an additional (pound)50,000, if either the Tranche 1 Investment has not been consummated on or prior to December 31, 2002 by reason only of SeaChange not approving the form and substance of documentation necessary to satisfy the conditions to the Tranche 1 Investment, or the conditions to the Tranche 2 Investment have not been satisfied or waived on or prior to December 31, 2003.

The terms of the Investment, the Tranche 1 Investment and the Tranche 2 Investment, including the subscription price of the Investment Shares and the price of the shares which are proposed for purchase or subscription in the Tranche 1 Investment and the Tranche 2 Investment, are the result of arm's length negotiations between the representatives of SeaChange and ODG.

The source of the funds used by SeaChange to acquire the Investment Shares is SeaChange's working capital. SeaChange's purchase of the Investment Shares is being accounted for under the equity method of accounting.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of Businesses Acquired.

The financial information required by Item 7(a) of Form 8-K with regard to the Investment will be filed by SeaChange as soon as practicable, but in any event not later than 60 days after the date this current report on Form 8-K is required to be filed with the Securities and Exchange Commission, as permitted by Item 7(a)(4) of Form 8-K.

(b) Pro Forma Financial Information.

The financial information required by Item 7(b) of Form 8-K with regard to the Investment will be filed by SeaChange as soon as practicable, but in any event not later than 60 days after the date this current report on Form 8-K is required to be filed with the Securities and Exchange Commission, as permitted by Item 7(b)(2) and Item 7(a)(4) of Form 8-K.

(c) Exhibits.

- 2.1 Subscription and Shareholders Agreement, dated as of October 29, 2002, by and between SeaChange, ON Demand Group Limited and the other parties thereto.
- 2.2 Articles of Association of ON Demand Group Limited, as adopted by special resolution passed on October 28, 2002.
- 99.1 Press Release dated November 4, 2002.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, SeaChange has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SEACHANGE INTERNATIONAL, INC.

By: /s/ William L. Fiedler

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William L. Fiedler  
Chief Financial Officer, Treasurer, Secretary  
and Vice President, Finance and Administration

EXHIBIT INDEX

Exhibit No. -----	Description -----
2.1	Subscription and Shareholders Agreement, dated as of October 29, 2002, by and between SeaChange, ON Demand Group Limited and the other parties thereto.
2.2	Articles of Association of ON Demand Group Limited, as adopted by special resolution passed on October 28, 2002.
99.1	Press Release dated November 4, 2002.

29 OCTOBER 2002

ON DEMAND GROUP LIMITED

ANTHONY KELLY, ANDREW BIRCHALL AND OTHERS

SEACHANGE INTERNATIONAL, INC.

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SUBSCRIPTION AND SHAREHOLDERS AGREEMENT

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DOCUMENTS IN AGREED FORM:

1. Articles of Association
2. Business Development Agreement
3. Business Plan
4. Disclosure Letter
5. Management Service Contracts
6. Sale and Purchase Agreement

THIS AGREEMENT is made on 29 October 2002

BETWEEN:

- (1) ON DEMAND GROUP LIMITED, a company incorporated in England and Wales (registered no. 4094951), whose registered office is at 253 Grays Inn Road, London WC1X 8QT (the "Company");
- (2) THE PERSONS whose names and addresses are set out in Schedule 1 (the "Existing Shareholders" and each an "Existing Shareholder"); and
- (3) SEACHANGE INTERNATIONAL, INC., a company incorporated under the laws of the state of Massachusetts whose registered office is at 124 Acton Street, Maynard, MA 01754, USA (the "Investor").

WHEREAS:

This Agreement sets out the terms on which the Investor is willing to invest in the Company, the purpose of which investment is to provide funding to the Company for designing, developing, procuring, financing and operating a Video On Demand service for the European Cable Operator.

IT IS AGREED as follows:

1. INTERPRETATION

1.1 In this Agreement and its recitals:

"Act" means the Companies Act 1985 including any statutory modification or re-enactment for the time being in force;

"Accounts" means the audited accounts of the Company for the financial period ended on the Accounts Date;

"Accounts Date" means 31 August 2001;

"Acquired Ordinary Shares" means the ordinary shares of (pound)0.05 each in the share capital of the Company currently in issue and to be transferred to the Investor pursuant to the terms of the Sale and Purchase Agreement;

"Additional Service Level Agreements" means each of the service level agreements relating to (i) marketing; (ii) operations; and (iii) technology and networks, to be entered into by VODCo and a European Cable Operator;

"Articles of Association" means the articles of association of the Company in the agreed form to be adopted pursuant to the special resolutions set out in Schedule 3 and, once adopted, those articles of association as amended from time to time;

"Board" means the board of directors of the Company from time to time;

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for business in London other than solely for trading of euro;

"Business Development Agreement" means the agreement in the agreed form to be entered into by the Company and the Investor on Completion;

"Business Plan" means the business plan prepared by the Board in the

agreed form;

"Carriage Agreement" means the carriage agreement to be entered into between the European Cable Operator and VODCo.;

"Co-Location Agreement" means the agreement to be entered into by VODCo and the European Cable Operator in respect of the supply of equipment and space required at each of the European Cable Operator's cable head-ends;

"Competitor" means any entity which is then producing, marketing, selling or distributing any video on demand server equipment or software that is not, and does not form part of, a product covered by the Business Development Agreement and shall include, without limitation, Concurrent Computer Corporation, nCube Corporation and Diva Systems Corporation;

"Completion" means the carrying out by the parties of their respective obligations under clause 2;

"connected person" has the meaning given to that expression in section 839 Income and Corporation Taxes Act 1988;

"Disclosure Letter" means the letter of today's date, in the agreed form, from the Company and the Existing Shareholders to the Investor in relation to the Warranties;

"Employee Share Option Plan" means the employee share option plan to be adopted by the Company, and approved in accordance with clause 7.1.16, pursuant to which options to acquire 231,208 Ordinary Shares may be issued, other details of which plan are to be agreed;

"Encumbrance" means a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect;

"European Cable Operator" means a European MSO, the identity of which is to be agreed upon by the Investor and the Company;

"European Cable Operator Shareholders Agreement" means the agreement to be entered into by the Company and the European Cable Operator in order to regulate their shareholdings in VODCo.;

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"Group" means the Company and its subsidiary undertakings, any holding company of the Company and all other subsidiary undertakings of any such holding company from time to time and "member of the Group" is to be construed accordingly;

"Instalment Agreement" means the instalment payment and security deed to be entered into between the Investor and VODCo. with respect to payment for products and services supplied under the Seachange Sale Agreement;

"Investor Directors" means the persons appointed pursuant to clause 2.1.6 of this Agreement whose names and addresses are set out under the sub-title Investor Directors in Schedule 5 or such other persons as may replace any, or all, of the Investor Directors from time to time;

"Key Managers" means, as at the date of this Agreement, each of Andrew Birchall, Tony Kelly, Garry Stephen and Simon McGrath, and any person who may from time to time after the date of this Agreement be designated as such in accordance with clause 7.1.15;

"Management Accounts" means the unaudited profit and loss account of the Company in respect of the period starting on the day after the Accounts Date and ending on 30 June 2002 and the unaudited balance sheet of the Company as at 30 June 2002;

"Management Agreement" means the agreement to be entered into between the Company, VODCo and the European Cable Operator;

"Management Service Contracts" means the employment contracts in the agreed form to be entered into on Completion by the Company and each of the Key Managers respectively;

"New Ordinary Shares" means the ordinary shares of (pound)0.05 each to be subscribed for and issued to the Investor pursuant to clauses 2.1.1 and 2.1.2 of this Agreement;

"Ordinary Shares" means ordinary shares of (pound)0.05 each in the Company;

"Phase 1 Service Delivery Plan" means the Phase One plan as described in

the Service Delivery Plan;

"Preference Shares" means the cumulative, redeemable preference shares of (pound)1.00 each (whether issued or not) in the share capital of the Company which carry the rights set out in the Articles of Association;

"Sale" means the sale of (i) the entire issued share capital of the Company; or (ii) all or substantially all of the business and assets of the Company;

"Sale and Purchase Agreement" means the agreement in the agreed form to be entered into by the Investor and the Existing Shareholders on Completion whereby the Investor agrees to purchase from the Existing Shareholders on the Tranche 1 Subscription Date the number of the Acquired Ordinary Shares as is set out in column 3 of Schedule 2 and at a price of (pound)2.50 per Acquired Ordinary Share;

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"Seachange Sale Agreement" means the agreement to be entered into between the Investor and VODCo. relating to the sale of certain products and services by the Investor to VODCo.;

"Service Delivery Plan" means the service delivery plan to be annexed to the Carriage Agreement;

"Share" means any share in the share capital of the Company of whatever class;

"SPA Warranties" means the warranties set out in clause 4 and Schedule 2 of the Sale and Purchase Agreement;

"Tax Warranties" means the Warranties referred to in paragraphs 3.16 and 3.17 of Schedule 9;

"Tranche 1 Documents" means those documents set out in Schedule 6 which the Company is required to execute as part of satisfying the Tranche 1 Subscription Conditions;

"Tranche 2 Documents" means those documents set out in Schedule 7 which the Company is required to execute as part of satisfying the Tranche 2 Subscription Conditions;

"Tranche 1 Ordinary Shares" means the ordinary shares of (pound)0.05 each to be subscribed for and issued to the Investor on the Tranche 1 Subscription Date pursuant to clauses 4.1.1 and 4.1.2 of this Agreement;

"Tranche 2 Ordinary Shares" means the ordinary shares of (pound)0.05 each to be subscribed for and issued to the Investor on the Tranche 2 Subscription Date pursuant to clauses 4.4.3 and 4.4.4 of this Agreement;

"Tranche 1 Subscription Conditions" means any, or all, of the events as set out in Schedule 6;

"Tranche 2 Subscription Conditions" means any, or all, of the events set out in Schedule 7;

"Tranche 3 Subscription Conditions" means any, or all of the events as set out in Schedule 8;

"Tranche 1 Subscription Date" has the meaning given to it in clause 4.1 of this Agreement;

"Tranche 2 Subscription Date" has the meaning given to it in clause 4.3 of this Agreement;

"VODCo." means Chamberdrive Limited, a company incorporated in England and Wales (registered no. 4407352) whose registered office is at 253 Grays Inn Road, London, WC1X 8QT; and

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"Warranty" means a warranty contained or referred to in clause 3 and Schedule 9 and "Warranties" means all those Warranties.

1.2 In this Agreement, a reference to:

1.2.1 a "subsidiary" or "holding company" is to be construed in accordance with section 736 of the Companies Act 1985 and a reference to a "subsidiary undertaking" or a "group undertaking" is to be construed in accordance with sections 258 and 259 of the Companies Act 1985;

- 1.2.2 a document in the "agreed form" is a reference to a document in a form approved and for the purposes of identification signed by or on behalf of each party;
- 1.2.3 a statutory provision includes a reference to:
- (i) the statutory provision as modified or re-enacted or both from time to time whether before or after the date of this Agreement; and
  - (ii) any subordinate legislation made under the statutory provision whether before or after the date of this Agreement;
- 1.2.4 a person includes a reference to a body corporate, association, or joint venture or partnership (wherever and however incorporated or established);
- 1.2.5 a person includes a reference to that person's legal personal representatives and successors; and
- 1.2.6 a clause, schedule or annex, unless the context otherwise requires, is a reference to a clause of or schedule or annex to this Agreement.
- 1.3 Words and expressions defined in the Articles of Association have the same meanings in this Agreement, unless the context requires otherwise.
- 1.4 The headings in this Agreement do not affect its interpretation.
- 1.5 The masculine shall include the feminine and neuter and the singular shall include the plural and vice versa as the context shall admit or require.
2. COMPLETION
- 2.1 Completion shall take place at a location to be agreed by the parties immediately upon the execution of this Agreement and at Completion:
- 2.1.1 the Investor shall subscribe and pay (as directed by the Company) for the number of New Ordinary Shares set opposite its name in column 2 of Schedule 2 at a price of (pound)2.50 per New Ordinary Share;
  - 2.1.2 the Company shall allot and issue free from Encumbrances to the Investor the New Ordinary Shares subscribed for in accordance with clause 2.1.1 and
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- register those shares in the name of the Investor and issue a share certificate in respect of them;
- 2.1.3 the Company and the Investor shall execute and complete the Business Development Agreement;
  - 2.1.4 the Existing Shareholders and the Investor shall execute (but not complete) the Sale and Purchase Agreement;
  - 2.1.5 the Company and each of the Key Managers shall respectively enter into the Management Service Contracts;
  - 2.1.6 the Investor shall appoint William C. Styslinger, III and William L. Fiedler to the Board as Investor Directors in accordance with the Articles of Association; and
  - 2.1.7 the Company shall provide a copy of the special resolutions of the Company in the form set out in Schedule 3 which shall be certified by a director or the secretary of the Company as having been duly passed.
- 2.2 The parties acknowledge that execution of the Seachange Sale Agreement is one of the Tranche 2 Subscription Conditions. The parties will use all reasonable endeavours to procure VODCo's entry into such agreement within 15 Business Days after the Tranche 1 Subscription Date.
- 2.3 Each of the Existing Shareholders and the Investor undertake to use their respective reasonable endeavours to procure that, as soon as possible after Completion, the Company adopts the Employee Share Option Plan.
- 2.4 Each of the Existing Shareholders and the Investor hereby respectively waive all rights of first refusal or pre-emption contained in this Agreement, the Articles of Association or otherwise in respect of the Ordinary Shares to be issued under the Employee Share Option Plan.



2.5 For so long as the Investor holds 25% or less of the issued ordinary share capital of the Company, each of the Existing Shareholders undertakes that he or she will not propose or vote in favour of any resolution of the Company in general meeting to disapply the pre-emption rights set out in section 89(1) of the Act.

### 3. WARRANTIES

3.1 The Company and each of the Existing Shareholders severally warrants to the Investor that each Warranty is true, accurate and not misleading in any material respect as at the date of this Agreement, and that such Warranties shall be deemed repeated on the Tranche 1 Subscription Date and the Tranche 2 Subscription Date with reference to the facts and circumstances in each case then prevailing.

3.2 The Company and each of the Existing Shareholders acknowledges that the Investor is entering into this Agreement in reliance on each of the Warranties which has also been

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given as a representation and with the intention of inducing the Investor to enter into this Agreement.

3.3 Each of the Warranties is qualified by matters fairly and specifically disclosed in the Disclosure Letter corresponding to such Warranty as at the date of this Agreement, and the Company and the Existing Shareholders shall be entitled to update the Disclosure Letter if they become aware that any event has occurred or matter has arisen which results or may result in any of the Warranties being untrue, inaccurate or misleading in any material respect as at the Tranche 1 Subscription Date or Tranche 2 Subscription Date (as applicable).

3.4 Each Warranty is to be construed separately and independently and (except where this Agreement provides otherwise) is not limited by another provision of this Agreement or another Warranty.

3.5 A reference in Schedule 9 of this Agreement or the Disclosure Letter to a person's knowledge, information, belief or awareness is deemed to include knowledge, information, belief or awareness the person would have had if the person had made reasonable enquiries of persons of whom he or she should reasonably have enquired.

3.6 Except for claims in respect of a breach of Warranty arising as a result of fraudulent, dishonest or negligent conduct on the part of the Company or the relevant Existing Shareholder:

3.6.1 the aggregate liability of each Existing Shareholder for all claims pursuant to the Warranties and the SPA Warranties shall not exceed the amount set opposite his or her name in column (4) of Schedule 1 with respect to claims made from and including the Tranche 1 Subscription Date;

3.6.2 the aggregate liability of the Company for all claims pursuant to the Warranties shall not exceed:

(i) (pound)1,500,000 with respect to claims made from and including the date of this Agreement up to the Tranche 1 Subscription Date;

(ii) (pound)2,000,000 with respect to claims made from and including the Tranche 1 Subscription Date (subject to fulfilment by the Investor of its obligations under clause 4.1.1 of this Agreement) up to the Tranche 2 Subscription Date; and

(iii) (pound)9,000,000 with respect to claims made from and including the Tranche 2 Subscription Date (subject to fulfilment by the Investor of its obligations under clauses 4.3.1 and 4.3.3 of this Agreement);

3.6.3 neither the Company nor the Existing Shareholders (taken as a whole) shall be liable in respect of a claim for breach of Warranty or, in the case of the Existing Shareholders only, any of the SPA Warranties unless the amount of the claim exceeds (pound)50,000; and

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3.6.4 unless the Investor's discovery of the breach of the Warranty is delayed to more than two years after the date of this Agreement (in the case of the Warranties given on the date hereof), the

Tranche 1 Subscription Date (in the case of the Warranties deemed repeated on the Tranche 1 Subscription Date) or the Tranche 2 Subscription Date (in the case of the Warranties deemed repeated on the Tranche 2 Subscription Date) as a result of fraudulent, dishonest or negligent conduct on the part of the Company or the relevant Existing Shareholder, neither the Company nor an Existing Shareholder shall be liable in respect of a claim for breach of a Warranty unless he, she or it has been given written notice of the claim within two years of the date of this Agreement (in the case of the Warranties given on the date hereof) the Tranche 1 Subscription Date (in the case of the Warranties deemed repeated on the Tranche 1 Subscription Date) or the Tranche 2 Subscription Date (in the case of the Warranties deemed repeated on the Tranche 2 Subscription Date) (except that in relation to the Tax Warranties this period shall be six years from the date of this Agreement, the Tranche 1 Subscription Date or the Tranche 2 Subscription Date (as applicable)).

#### 4. SUBSCRIPTION FOR FURTHER ORDINARY AND PREFERENCE SHARES

- 4.1 Within 5 Business Days of the satisfaction in full or waiver by the Investor Directors (acting unanimously and at their sole discretion) of each of the Tranche 1 Subscription Conditions or upon such other date as may otherwise be agreed by the Company and the Investor (such date to be no later than 31 December 2002 without the consent of the Investor) (the "Tranche 1 Subscription Date"):
- 4.1.1 the Investor shall subscribe and pay in cash (as directed by the Company) for the number of Tranche 1 Ordinary Shares set opposite its name in column 4 of Schedule 2 at a price of (pound)2.50 per share;
- 4.1.2 the Company shall allot and issue free from Encumbrances to the Investor the Tranche 1 Ordinary Shares subscribed for in accordance with clause 4.1.1 and register those shares in the name of the Investor and issue a share certificate in respect of them; and
- 4.1.3 the Existing Shareholders and the Investor shall complete the Sale and Purchase Agreement in accordance with its terms.
- 4.2 The Company, the Existing Shareholders and the Investor shall use reasonable endeavours to procure fulfilment of the Tranche 1 Subscription Conditions as soon as reasonably practicable after Completion and the Company shall notify the Investor in writing forthwith upon satisfaction of such conditions.
- 4.3 Within 5 Business Days of the satisfaction in full or waiver by the Investor Directors (acting unanimously and at their sole discretion) of the Tranche 2 Subscription Conditions or upon such other date as may otherwise be agreed by the Company and

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the Investor (such date to be no later than 31 December 2003 without the consent of the Investor) (the "Tranche 2 Subscription Date"):

- 4.3.1 the Investor shall subscribe and pay in cash (as directed by the Company) at par for the number of Preference Shares set opposite its name in column 6 of Schedule 2;
- 4.3.2 the Company shall allot and issue free from Encumbrances to the Investor the Preference Shares subscribed for in accordance with clause 4.3.1 and register those shares in the name of the Investor and issue a share certificate in respect of them;
- 4.3.3 the Investor shall subscribe and pay (as directed by the Company) in cash for the number of Tranche 2 Ordinary Shares set opposite its name in column 5 of Schedule 2 at a price of (pound)2.50 per share; and
- 4.3.4 the Company shall allot and issue free from Encumbrances to the Investor the Tranche 2 Ordinary Shares subscribed for in accordance with clause 4.3.3 and register those shares in the name of the Investor and issue a share certificate in respect of them.

For the avoidance of doubt, subscription for the Preference Shares and the Tranche 2 Ordinary Shares pursuant to this clause 4.3 is conditional upon the subscription of the Tranche 1 Ordinary Shares having occurred.

- 4.4 The Company, the Existing Shareholders and the Investor shall use reasonable endeavours to procure fulfilment of the Tranche 2 Subscription Conditions on or before 31 December 2003 and the Company shall notify the Investor in writing forthwith upon satisfaction of such conditions.

- 4.5 If any of the Tranche 2 Subscription Conditions has not been satisfied in full or waived by the Investor Directors (acting unanimously and at their sole discretion) on or prior to 31 December 2003 in accordance with clause 4.4, the obligations of the Investor to subscribe for Preference Shares and Tranche 2 Ordinary Shares in accordance with clause 4.3 of this Agreement shall terminate except that each of the parties' accrued rights and obligations shall not be affected.
- 4.6 It is acknowledged by the parties that upon the satisfaction in full or waiver by the Investor Directors (acting unanimously and at their sole discretion) of the Company's obligations under the Tranche 3 Subscription Conditions (which is expected to take place in or around September 2004), and subject to the provisions of the Articles of Association, the Company may offer up to (pound)10 million in securities, whether by way of loan, equity or otherwise, for sale to other prospective investors, and (i) the Investor may, at its option, make a further investment in the Company whether by way of loan, equity or otherwise pursuant to its pre-emption rights under the Act, Article 14 of the Articles of Association or otherwise; and (ii) at the same time as completion of the Company's sale of securities to such prospective investors, the Existing Shareholders may seek to sell up to (pound)2 million in value of the Ordinary Shares held by them in the

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Company to such prospective investors (and any such transfer shall not trigger the provisions of Articles 11 or 12 of the Articles of Association (Tag-Along Rights) or be subject to any restriction on transfer set out in the Articles of Association).

- 4.7 In the event that the Business Development Agreement or the Seachange Sale Agreement expires or is terminated (for any reason other than due to a breach by the Investor of its respective obligations thereunder), the Company shall, upon receiving a written request from the Investor to do so, use all reasonable endeavours (such endeavours to (i) include the appointment, where appropriate, as soon as reasonably practicable of a financial advisor nominated by the Investor and reasonably acceptable to the Company, whose fees shall be borne by the Company; and (ii) commence within 30 Business Days of the date of receiving such request) to procure the sale or redemption or repurchase of all Shares held by the Investor (whether, in the case of a repurchase or redemption, out of distributable profits, capital or the proceeds of a fresh issue of shares) at a price per Share:
- 4.7.1 in the case of an Ordinary Share, equal to the fair market value of such Ordinary Share to be determined in accordance with Article 9.8 of the Articles of Association; and
- 4.7.2 in the case of a Preference Share, equal to the redemption price of such Preference Share as determined in accordance with the Articles of Association.

- 4.8 The obligation of the Company in clause 4.7 to use reasonable endeavours shall terminate on the earlier of the date the Investor ceases to hold any Shares or one year after receipt of such notice referred to in clause 4.7. Each of the Existing Shareholders and the Investor hereby agrees to waive any rights of pre-emption or other restriction on transfer in respect of any transfer of Shares under clause 4.7 or conferred on it, him or her under the Articles of Association or otherwise and any such transfer shall not trigger the provisions of Article 11 of the Articles of Association.
- 4.9 In the event that the European Cable Operator has ceased to negotiate with the Company with regard to entering into the European Cable Operator Shareholders Agreement or, if later, the European Cable Operator has not entered into the European Cable Operator Shareholders Agreement on or prior to 31 December 2002, then the Company shall, upon receiving a written request from the Investor to do so (which request shall be provided by the Investor not later than 30 days after the occurrence of such event), as soon as is reasonably practicable and in any event within 12 months of the date of receiving such request, procure the sale or redemption or repurchase of all Shares held by the Investor (in the case of a repurchase or redemption, out of distributable profits) at a price of (pound)2.50 per Share.

## 5. CALL OPTION

- 5.1 Subject to clause 5.2, in consideration of the payment of (pound)1.00 by the Existing Shareholders (on behalf of themselves and the Company) to the Investor (receipt of

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which is hereby acknowledged), the Investor hereby grants to each and all but not some only of the Existing Shareholders and the Company the right to purchase, in accordance with the provisions of this clause 5 (and in the case of the Company only, if so permitted by the Act), all and not some only of the New Ordinary Shares, the Tranche 1 Ordinary Shares (if they have been allotted and issued to the Investor in accordance with the provisions of clause 4.1.2 of this Agreement) and the Acquired Ordinary Shares (if they have been transferred to the Investor in accordance with the terms of the Sale and Purchase Agreement) (together, for the purposes of this clause 5 only, the "Option Shares") from the Investor (the "Call Option") for an aggregate consideration equal to the aggregate amount paid by the Investor for the Option Shares pursuant to clauses 2.1.1 and 4.1.1 of this Agreement and the Sale and Purchase Agreement respectively, plus an additional amount of (pound)50,000 (the "Option Price"). The Existing Shareholders shall be entitled to exercise the Call Option only in the event of the Company being unable to complete the exercise of the Call Option in accordance with the provisions of the Act.

5.2 If:

5.2.1 each of the Tranche 1 Subscription Conditions has not been satisfied or waived in accordance with the provisions of clause 4.1 of this Agreement on or prior to 31 December 2002 by reason only of the Investor not approving the form and substance of any of the Tranche 1 Documents, the Call Option shall be exercisable by notice in writing served by each of the Existing Shareholders or the Company (as the case may be) on the Investor at any time during the period from 1 January 2003 up to 31 March 2003 inclusive and shall be irrevocable; or

5.2.2 each of the Tranche 2 Subscription Conditions has not been satisfied or waived on or prior to 31 December 2003 in accordance with the provisions of clause 4.3 above, the Call Option shall be exercisable by notice in writing served by each of the Existing Shareholders or the Company (as the case may be) on the Investor at any time during the period from 1 January 2004 up to 31 March 2004 inclusive (the "Second Option Exercise Period") and shall be irrevocable.

5.3 For the avoidance of doubt, the Call Option may only be exercised if the conditions in sub-clauses 5.2.1 or 5.2.2 have been satisfied and the Call Option may be exercised once only in respect of all the Option Shares and not a part thereof.

5.4 The Investor shall upon due exercise of the Call Option sell or procure to be sold with full title guarantee the Option Shares, and each of the Existing Shareholders or the Company (as the case may be) shall purchase the Option Shares. If the purchase is by the Existing Shareholders, such purchase shall be pro-rata to their respective shareholdings in the Company or as otherwise agreed among the Existing Shareholders. The purchase of the Option Shares shall be pursuant to the provisions of this Agreement, free from all Encumbrances, and together with all rights of any nature whatsoever attaching to the Option Shares including all rights to any dividend or other

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distribution declared, paid or made in respect of them after the completion of the sale and purchase of the Option Shares under clause 5.6.

5.5 Upon the sale of the Option Shares pursuant to the provisions of clause 5.6, each of the Existing Shareholders or the Company (as the case may be) and the Investor hereby agrees to waive any rights of pre-emption or other restriction on transfer in respect of the Option Shares conferred on it, him or her under the Articles of Association or otherwise and agrees to use reasonable endeavours to procure, before completion of the sale and purchase of the Option Shares hereunder, the irrevocable waiver of any such rights or restrictions conferred on any other person.

5.6 In the event that the Call Option is duly exercised hereunder, completion of the sale and purchase of the Option Shares shall take place on the date specified in the notice in writing by each of the Existing Shareholders or the Company (as the case may be) (such date to be a Business Day being no earlier than 10 Business Days and no later than 20 Business Days after the date on which the notice of exercise of the Call Option is served whereupon:

5.6.1 the Investor shall deliver or procure to be delivered to each of the Existing Shareholders or the Company (as the case may be) duly executed stock transfers and the relevant share certificates held by it in respect of the Option Shares; and

- 5.6.2 each of the Existing Shareholders or the Company (as the case may be) shall deliver to the Investor the Option Price by way of telegraphic transfer in immediately available funds to an account nominated by it.
- 5.7 Upon completion of the purchase of the Option Shares, this Agreement shall cease to have effect except that each of the parties' accrued rights and obligations shall not be affected.
- 5.8 In the event that the Call Option has not been exercised pursuant to the provisions of this clause 5 prior to the expiry of the Second Option Exercise Period, the provisions of this clause 5 shall terminate forthwith on the expiry of the Second Option Exercise Period and none of the parties hereto shall have any liability to the others in respect of such termination.
- 5.9 Until completion of the sale and purchase of the Option Shares in accordance with this clause 5 or the expiry of the Second Option Exercise Period (whichever is the earlier), the Investor hereby agrees with and undertakes to each of the Existing Shareholders and the Company not to sell, transfer, dispose of, charge, encumber or deal in any manner in the legal or beneficial ownership of the Option Shares held by it or any part thereof, other than in connection with a Sale or other than in accordance with the provisions of this Agreement and warrants and represents to each of the Existing Shareholders and the Company that on the date of due exercise of the Call Option the Investor will be entitled to sell, or procure to be sold, the Option Shares in accordance with the provisions of this clause 5.

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## 6. FINANCIAL INFORMATION

- 6.1 The Company shall supply the Investor with the following information:
- 6.1.1 the audited consolidated accounts of the Group for each financial year prepared in accordance with U.S. GAAP (including the balance sheet, income statement and cash flow statements of the Group and all footnotes related thereto) as soon as practical, and at the latest by eight weeks after the end of that financial year;
- 6.1.2 unaudited quarterly management accounts for the Group prepared in accordance with U.S. GAAP (including the balance sheet, income statement and cash flow statements of the Group and all footnotes related thereto) as soon as practical, and at the latest by eight weeks after the end of the relevant three month period; and
- 6.1.3 no later than one month before the start of each financial year, an annual budget for that financial year.
- 6.2 The Company shall send to the Investor Directors, unless otherwise agreed by the Investor Directors (acting unanimously), not less than 5 Business Days' advance notice of each meeting of the Board or of a committee of the Board (save in the case of emergency, in which event such notice as is reasonably practicable in the circumstances shall be given) and an agenda of the business to be transacted at such meeting together with the minutes of previous meetings and basic financial information on the Company (including monthly revenues and expenses, capital expenditures and liquid resources, together with a rolling 18 month budgetary plan).

## 7. RESERVED MATTERS

- 7.1 Each of the Existing Shareholders and the Investor agree that the following acts, unless specifically required by this Agreement, shall not be carried out without either (i) the consent of the Investor Directors (acting unanimously and at their sole discretion) or (ii) the consent of any director of VODCo appointed by the Investor (and, for the avoidance of doubt, references in this clause 7.1 to subsidiary undertakings are to subsidiary undertakings of the Company):
- 7.1.1 the variation of the authorised or issued share capital of the Company or any subsidiary undertaking or the creation or the granting of any option or other right to subscribe for shares or convert into shares in the capital of the Company (other than as permitted under the Employee Share Option Plan) or any subsidiary undertaking; the variation of the rights attaching to Shares or any shares in any subsidiary undertaking, any allotment or issue of shares or other securities or instruments which have the right to convert into or be exchanged for such shares or securities, in each case, of the Company or any subsidiary undertaking (other than pursuant to the terms of this Agreement or the European Cable Operator Shareholders Agreement);

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- 7.1.2 the alteration of the Memorandum or Articles of Association of the Company or any subsidiary undertaking;
- 7.1.3 the declaration or distribution of any dividend or other payment out of the distributable profits of the Company or any subsidiary undertaking, other than, in the case of the Company, in relation to the Preference Shares as provided for by the Articles of Association;
- 7.1.4 the redemption or repurchase of any shares, other than as required by the Articles of Association or pursuant to this Agreement, in the capital of the Company or any subsidiary undertaking and the reduction of any uncalled liability in respect of partly paid shares in the capital of the Company or any subsidiary undertaking;
- 7.1.5 the taking of steps to wind up, dissolve or re-organise the Company or any subsidiary undertaking (including without limitation in relation to any voluntary arrangement proposed with creditors or the appointment of an administrator, receiver or administrative receiver);
- 7.1.6 the appointment or removal of any director of the Company (other than the Investor Directors which shall be subject to the provisions of the Articles of Association) or any subsidiary undertaking (other than the appointments to the board of VODCo. by the European Cable Operator as provided for in the European Cable Operator Shareholders Agreement) and the appointment of any alternate director of the Company or any subsidiary undertaking;
- 7.1.7 the appointment or removal of auditors of the Company or any subsidiary undertaking, other than the reappointment of an existing auditor;
- 7.1.8 any material change in the nature of the business of the Company or any subsidiary undertaking or the doing of any act or thing outside the ordinary business by the Company or any subsidiary undertaking;
- 7.1.9 the alteration of the Company's or any subsidiary undertaking's accounting policies or principles (except as may be required to comply with any changes in the law or with UK GAAP) or the financial year end;
- 7.1.10 the incurring by the Company or any subsidiary undertaking of any borrowing or any other indebtedness or liability in the nature of borrowing which exceeds (pound)500,000 (other than the vendor finance agreements to be executed by VODCo. and referred to in the Phase 1 Service Delivery Plan which form part of the Tranche 2 Subscription Conditions);
- 7.1.11 the creation of any Encumbrance over any asset of the Company or any subsidiary undertaking other than in the ordinary course of trading;
- 7.1.12 the entering into by the Company or any subsidiary undertaking of any contract or arrangement with any member or director of the Company or, in

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each case, any connected person (save for any Tranche 1 Document or Tranche 2 Document) and any other material contract or arrangement with a value in excess of (pound)100,000 and which is not provided for in the Business Plan or the annual budget for the Company;

- 7.1.13 the instigation or settlement of any litigation or arbitration proceedings by the Company or any subsidiary undertaking when the amount claimed exceeds (pound)50,000;
- 7.1.14 the sale or reorganisation of any business or asset of the Company or any subsidiary undertaking (whether intra-group or otherwise) other than in the ordinary course of trading;
- 7.1.15 the appointment of additional persons as Key Managers of the Company or changes to and/or approval of the remuneration packages of any Key Managers of the Company or the Board;
- 7.1.16 the creation and implementation of the Employee Share Option Plan (or changes or modifications to the terms thereof or to the terms of any existing employee share option scheme) and the grant of

options pursuant to the Employee Share Option Plan or any other share option plan whether now existing or created in the future;

- 7.1.17 approval of the annual budget of the Company and its subsidiary undertakings;
- 7.1.18 the acquisition by the Company or any subsidiary undertaking of any shareholding or interest in any company, firm or entity or the entering into of any joint venture or partnership with any person, firm, corporation or other entity or the termination of any joint venture or partnership with any person, firm, corporation or partnership (other than the incorporation of VODCo as a wholly owned subsidiary of the Company or except as provided for under any of the Tranche 1 Documents or Tranche 2 Documents);
- 7.1.19 the entering into of any decision regarding a Sale or Listing (as such term is defined in the Articles of Association) of the Company or any subsidiary undertaking (save as provided for in any Tranche 1 Document or Tranche 2 Document or any other agreement entered into in connection with or which is ancillary to any Tranche 1 Document or Tranche 2 Document);
- 7.1.20 the waiver by the Company or any subsidiary undertaking of any provision of or failure to enforce any contract to which it is a party which (i) has a value in excess of (pound)50,000 turnover per annum; (ii) is outside the ordinary course of business; or (iii) was entered into with any employee, director or consultant or, in each case, any connected person of the Company or any subsidiary undertaking;
- 7.1.21 the approval of the terms and execution of each of the Tranche 1 Documents and Tranche 2 Documents; and

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- 7.1.22 the use of proceeds received by the Company pursuant to this Agreement for purposes other than (i) settlement of professional charges incurred in connection with the negotiation, preparation, execution and performance of this Agreement and all documents referred to in it; and (ii) to fund the ongoing business operations of the Company and VODCo; and
- 7.1.23 any agreement to carry out any of the matters referred to in clauses 7.1.1 to 7.1.22 above.

7.2 Provided always that where the Investor (acting by itself) or any director appointed by it has approved the entering into by the Company or any of its subsidiaries of any agreement, consent shall not be required by virtue only of clause 7.1 for the performance by the Company or any of its subsidiaries of any of their respective obligations under that agreement.

7.3 Each of the Investor Directors shall be deemed to have given the relevant consent under clauses 7.1.1, 7.1.10, 7.1.12 and/or 7.1.23 (solely with respect to clauses 7.1.1, 7.1.10 and 7.1.12) upon any future financing of the Company and/or VODCo. pursuant to the provisions of clause 4.6 of this Agreement, where the Investor has waived or not exercised any rights of pre-emption it may have under the Act, the Articles of Association or otherwise in connection with any such future financing. Notwithstanding the foregoing, this clause 7.3 shall not apply to any future financing involving any sale, issuance or transfer of securities of the Company and/or VODCo to any Competitor of the Investor.

## 8. NEW SHAREHOLDERS AND DEEDS OF ADHERENCE

8.1 No Shares shall be issued or transferred to a person who is not already a party to this Agreement unless that person has already executed a deed of adherence pursuant to this Agreement or unless:

- 8.1.1 if he is or is to be an employee of the Company or any subsidiary undertaking, he has executed a completed deed of adherence in the form set out in Schedule 4 in which he is treated as an Existing Shareholder; or
- 8.1.2 if it is a trust established by a person who is or is to be an employee of the Company or any subsidiary undertaking:
  - (i) that person has executed a completed deed of adherence in the form set out in Schedule 4 in which he is treated as an Existing Shareholder; and
  - (ii) the trustees of the trust have given the acknowledgement and undertaking required by clause 9; or

8.1.3 if the person is an employees' share scheme trust and neither clause 8.1.1 nor 8.1.2 applies, it has given the acknowledgement and undertaking required by clause 9; and

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8.1.4 if none of clauses 8.1.1 to 8.1.3 applies, it has executed a completed deed of adherence in the form set out in Schedule 4 in which it is treated as an Investor.

8.2 All executed deeds of adherence shall be delivered to and held by the Company.

8.3 The Investor may assign all or any of its rights under this Agreement to a person to whom it transfers Shares but no other party shall be entitled to assign such rights.

8.4 The parties agree to extend the benefit of this Agreement to any person who acquires Shares in accordance with this Agreement and the Articles of Association and enters into a deed of adherence in accordance with this clause 8.

#### 9. TRUSTS ESTABLISHED BY EXISTING SHAREHOLDERS

9.1 No Shares may be transferred to a trust established by a person who is or is to be an employee of the Company or any subsidiary undertaking of the Company unless the trustees have delivered to the Company an acknowledgement and undertaking executed as a deed that:

9.1.1 the trustees agree to be bound by clauses 8, 12 and 13;

9.1.2 Article 9 of the Articles of Association applies to the trustees and if the Existing Shareholder ceases for any reason to be an employee of the Company or any subsidiary undertaking and the Company serves the notice required under Article 9, the trustees will be "Compulsory Sellers" for the purposes of Article 9;

9.1.3 if the Existing Shareholder is subject to a claim for breach of any of the Warranties which is settled in favour of the Investor or in respect of which judgement is given in favour of the Investor, the trustees will transfer their Shares to the relevant Existing Shareholder for 1p each upon written confirmation from the Company that the claim has remained unsatisfied for more than three weeks after settlement or judgement; and

9.1.4 the trustees will not transfer the Shares to new trustees unless the new trustees gives the same acknowledgement and undertaking.

#### 10. ANNOUNCEMENTS

10.1 Subject to clause 10.2, no announcement in relation to the transactions contemplated by this Agreement or the Sale and Purchase Agreement shall be made without the written consent of the Company, the Investor and each of Tony Kelly and Andrew Birchall, except that an announcement previously consented to may be repeated by any of the parties.

10.2 Clause 10.1 does not apply to a public announcement, communication or circular required by law, by a rule of a listing authority by which a party's shares are listed, a stock exchange on which a party's shares are listed or traded or by a governmental

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authority or other authority with relevant powers to which a party is subject or submits, whether or not the requirement has the force of law, provided that the public announcement, communication or circular shall, so far as is practicable, be made after consultation with the other parties and after taking into account the reasonable requirements of the other parties as to its timing, content and manner of making or despatch.

#### 11. COSTS

Each party shall pay all the costs and expenses reasonably incurred by it in connection with the negotiation, preparation, execution and performance of this Agreement and all other documents referred to in it.

#### 12. SALE OR LISTING

12.1 It is the parties' intention that a Sale or Listing (as such term is defined in the Articles of Association) be achieved within five years of Completion.

12.2 On a Listing the Company's share capital shall be reorganised so that all



issued shares in the Company are of the same class, with rights typical of shares in listed companies, and in other ways advised in connection with the Listing.

12.3 The parties acknowledge that the Investor will not give any warranties or indemnities in respect of the Group on a Sale or Listing.

#### 13. DURATION

13.1 On a Listing the provisions of this Agreement cease to have effect except that the parties' accrued rights and obligations shall not be affected.

13.2 When an Existing Shareholder ceases to be an employee of the Company or any subsidiary undertaking of the Company and no longer holds any shares in the capital of the Company and any trust established by him ceases to hold shares in the capital of the Company, the Existing Shareholder shall cease to be party to this Agreement except that his accrued rights and obligations shall not be affected.

13.3 When the Investor ceases to hold shares in the capital of the Company, it shall cease to be party to this Agreement except that its accrued rights and obligations shall not be affected (except if the Investor has assigned its rights under this Agreement pursuant to clause 8.3).

#### 14. GENERAL PROVISIONS

14.1 A variation of this Agreement is valid only if it is in writing and signed by or on behalf of each party.

14.2 The failure to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided

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by this Agreement or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.

14.3 The Investor's rights and remedies contained in this Agreement are cumulative and not exclusive of rights or remedies provided by law.

14.4 Nothing contained in this Agreement is to be construed as creating a partnership between any of the parties.

14.5 If there is any conflict or inconsistency between the provisions of this Agreement and the Articles of Association, this Agreement prevails.

14.6 The invalidity, illegality or unenforceability of any provision of this Agreement does not affect the continuation in force of the remainder of this Agreement.

14.7 All obligations in this Agreement are several and not joint.

14.8 This Agreement may be executed in any number of counterparts each of which when executed and delivered is an original, but all the counterparts together constitute the same document.

14.9 A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

14.10 The Existing Shareholders hereby waive all rights of first refusal or pre-emption contained in this Agreement, the Articles of Association or otherwise in relation to any Shares for which the Investor is to subscribe pursuant to this Agreement.

#### 15. NOTICES

15.1 Any notice or other communication under or in connection with this Agreement shall be in writing and shall be delivered personally or sent by first class post in a pre-paid envelope (and air mail if overseas) or by telefax, to the party due to receive the notice or communication at its address set out in this Agreement or such other address as a party may specify by notice in writing to the others to the following fax numbers (as applicable):

if to the Investor: William L. Fiedler  
SeaChange International, Inc.  
Fax No: + 1 97 88 979 590

with a copy to: William B. Simmons  
Testa, Hurwitz & Thibeault LLP

and

if to the Company

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or an Existing Shareholder: Andrew Birchall and Anthony Kelly  
On Demand Group Limited  
Fax No: + 44 (0) 20 7551 5951

- 15.2 In the absence of evidence of earlier receipt, any notice or other communication shall be deemed to have been duly given:
- 15.2.1 if delivered personally, when left at the address referred to in clause 15.1;
- 15.2.2 if sent by mail other than air mail, two days after posting it;
- 15.2.3 if sent by air mail, six days after posting it; and
- 15.2.4 if sent by telefax, on receipt of a complete and legible copy.
16. CONFIDENTIALITY
- 16.1 Except and to the extent required by law or any regulatory body, each of the parties agree not to make public or reveal to any third party any commercial, organisational or other information of a confidential nature concerning the Company, the parties or the subject matter of this Agreement or agreements specifically referred to herein obtained as a result of such party's participation in this Agreement without the prior written consent of the other parties.
- 16.2 Without prejudice to clause 10, the parties shall use their respective reasonable endeavours to agree the form and manner of any presentation and publication of information regarding the Company which shall be given to third parties dealing with the Company.
17. ENTIRE AGREEMENT
- 17.1 This Agreement (together with the agreements specifically referred to herein) constitutes the entire agreement between the parties in respect of the subject matter hereof.
- 17.2 The parties hereby expressly confirm that they have not relied on any statement, representation or warranty (howsoever expressed) given by any other party which is not set out in this Agreement (or the agreements specifically referred to herein) and to the extent they have, they hereby expressly waive all rights in respect of any such representation or warranty. Accordingly, no party shall have any right of action against any other party to this agreement arising out of or in connection with any such statement, representation or warranty (except in the case of fraud) save to the extent repeated in this Agreement (or the agreements specifically referred to herein).
18. GOVERNING LAW AND JURISDICTION
- 18.1 This Agreement is governed by, and shall be construed in accordance with, English law.
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- 18.2 The courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any dispute (including a dispute regarding the existence, validity or termination of this Agreement or the consequences of its nullity), which may arise out of or in connection with this Agreement (respectively, "Proceedings" and "Disputes") and, for such purposes, irrevocably submits to the jurisdiction of the courts of England.
- 18.3 Each party irrevocably waives (and agrees not to raise) any objection which it might at any time have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agrees not to claim that the courts of England are not a convenient or appropriate forum. Each party also agrees that a judgment against it in Proceedings brought in England shall be conclusive and binding upon it and may be enforced in any other jurisdiction.
- 18.4 Each party agrees that it shall promptly deliver a copy of each of the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings to the other party in accordance with clause 15.1. This clause applies to Proceedings initiated

in England and elsewhere.

18.5 The Investor has appointed Trusec Limited of 2 Lambs Passage, London EC1Y 8BB, England as its agent for service in England. The parties agree that any claim form, particulars of claim, application notice, order, judgment or other process issued out of the courts of England, or document relating to or in connection with any Proceedings in England shall be served on Trusec Limited as the Investor's agent for service. If the appointment of such person ceases to be effective, the Investor shall immediately appoint another person in England to accept service of process on its behalf in England. If the Investor fails to do so (and such failure continues for a period of not less than fourteen (14) days), the Company shall be entitled to appoint such a person by notice to the Investor. The provisions of this clause 18.5 applying to service on an agent apply equally to service on a replacement agent.

IN WITNESS OF WHICH this Agreement has been executed by the parties on the above date.

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SCHEDULE 1

THE EXISTING SHAREHOLDERS

<TABLE> <CAPTION>	(1)	(2)	(3)	(4)
	NAME AND ADDRESS	NO. OF ORDINARY SHARES HELD PRIOR TO COMPLETION/1/	NO. OF ORDINARY SHARES TO BE TRANSFERRED PURSUANT TO THE SALE AND PURCHASE AGREEMENT	MAXIMUM AGGREGATE LIABILITY UNDER THE WARRANTIES (AND SPA WARRANTIES) (pound)
<S>		<C>	<C>	<C>
	Andrew Birchall Weir Water, Admirals Bridge Lane, East Grinstead, RH19 4NN	501,000	100,000	250,000
	Annabelle Birchall Weir Water, Admirals Bridge Lane, East Grinstead, RH19 4NN	501,000	100,000	250,000
	Anthony Kelly 29 Beauchamp Road, East Molesey, KT8 0PA	551,100	110,000	275,000
	Judith Kelly 29 Beauchamp Road, East Molesey, KT8 0PA	200,400	40,000	100,000
	Michael Kelly Threeways, Tranwell Woods, Morpeth, NE61 6AQ	250,500	50,000	125,000
	-----	2,004,000	-----	-----
		2,004,000	400,000	1,000,000

</TABLE>

/1/ Andrew Birchall, Annabelle Birchall, Anthony Kelly and Judith Kelly have committed to sell up to 25,990 Ordinary Shares each to the Employee Benefit Trust or Employee Management Incentive scheme after Completion.

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SCHEDULE 2

THE INVESTOR

<TABLE> <CAPTION>	(1)	(2)	(3)	(4)	(5)	(6)
	NAME AND ADDRESS	NO. OF NEW ORDINARY SHARES	NO. OF ACQUIRED ORDINARY SHARES	NO. OF TRANCHE 1 ORDINARY SHARES	NO. OF TRANCHE 2 ORDINARY SHARES	NO. OF PREFERENCE SHARES
<S>		<C>	<C>	<C>	<C>	<C>
	SeaChange International, Inc.	600,000	400,000	200,000	309,350	6,226,625

SCHEDULE 3

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at [ ] on [.] 2002 at [ ] am/pm for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as special resolutions:

SPECIAL RESOLUTIONS

- 1. That the authorised share capital of the Company be increased to (pound)8,000,000 by the creation of 7,000,000 cumulative, redeemable preference shares of (pound)1.00 each having the rights set out in the new Articles of Association referred to in resolution 2 (the "Preference Shares").
- 2. That the articles of association in the form of the draft produced to the meeting and initialled by the Chairman be adopted as the new Articles of Association of the Company in replacement of the existing Articles of Association of the Company.
- 3. That the directors be authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of (pound)8,000,000 in the form of up to 20,000,000 Ordinary Shares of (pound)0.05 each and up to 7,000,000 Preference Shares of (pound)1.00 each in accordance with the Subscription and Shareholders Agreement dated [.] 2002 for a period of five years from the date of this resolution 3.
- 4. That section 89(1) of the Act shall not apply to the allotment of equity securities (within the meaning of section 94(2) of the Act) pursuant to the authority conferred by resolution 3 for a period of five years from the date of this resolution 4.

BY ORDER OF THE BOARD

Registered Office:

Secretary

Dated [.] 2002

NOTE

A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

CONSENT TO SHORT NOTICE

To: The Directors  
On Demand Group Limited

We, the undersigned, being a majority in number of the members having a right to attend and vote at the extraordinary general meeting of the Company convened by the notice of extraordinary general meeting and together holding not less than 95 per cent. in nominal value of the shares giving the right to attend and vote at the meeting, agree to the convening of the meeting for the day and place mentioned in the notice for the purposes set out in the notice and to the proposing and passing of the resolutions specified in the notice as special resolutions notwithstanding that less than the full period of notice required under the Companies Act 1985 and the articles of association of the Company has been given.

Dated [.] 2002

- -----  
Andrew Birchall

- -----  
Annabelle Birchall

-----  
Anthony Kelly

-----  
Judith Kelly

-----  
Michael Kelly

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SCHEDULE 4

DEED OF ADHERENCE

THIS DEED OF ADHERENCE is made on [ ] 200[.]

BY [ ] of [ ] (the "Covenantor") in favour of the persons whose names are set out in the schedule to this Deed and is SUPPLEMENTAL to the Subscription and Shareholders Agreement dated [.] 2002 made by (1) On Demand Group Limited (2) the Existing Shareholders (as defined therein) and (3) Seachange International, Inc. (the "Subscription and Shareholders Agreement").

THIS DEED WITNESSES as follows:

1. The Covenantor confirms that it has been given and read a copy of the Subscription and Shareholders Agreement and covenants with each person named in the schedule to this Deed to perform, observe and be bound by all the terms of the Subscription and Shareholders Agreement, except clauses 2 (save for clause 2.4 which shall apply), 3 and 4, as if the Covenantor were [the Investor/an Existing Shareholder]\* who is party to the Subscription and Shareholders Agreement.

This Deed is governed by English law.

IN WITNESS WHEREOF this Deed has been executed by the Covenantor and is intended to be and is hereby delivered on the date first above written.

SCHEDULE

[Parties to the Subscription and Shareholders Agreement including those who have executed earlier deeds of adherence].

[\* delete as appropriate]

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SCHEDULE 5

AUTHORISED AND ISSUED SHARE CAPITAL, MEMBERS AND DIRECTORS  
IMMEDIATELY AFTER COMPLETION

Part I

AUTHORISED AND ISSUED SHARE CAPITAL

	AUTHORISED	ISSUED
Ordinary Shares	(Pound) 1,000,000	2,604,000 Ordinary Shares
Preference Shares	(Pound) 7,000,000	-

NAME	TOTAL NUMBER OF ORDINARY SHARES
Andrew Birchall	501,000
Annabelle Birchall	501,000
Anthony Kelly	551,100
Judith Kelly	200,400
Michael Kelly	250,500
Seachange International, Inc.	600,000

NAME TOTAL NUMBER OF ORDINARY SHARES EXERCISE PRICE (pound)

HELD UNDER OPTIONS

Nick Bingham	100,200	1.84
Garry Stephen	69,307	0.001
Tim Simmons	16,382	1.84
Simon McGrath	100,200	2.00
Total	286,089	

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Part II

DIRECTORS

NAME	ADDRESS
Andrew Birchall (Chairman)	Weir Water, Admirals Bridge Lane, East Grinstead, RH19 4NN
Anthony Kelly (Chief Executive)	29 Beauchamp Road, East Molesey, KT8 0PA
Garry Stephen (Finance Director)	The Well House, 15 Southend, Garsington, Oxon OX44 9DH
Simon McGrath (Chief Technology Officer)	36 Gloucester Road, Kew, Surrey TW9 3BU

INVESTOR DIRECTORS

NAME	ADDRESS
William C. Styslinger III	60 Mariners Way Fairfield, CT 06430, USA
William L. Fiedler	46 Nathan Cutler Drive Bedford, NH 03110, USA

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SCHEDULE 6

TRANCHE 1 SUBSCRIPTION CONDITIONS

1. Execution of the Carriage Agreement.
2. Execution of the Management Agreement.
3. Execution of a European Cable Operator Shareholders Agreement.
4. Execution of the Co-Location Agreement.
5. The Company is not in breach or default of the Business Development Agreement entitling the Investor to terminate such agreement in accordance with its terms.
6. The Company is not in breach or default of this Agreement entitling the Investor to terminate this Agreement in accordance with its terms.
7. All of the documents listed above in 1 to 4 being in a form and substance satisfactory to the Investor, other than with respect to any clerical or other immaterial changes to such documents.
8. The Company and the Existing Shareholders have not, in updating the Disclosure letter in accordance with clause 3.3, disclosed a matter or event which results or may result in any of the Warranties being untrue, inaccurate or misleading in any materially adverse respect.

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SCHEDULE 7

TRANCHE 2 SUBSCRIPTION CONDITIONS

1. Execution by VODCo. of an equipment and software supply agreement for segmentation equipment and modulation equipment.
2. Execution by VODCo. of vendor finance agreements in relation to each of the agreements referred to in condition 1, above.
3. Execution by VODCo of content provision agreements with at least 3 studios providing for the supply of content for the Video On Demand service on terms and conditions consistent with the Business Plan.
4. Execution by VODCo. of each of the Additional Service Level Agreements.
5. Execution by VODCo. of the Seachange Sale Agreement.
6. Execution by VODCo. of the Instalment Agreement .
7. The Company is not in breach or default of the Business Development Agreement the Seachange Sale Agreement or the Instalment Agreement (if they have been executed prior to the Tranche 2 Subscription Date) entitling the Investor to terminate any such agreement in accordance with its respective terms.
8. The Company is not in breach or default of this Agreement entitling the Investor to terminate this Agreement in accordance with its terms.
9. Satisfaction or waiver of the Tranche 1 Subscription Conditions and completion of the parties' respective obligations in accordance with the provisions of clause 4.1 of the Agreement.
10. All of the documents listed above in 1 to 6 being in a form and substance satisfactory to the Investor, other than with respect to any clerical or other immaterial changes to such documents.
11. The Company and the Existing Shareholders have not, in updating the Disclosure letter in accordance with clause 3.3, disclosed a matter or event which results or may result in any of the Warranties being untrue, inaccurate or misleading in any materially adverse respect.

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SCHEDULE 8

TRANCHE 3 SUBSCRIPTION CONDITIONS

1. (i) Rollout of the VOD Service (as defined in the Carriage Agreement) to a minimum of 200,000 subscribers; (ii) demonstration of an average VOD Buy-Rate (as defined in the Carriage Agreement) for those subscribers who have access to the VOD Service of not less than 120% for a rolling 3 month period; and (iii) average gross margin per subscriber per month to be not less than (pound)1.70 for a three month period for subscribers who have access to the service in accordance with the terms of the Business Plan and initial capital expenditure forecasts.
2. Satisfactory technical performance in line with the Additional Service Level Agreements of the Video on Demand services including both the video server equipment, the transmission plant and the associated software scheduling, streaming, management and billing systems.
3. No material adverse change in the business carried on by the Company (or any of its subsidiaries) unless such material adverse change results from a matter consented to by the Investor pursuant to clause 7.1 of this Agreement.

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SCHEDULE 9

WARRANTIES

In this Schedule:

"Company" means On Demand Group Limited and, separately, each of its subsidiary undertakings; and

"Information" means all information in the Disclosure Letter (including any attachments) or stated in the Disclosure Letter to have been disclosed to the Investor leading to this Agreement (but excludes, for the avoidance of doubt, any forecasts as to the future prospects of the Company).

PART I

1. INFORMATION

- 1.1 The Information was when given and is at the date hereof true and accurate in all material respects and is not misleading because of any omission or ambiguity or for any other reason.
- 1.2 To the best of the knowledge, information and belief of the Company and the Existing Shareholders there is no fact, matter or circumstance concerning the business of the Company, or relating to the information contained or referred to in the Business Plan, which has not been disclosed to the Investor and which if disclosed might reasonably have been expected to influence the decision of a reasonable investor to subscribe for or purchase shares on the terms contained in this Agreement

2. GENERAL

- 2.1 The Company and each of the Existing Shareholders has the requisite power, capacity and authority to enter into and perform its obligations under this Agreement.
- 2.2 The Company is duly incorporated and validly existing under the laws of England and Wales
- 2.3 This agreement constitutes and the other agreements to be executed by the Company and the Existing Shareholders at or after Completion will, when executed, constitute valid and binding obligations of the Company and each Existing Shareholder in accordance with their respective terms.
- 2.4 The execution and delivery of, and the performance by the Company and the Existing Shareholders of their respective obligations under, this agreement, will not:
- (a) in the case of the Company only, result in a breach of any provision of the memorandum or articles of association of the Company; or

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- (b) result in a breach of, or constitute a default under, any instrument to which the Company or any of the Existing Shareholders is a party or by which any of them are bound; or
- (c) result in a breach of any order, judgment or decree of any court or governmental agency to which the Company or any Existing Shareholders is bound; or
- (d) require the consents, in the case of the Company, of its shareholders or the shareholders of any other person save for the passing of each of the special resolutions of the Company in the form set out in Schedule 3.

- 2.5 The Disclosure Letter contains the name and registered number of each directly and wholly owned subsidiary undertaking of the Company and there are no additional direct or indirect subsidiary undertakings of the Company.

3. THE COMPANY

SHARE CAPITAL

- 3.1 The shares listed in Part I of Schedule 5 comprise the whole of the issued and allotted share capital of the Company and all of them are fully paid up.
- 3.2 Each of the persons shown in Part I of Schedule 5 is the registered holder of the number and class of Shares set opposite his name in that Part I of Schedule 5.
- 3.3 Each of the persons shown in Part I of Schedule 5 is the holder of options over the number of shares set opposite his name in the Schedule and such options comprise all of the options over Shares and are exercisable on the date and at the price per share indicated in that Part I of Schedule 5.
- 3.4 Other than this Agreement, there is no agreement, arrangement or obligation requiring the creation, allotment or issue of, or the grant to a person of the right to require the allotment or issue of, a share in the capital of the Company (including, without limitation, an option or right of pre-emption).
- 3.5 There is no option, right to acquire, mortgage, charge, pledge, lien or other form of security or encumbrance or equity on, over or affecting any of the Shares or any of the Acquired Ordinary Shares and there is no



agreement or commitment to give or create any of the same and no claim has been made by any person entitled to any of the same.

#### ACCOUNTS

3.6 The Accounts have been prepared on a proper and consistent basis in accordance with the law and applicable standards, principles and practices generally accepted in the United Kingdom and show a true and fair view of the assets, liabilities and state of affairs of the Company as at the Accounts Date and of the profits and losses of the Company for the financial year ended on the Accounts Date.

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3.7 Since the Accounts Date:

3.7.1 there has been no material adverse change in the financial or trading position or prospects of the Company;

3.7.2 the business of the Company has been carried on in the ordinary and usual course and no material unusual or onerous contract or arrangement has been entered into by the Company; and

3.7.3 the Company has not, other than in the ordinary course of its business, assumed or incurred, or agreed to assume or incur, a liability or obligation.

3.8 The Management Accounts have been prepared in good faith, on a basis consistent with the Accounts and, to the best of the knowledge, information and belief of the Existing Shareholders, show a materially accurate view of the assets and liabilities and profit or loss of the Company as at 30 June 2002.

#### INSOLVENCY

3.9 The Company is not insolvent nor unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986 nor has any voluntary arrangement been proposed under section 1 of the Insolvency Act 1986 in respect of the Company.

3.10 No order has been made and no resolution has been passed for the winding up of the Company or for a provisional liquidator to be appointed in respect of the Company and so far as the Company is aware no petition has been presented and no meeting has been convened for the purpose of winding up the Company.

3.11 No administration order has been made and so far as the Company is aware no petition for such an order has been presented in respect of the Company.

3.12 No receiver (which expression shall include an administrative receiver) has been appointed in respect of the Company or all or any of its assets.

#### LITIGATION

3.13 The Company is not engaged in any material, civil, criminal, mediation, arbitration, administrative or other proceeding (whether as defendant, plaintiff, claimant or otherwise) nor as far as the Company or the Existing Shareholders are aware is any such proceeding pending, threatened or expected and there is no fact or circumstance likely to give rise to any such proceeding against the Company or any director, employee (past or present) of the Company in respect of any act or default for which the Company might be vicariously liable. There is no outstanding judgment, order, decree, arbitral award or decision of a court, tribunal, arbitrator or governmental agency against the Company or a person for whose acts or defaults the Company may be vicariously liable.

#### ASSETS

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3.14 Each asset included in the Accounts or acquired by the Company since the Accounts Date (other than stock disposed of in the ordinary course of business) and each asset used by the Company is:

3.14.1 legally and beneficially owned solely by the Company free from any Encumbrance; and

3.14.2 where capable of possession, in the possession or under the control of the Company; and

3.14.3 there is no agreement or commitment to dispose of, or to give or

create any Encumbrance over or in respect of, any such asset and so far as the Company and the Existing Shareholders are aware no claim has been made by any person to be entitled to any Encumbrance.

- 3.15 No event has occurred which constitutes a breach of or default under any contract which is material in any way to the Company's or VODCo's business.

#### TAX

- 3.16 The Company is duly registered for VAT purposes and has complied in all material respects with the relevant legislation and in particular has maintained correct and up-to-date record and made up-to-date returns and paid all amounts due and payable. The Company has never been a member of a group for the purpose of VAT registration.
- 3.17 The Company has complied with its obligations to the Inland Revenue and all other relevant taxing authorities for all amounts for which it is accountable in respect of taxation and all returns have been filed within time and have been made correctly and no such return or computation has been disputed or relief withdrawn. There are no disputes with any taxing authority and the Company is not liable to any penalties or fines.

#### GENERAL

- 3.18 The statutory books (including all registers and minute books) of the Company have been properly kept in all material respects.
- 3.19 So far as the Company and the Existing Shareholders are aware, the Company has not committed and is not liable for any criminal, illegal or unlawful act or breach of duty imposed by or pursuant to statute or any of the foregoing would have an adverse effect on the continued operation of the business of the Company after Completion.
- 3.20 Except as set out in Disclosure Letter, the Company does not have any estate or interest in any right or liability in respect of any freehold, leasehold or other immovable property.
- 3.21 The Company has not received notification of any investigation or inquiry is being or has been conducted by any governmental or other body in respect of the affairs of the

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Company and neither the Company nor any of the Existing Shareholders is aware of any circumstances which would give rise to such investigation of inquiry.

- 3.22 As at the date hereof, in relation to its employees, the Company has paid all amounts due and payable by way of employer and employees' contribution and duly complied with its obligations in respect of PAYE and National Insurance and paid all amounts due and payable and has complied with all of its reporting obligations to the Inland Revenue in connection with any benefits provided to its employees and directors.
- 3.23 No Existing Shareholder, nor so far as the Company or the Existing Shareholders are aware, any of the other Key Managers has any interest, director or indirect, in any business which competes or is likely to compete with any business now carried on (or contemplated by this Agreement or any of the documents referred to in this Agreement to be carried on) by the Company or intends to acquire any such interest.
- 3.24 The Company is not a member of any corporate or unincorporated body, undertaking or association otherwise than in the ordinary course of business nor does it hold or is it liable to on any share or security which is not fully paid up or which carries any liability.
- 3.25 The Company does not have any branch, agency, place of business or permanent establishment outside the United Kingdom.
- 3.26 The Company has no liability under, and is not a party to, any agreement or arrangement which is prohibited by any competition law of the United Kingdom or European Union.
- 3.27 The Company owes no amount to a present or former director, other officer or employee of the Company (or his dependant) other than for accrued remuneration or reimbursement of business expenses.

#### INTELLECTUAL PROPERTY

- 3.28 "Intellectual Property" means patents, trade marks and service marks, rights in designs, trade or business names, copyrights, database rights and topography rights (whether or not any of these is registered and

including applications for registration of any such thing) and rights under licences and consents in relation to any such thing and all other intellectual property rights or forms of protection of whatever nature or having equivalent or similar effect to any of these which may subsist anywhere in the world;

- 3.29 Details of all registered rights in any Intellectual Property owned by the Company are set out in the Disclosure Letter.
- 3.30 All rights in all Intellectual Property owned or otherwise required for the business of the Company are in the possession of, vested in or validly granted to the Company and are not subject to any limit as to time or any other limitation, right of termination or

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restriction and all renewal fees and steps required for their maintenance or protection have been paid and taken.

- 3.31 The Company has not breached any licence, sub-licence or assignment granted to or by it in respect of any Intellectual Property owned or otherwise required for the business of the Company.
- 3.32 The business conducted by the Company does not infringe the rights of any other person in any Intellectual Property.
- 3.33 There is no, nor has there been at any time any, unauthorised use or infringement by any person of any of the Intellectual Property owned or otherwise required for the business of the Company.

#### INFORMATION TECHNOLOGY

- 3.34 "Information Technology" means computer hardware, software, networks and/or other information technology.
- 3.35 Details of all material agreements relating to Information Technology used by the Company are set out in the Disclosure Letter.
- 3.36 In the twelve months prior to the date of this Agreement there have been no failures, stoppages or breakdowns of any Information Technology used by the Company which has caused any substantial disruption or interruption in or to the business conducted by the Company.
- 3.37 Use of the Information Technology by the Company does not infringe the Intellectual Property rights of any third party.
- 3.38 The Information Technology used by the Company has adequate functionality, capability and capacity for the present and (save in relation to the arrangements contemplated by this Agreement and the requirements of the Company in order to fulfil the Tranche 1 Subscription Conditions, the Tranche 2 Subscription Conditions and the Tranche 3 Subscription Conditions) foreseeable future requirements of the business of the Company.
- 3.39 Satisfactory disaster recovery and maintenance arrangements are in place for the Information Technology used by the Company.

#### PART II

#### 4. THE EXISTING SHAREHOLDERS

- 4.1 There are no existing contracts or arrangements to which the Company or any subsidiary undertaking is a party and in which (i) any of the Existing Shareholders and/or any person who is a connected person with him is interested or (ii) any person who is a connected person with the Company is interested.

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- 4.2 Neither Andrew Birchall nor Anthony Kelly has ever been charged with or convicted of any criminal offence other than a road traffic offence (except one involving a custodial sentence, whether suspended or not) nor have bankruptcy or any analogous proceedings been brought or threatened in respect of any of the Existing Shareholders. Neither Andrew Birchall nor Anthony Kelly is aware of any facts or matters which he believes might give rise to any such criminal proceedings, and none of the Existing Shareholders is aware of any facts or matters which he or she believes might give rise to any such bankruptcy proceedings.
- 4.3 Neither Andrew Birchall nor Anthony Kelly has ever been disqualified under the Company Directors Disqualification Act 1986 from acting as a director of a company incorporated in the United Kingdom.

EXECUTED by the parties:

Signed by )  
Anthony Kelly ) /s/ Anthony Kelly  
for and on behalf of ) -----  
On Demand Group Limited )

Signed by )  
Andrew Birchall ) /s/ Andrew Birchall  
-----

Signed by )  
Annabelle Birchall ) /s/ Annabelle Birchall  
-----

Signed by )  
Anthony Kelly ) /s/ Anthony Kelly  
-----

Signed by )  
Judith Kelly ) /s/ Judith Kelly  
-----

Signed by )  
Michael Kelly ) /s/ Michael Kelly  
-----

Signed by )  
William L. Fiedler ) /s/ William L. Fiedler  
for and on behalf of ) -----  
SeaChange International Inc. )

THE COMPANIES ACTS 1985 AND 1989

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION  
OF  
ON DEMAND GROUP LIMITED  
INCORPORATED ON 23 OCTOBER 2000

ADOPTED BY SPECIAL RESOLUTION  
PASSED ON 28 OCTOBER 2002

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Company No: 04094951

THE COMPANIES ACTS 1985 AND 1989

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

- of -

ON DEMAND GROUP LIMITED

(the "Company")

adopted by a Special Resolution passed  
on 28th October 2002

1. INTERPRETATION

1.1 In these Articles:

"the Act" means the Companies Act 1985 including any statutory modification  
or re-enactment for the time being in force;

"Associate" means, in respect of any Member which is a body corporate, any holding company of that body corporate or a subsidiary or a subsidiary of any such holding company (as each such term is defined in the Act);

"Bad Leaver" means either (i) a person who ceases to be employed by the Company (or any subsidiary undertaking of the Company) due to his dismissal by the Company (or the subsidiary undertaking of the Company by which he is employed) in circumstances justifying summary dismissal (excluding, for the avoidance of doubt, any termination of employment solely or principally by reason of retirement upon reaching retirement age, unfair dismissal, ill health, injury or death or other such circumstances which are, in the opinion of the Board, exceptional); or (ii) a Compulsory Seller (as defined in Article 9.2) who is in breach of any restriction on competitive activity (if any) contained in his contract of employment which is expressed to apply to the Compulsory Seller after cessation of his employment;

"Board" means the board of directors of the Company from time to time;

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for business in London other than solely for trading of euro;

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"Employee Share Option Plan" means the employee share option plan to be adopted by the Company pursuant to which options to acquire 231,208 Ordinary Shares may be issued;

"Existing Shareholders" has the meaning given to it in the Subscription and Shareholders Agreement;

"Founders" means Andrew Birchall and Anthony Kelly;

"fully diluted share capital" means:

- (i) the number of issued Ordinary Shares from time to time; plus
- (ii) (without duplication) all Ordinary Shares, whether issued or unissued, over which options have been granted from time to time under the Employee Share Option Plan or otherwise, whether exercisable or not; plus
- (iii) (without duplication) all other securities issued from time to time which are exchangeable for or convertible into Ordinary Shares, whether such securities are issued or unissued;

"Good Leaver" means a person whose employment ceases in circumstances where he is not a Bad Leaver;

"Independent Expert" means such individual as may be appointed to act in accordance with Article 9.6 or (if the parties fail to so agree within 14 days of any dispute arising pursuant to Article 9.6) such individual as may be appointed by the President from time to time of the Law Society in England and Wales;

"Investor" has the meaning given to it in the Subscription and Shareholders Agreement;

"Investor Directors" means each of the directors appointed as such pursuant to Article 6;

"Key Manager" means each of Andrew Birchall, Anthony Kelly, Garry Stephen and Simon McGrath and any person who may be designated as such by the Company in accordance with the Subscription and Shareholders Agreement;

"Listing" means: (i) the admission of any of the Shares to the Official List of the UK Listing Authority becoming effective (in accordance with paragraph 7.1 of the rules made by the UK Listing Authority pursuant to section 74 of the Financial Services and Markets Act 2000, as amended or its successor legislation ("FSMA")) and (ii) the admission of any of the Shares to trading on the London Stock Exchange plc becoming effective (in accordance with paragraph 2.1 of the Admission and Disclosure Standards of the London Stock Exchange plc from time to time); or (iii) the admission of any of the Shares to any other recognised investment exchange;

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"Option Shares" has the meaning given to it in the Subscription and Shareholders Agreement;

"Ordinary Shares" means the ordinary shares of (pound)0.05 each in the capital of the Company;

"Preference Dividend" has the meaning set out in Article 5.1.1;

"Preference Shareholder" means a holder of Preference Shares;

"Preference Shares" means the cumulative redeemable preference shares of (pound)1.00 each in the Company having the rights set out in these Articles;

"recognised investment exchange" has the meaning given to it in section 285 of FSMA;

"Sale" means the completion of the transfer (whether through a single transaction or a series of transactions) of:

- (a) 40% or more of the Ordinary Shares in issue from time to time to a person and/or any other person:
  - (a) who in relation to him is a connected person, as defined in section 839 of the Income and Corporation Taxes Act 1988; or
  - (b) with whom he is acting in concert, as defined in The City Code on Takeovers and Mergers; or
- (b) all or substantially all of the business or assets of the Company;

"Share" means any share in the capital of the Company of whatever class;

"Shareholder" or "Member" means any person registered in the books of the Company as the holder of a Share for the time being;

"Subscription and Shareholders Agreement" means the agreement entered into on the date of adoption of these Articles made by (1) the Company (2) the Existing Shareholders (as defined therein) and (3) SeaChange International, Inc. as amended from time to time;

"subsidiary undertaking" has the meaning given to it in the Act;

"Tranche 3 Subscription Date" means the satisfaction in full or waiver by the Investor Directors (acting unanimously and at their sole discretion) of the Tranche 3 Subscription Conditions (which expression has the meaning given to it in the Subscription and Shareholders Agreement);

"VODCo" means Chamberdrive Limited, a company incorporated in England and Wales (registered no. 4407352) whose registered office is at 200 Aldersgate Street, London, EC1A 4JJ; and

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"VODCo Event" means (i) the sale of the Company's entire shareholding in VODCo; (ii) the sale of all or substantially all of the business or assets of VODCo; or (iii) the admission of any shares in the capital of VODCo to any recognised investment exchange.

- 1.2 Words and expressions defined in the Act have the same meanings in these Articles, unless inconsistent with the context.
- 1.3 The renunciation of a right to be allotted shares shall be treated as if it were a transfer of those shares and therefore shall be governed by Articles 7 to 14.
- 2. TABLE A
  - 2.1 The regulations contained in Table A in the Schedule to the Companies (Tables A-F) Regulations 1985, as amended ("Table A"), apply to the Company except to the extent that they are excluded by or inconsistent with these Articles.
  - 2.2 The first sentence of regulation 24 and regulations 64, 73 to 78, 80, 81, 90, 94, 95, 115 and 118 of Table A do not apply.
- 3. PRIVATE COMPANY

The Company is a private company and accordingly any invitation to the public to subscribe for any shares or debentures of the Company is prohibited.
- 4. SHARE CAPITAL

The share capital of the Company at the date of adoption of these Articles is (pound)8,000,000 divided into:

  - 20,000,000 Ordinary Shares; and
  - 7,000,000 Preference Shares.

## 5. PREFERENCE SHARES

The rights attaching to the Preference Shares are set out below.

### 5.1 Dividend

5.1.1 Each Preference Share bears the right to a fixed cumulative preferential dividend compounded annually starting at the date of issue of such Preference Share at the rate of 6% per annum (to be increased to 12% per annum with effect from the date of termination (for any reason other than due to a breach by the Investor of its obligations thereunder) of a business development agreement to be entered into on the date of adoption of these Articles between the Company and the Investor) excluding any associated tax credit, such rate being a percentage of the nominal amount paid on each Preference Share (the "Preference Dividend").

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5.1.2 The Preference Dividend shall be payable on the anniversary of the date of issue of the relevant Preference Share and paid before the transfer of any sums to reserves and the right to the Preference Dividend has priority over the rights of the holders of any other class of shares.

5.1.3 The Preference Dividend shall, to the extent lawful, be paid annually out of the profits of the Company available for distribution. Any payable but unpaid Preference Dividend in any year shall be carried forward to the next year and paid in priority to the Preference Dividend payable on any later date (such unpaid amounts and any subsequent annual payable but unpaid amounts being added to the nominal amount of the Preference Shares for the purposes of calculating the next Preference Dividend due for the relevant year).

### 5.2 Return of capital

On a VODCo Event, a redemption pursuant to Articles 5.4 or 5.5, or a return of capital on liquidation or otherwise, the assets of the Company available for distribution among the Shareholders shall be applied in paying to the Preference Shareholders, in priority to any payment to the holders of any other class of shares:

first, the nominal amount of each of their Preference Shares;

secondly, a sum equal to any accrued and/or unpaid Preference Dividend (whether payable or not) calculated to the date of return of capital and payable whether or not the Company has enough profits available for distribution to pay the accrued and/or unpaid Preference Dividend (and, if necessary, the Company shall procure that such payments are structured so as not to constitute an unlawful distribution for the purposes of section 263 of the Act).

### 5.3 Further participation

The Preference Shares do not confer any further right of participation in the profits or assets of the Company.

### 5.4 Early redemption by Company

The Company may redeem all or any portion of the Preference Shares in accordance with Article 5.6 at any time by serving notice on the Preference Shareholders specifying the number of Preference Shares to be redeemed and a date between 14 and 28 days later (the "Redemption Date") on which the redemption is to take place.

### 5.5 Redemption on Sale, Listing or VODCo Event

5.5.1 The Company shall redeem all the Preference Shares immediately before a Sale, a Listing or VODCo Event.

5.5.2 For the purposes of Article 5.6:

(i) the Redemption Date on a Sale is the date of Sale;

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(ii) the Redemption Date on a Listing is the day the Listing becomes effective; and

(iii) the Redemption Date on a VODCo Event is (i) in the event of a sale of the Company's entire shareholding in VODCo or the sale of all or substantially all of the business or assets



of VODCo, the date of receipt of the proceeds on such sale; and (ii) in the event of the admission of any of the share capital of VODCo to any recognised investment exchange, the day of such admission.

## 5.6 Provisions applying to all redemptions

- 5.6.1 When only some of the Preference Shares are being redeemed, the redemption shall take place in proportion as nearly as possible (such determination being undertaken by the Company (acting reasonably)) to each Preference Shareholder's holding of Preference Shares.
- 5.6.2 On the Redemption Date the Company shall pay the following amount in cash in respect of each Preference Share to be redeemed:
- (i) the nominal amount of the share; and
  - (ii) a sum equal to any accrued and/or unpaid Preference Dividend (whether payable or not) calculated to the Redemption Date and payable whether or not the Company has enough profits available for distribution to pay the accrued and/or unpaid Preference Dividend.

The amount payable in respect of all the Preference Shares to be redeemed on any Redemption Date comprises the "redemption money".

- 5.6.3 On the Redemption Date the redemption money shall be paid to each Preference Shareholder in respect of those Preference Shares which are to be redeemed against receipt of the relevant share certificate (or an indemnity in a form reasonably satisfactory to the Board in respect of a share certificate which cannot be produced). If a Preference Shareholder produces neither the share certificate nor a satisfactory indemnity the Company may retain his redemption money until delivery of the certificate or a satisfactory indemnity.
- 5.6.4 The Company shall cancel share certificates in respect of redeemed Preference Shares and issue fresh certificates without charge in respect of any Preference Shares represented by those certificates and remaining outstanding.
- 5.6.5 As from the relevant Redemption Date the Preference Dividend shall cease to accrue on the Preference Shares to be redeemed unless, despite presentation of the relevant share certificate or a satisfactory indemnity, the Company fails on the Redemption Date to pay redemption money in respect of all the Preference Shares to be redeemed, in which case the Preference Shares in respect of which redemption money has not been received shall not be redeemed. In that case the Preference Dividend shall continue to accrue on the Preference

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Shares in respect of which redemption money is outstanding until actual redemption of the Preference Shares.

## 5.7 Preference Share Capital Redemption Reserve

- 5.7.1 At the end of each financial year, to the extent possible, the Company shall reserve from the profits available for distribution (after payment of the Preference Dividend in accordance with Article 5.1) the amount necessary to pay the Preference Dividend due within the next financial year (the "Redemption Reserve"), provided, however that this Article 5.7.1 shall not preclude the Company from paying any Preference Dividend carried forward in accordance with Article 5.1.3.
- 5.7.2 The Redemption Reserve shall only be used for the purposes of redeeming the Preference Shares unless the Investor Directors (acting unanimously) agree otherwise.

## 5.8 Votes

Preference Shareholders are entitled to receive notice of and to attend and speak at general meetings of the Company. Preference Shareholders may not vote at general meetings of the Company unless:

- 5.8.1 such resolution is in relation to the winding-up of the Company, a voluntary arrangement with creditors in relation to the Company or the proposed receivership, administrative receivership or administration of the Company; or
- 5.8.2 such resolution is in relation to an alteration to the rights of

the Preference Shares or any other arrangements which will have detrimental effect upon the rights of the Preference Shares (in which case, for the avoidance of doubt, the Preference Shares shall also vote as a class and, if the Preference Shareholders are to vote as a class, the provisions of these Articles with respect to notice of and proceedings at general meetings and written resolutions shall apply mutatis mutandis except that the requisite quorum for a meeting shall be one person); or

5.8.3 the Company has failed to redeem any Preference Shares due for redemption pursuant to Article 5.5.1,

in which case each Preference Share shall have the right to one vote at any general meeting of the Company.

## 5.9 Transfer

5.9.1 The Preference Shares are freely transferable, subject to Article 5.9.3 below.

5.9.2 The directors shall not register a transfer of Preference Shares unless the proposed transferee has entered into a deed of adherence in relation to all

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Shares transferred to the proposed transferee and in the form required by the Subscription and Shareholders Agreement.

5.9.3 No Preference Shares shall be transferred pursuant to this Article 5.9 unless the transferor transfers the same proportion of its holding of Ordinary Shares (to which transfer of Ordinary Shares, the provisions of Article 7 shall apply) to the same transferee.

## 6. INVESTOR DIRECTORS

6.1 The Investor may appoint two Investor Directors and replace either or both of such Investor Directors at any time. The initial appointments shall be made pursuant to the Subscription and Shareholders Agreement. Subsequent appointments and removals shall be made by notice served on the Company and shall take effect forthwith upon service of such notice.

## 7. PROVISIONS APPLYING ON EVERY TRANSFER OF ORDINARY SHARES

7.1 The directors shall not register a transfer of Ordinary Shares unless:

7.1.1 it is permitted by Article 8 or has been made in accordance with Article 10 and, if appropriate, Articles 9, 11, 12 or 13; and

7.1.2 the proposed transferee has entered into a deed of adherence in the form required by the Subscription and Shareholders Agreement.

7.2 Shareholders are not entitled to transfer Ordinary Shares unless the transfer is permitted by Article 8 or has been made in accordance with Article 10 and, if appropriate, Articles 9, 11, 12 or 13.

## 8. TRANSFER RESTRICTIONS FOR ORDINARY SHAREHOLDERS

No Ordinary Share may be transferred other than:

8.1 with the written consent of a majority of the Investor Directors (provided that such consent would not result in a breach by the Company or any of its subsidiary undertakings of their respective obligations under a European Cable Operator Shareholders Agreement (as defined in the Subscription and Shareholders Agreement));

8.2 to the trustees of a trust of which the only beneficiaries (and the only people capable of being beneficiaries) are the Shareholder who established the trust and who is transferring the relevant shares and/or his spouse and/or his lineal descendants by blood or adoption; and the trustees of such a trust may not transfer Ordinary Shares under this Article 8.2 other than to replacement trustees of the same trust;

8.3 when required by Article 9;

8.4 to the personal representatives of a Shareholder who has died and was an employee of the Company or any of its subsidiary undertakings and, once the Shareholder's

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personal representatives can no longer be bound to sell shares pursuant to Article 9, to the beneficiaries under probate of a Shareholder;

- 8.5 on and after Listing;
- 8.6 by a member (the "Transferor") to an Associate (the "Transferee") provided that the Transferee gives an undertaking to the Company that, should the Transferee cease to be an Associate of the Transferor subsequent to such transfer, the Transferee shall transfer the Ordinary Shares back to the former member who made the first transfer pursuant to this Article 8.6 who shall be similarly bound by this Article 8.6 (or, at the option of the Transferor, to an Associate of the Transferor who shall be similarly bound by this Article 8.6);
- 8.7 in the case of a Shareholder which holds Ordinary Shares as nominee or trustee for a limited partnership or other investment vehicle structured as a trust for institutional investors:
- 8.7.1 to another nominee or trustee for the limited partnership or other vehicle;
- 8.7.2 on a distribution in kind under the relevant partnership agreement or trust deed, to the partners of the limited partnership (or their nominees) or the holders of beneficial interests in the trust (or their nominees); or
- 8.7.3 to a nominee or trustee for a limited partnership or trust which is primarily a vehicle for institutional investors and which is advised or managed by the adviser or manager of the former limited partnership or trust;
- 8.8 in acceptance of an offer made under Articles 11 or 12 or when required by Article 13;
- 8.9 in accordance with Article 10; or
- 8.10 by a Key Manager or Founder to another Founder or Key Manager for so long as, in each case, they remain employees of the Company or any of its subsidiary undertakings.

If a holder of Ordinary Shares is also a Preference Shareholder, no Ordinary Shares shall be transferred pursuant to Article 7 unless the transferor transfers the same proportion of its holding of Preference Shares.

Until such time as all of the Preference Shares have been redeemed in accordance with the provisions of Article 5, a reference in this Article 8 to a "transfer" of Ordinary Shares shall be deemed to include a mortgage, charge or any other disposal of any interest in such Ordinary Shares.

## 9. COMPULSORY TRANSFER

- 9.1 This Article 9 applies when an employee of the Company or any of its subsidiary undertakings who:
- 9.1.1 is a Shareholder; and/or
- 9.1.2 has established a trust which holds Shares
- ceases for any reason to be an employee of the Company or any of its subsidiary undertakings.
- 9.2 Within four weeks after the cessation of employment, the Company may, if so required by a resolution of the Board and provided that the Investor Directors (acting unanimously) consent, serve notice (the "Transfer Notice") requiring the Shareholder (or his personal representatives in the case of his death) and/or each trustee of the trust, where relevant (the "Compulsory Seller") to offer, subject to Article 9.3, some or all of his or their Shares (the "Sale Shares") to any of:
- 9.2.1 the Company (if so permitted in accordance with the Act);
- 9.2.2 a Founder (if he remains an employee of the Company or any of its subsidiary undertakings);
- 9.2.3 a Key Manager (if he remains an employee of the Company or any of its subsidiary undertakings);
- 9.2.4 a person or persons intended to take the employee's place;
- 9.2.5 any of the existing employees of the Company or any of its subsidiary undertakings;
- 9.2.6 any employee share scheme of the Company or its subsidiary

undertakings (including the Employee Share Option Plan); and/or

9.2.7 any other person or persons approved by resolution of the directors

(together, the "Offerees"). The Transfer Notice may reserve the right for the Company to finalise the identity of some or all of the Offerees once the price for the Sale Shares has been agreed or certified.

9.3 The relevant Compulsory Seller shall at his discretion have the right to ensure that the Company includes in any relevant Transfer Notice a condition (a "Total Transfer Condition") that if all his Sale Shares are not sold to any of the persons listed in Article 9.2 then none shall be so sold. If a Transfer Notice shall validly contain a Total Transfer Condition then any such offer as aforesaid shall be conditional upon such condition being satisfied and no acceptance of an offer of Sale Shares will become effective unless such condition is satisfied.

9.4 The Compulsory Seller(s) shall forthwith upon receipt of the Transfer Notice be deemed to have offered the Sale Shares to the Offerees, as identified by the Company, free from all liens, charges and encumbrances together with all rights attaching to them.

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9.5 The price for each Sale Share shall be:

9.5.1 in the case of a Good Leaver, the higher of (i) the issue price of each Sale Share and (ii) the market value per Sale Share upon the cessation of employment as determined in accordance with Article 9.7 ("Market Value");

9.5.2 in the case of a Bad Leaver, the lower of (i) Market Value and (ii) the issue price of each Sale Share (or, in the case of a Bad Leaver who is a Founder or Key Manager, the lower of (i) Market Value and (ii) (pound)2.50 per Sale Share).

9.6 In the event of any dispute in relation to whether an employee of the Company or any of its subsidiary undertakings is a Bad Leaver, the matter shall within 7 days of such a dispute arising be referred to the Independent Expert by the Company for determination. The Independent Expert shall act as an expert and not as an arbitrator and his decision shall be final and binding on all the parties (in the absence of fraud or manifest error). The costs of the Independent Expert in connection with any matters which shall be referred to him pursuant to this Article 9.6 shall be borne jointly by the Company and the employee who is the subject of the dispute.

9.7 For the purposes of this Article 9, "Market Value" in relation to the Sale Shares shall be the price agreed between the relevant Compulsory Seller and the Company or, if they do not agree a price within 14 Business Days of the Transfer Notice or, if applicable and a later date, the date of determination by the Independent Expert pursuant to Article 9.6, the price certified by an independent firm of internationally recognised chartered accountants to be agreed upon and appointed jointly by the relevant Compulsory Seller and the Company, or failing agreement on such appointment, within 5 Business Days of the expiry of the 14 Business Day period referred to above, by the President from time to time of the Institute of Chartered Accountants in England and Wales (or his duly appointed deputy) on the application of either the relevant Compulsory Seller or the Company (the "Expert"). The Expert shall be deemed to act as expert not as arbitrator and the decision of the Expert shall be final and binding on the Company and the relevant Compulsory Seller (in the absence of fraud or manifest error). The Market Value shall be the market value at the date of cessation of employment. Where the Compulsory Seller is a Bad Leaver, the costs of the Expert shall be borne equally by the Company and such Compulsory Seller, otherwise the costs of the Expert shall be borne by the Company. The Expert shall calculate the Market Value of the Sale Shares having regard to the following assumptions and bases:

- (a) an arms' length sale between a willing seller and a willing buyer;
- (b) if the Company is then carrying on business as a going concern, on the assumption that it will continue to do so (regard being had, however, to the Company's then current budgets and forecasts and to its trading prospects generally at that time);

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- (c) (if the Expert shall deem it reasonably practicable in the circumstances) having regard to companies similar in size and market value to the Company and its subsidiary undertakings and operating a business similar to that carried on by the Company and its subsidiary undertakings; and

- (d) without discounting for a minority interest or enhancing for a majority interest.
- 9.8 Within 7 days of the price having been agreed or certified:
- 9.8.1 if applicable, the Company shall notify the Compulsory Seller of the names and addresses of the Offerees and the number of Sale Shares to be offered to each;
- 9.8.2 if applicable, the Company shall notify each of the Offerees of the number of Sale Shares on offer to him; and
- 9.8.3 the Company's notices shall specify the price per share and state a date, between 7 and 14 days later, on which the sale and purchase of the Sale Shares is to be completed ("completion date").
- 9.9 By the completion date the Compulsory Seller shall deliver duly executed stock transfer forms for the Sale Shares, with the relevant share certificates (or an indemnity in respect thereof satisfactory to the Company), to the Company and the Offerees shall pay the relevant price for each Sale Share to the Company. On the completion date, to the extent the Offerees have put the Company in the requisite funds (the Company's receipt for which shall be a good discharge to the Offerees), the Company shall pay on behalf of each of the Offerees, the agreed or certified price for the Sale Shares into an interest-bearing deposit account and shall hold such monies in trust for the Compulsory Seller until the date falling six months after the date of cessation of employment of the relevant Compulsory Seller (the "Payment Date"). Subject to the provisions of Article 9.12, on the Payment Date the relevant Compulsory Seller shall be entitled to the agreed or certified price for the Sale Shares and accrued interest thereon.
- 9.10 To the extent that any or all of the Offerees have not, by the completion date, put the Company in funds to pay the agreed or certified price, the Compulsory Seller shall be entitled to the return of the stock transfer forms and share certificates (or indemnities in respect thereof satisfactory to the Company) for the relevant Sale Shares to be transferred to those defaulting offerees and the Compulsory Seller shall have no further rights or obligations under this Article 9 in respect of such Sale Shares.
- 9.11 If a Compulsory Seller fails to deliver stock transfer forms for Sale Shares to the Company by the completion date, the directors may authorise any director to transfer the Sale Shares on the Compulsory Seller's behalf to each Offeree to the extent the Offeree has, by the completion date, put the Company in funds to pay the agreed or certified price for the Sale Shares offered to him. The directors shall then authorise registration of the transfer once appropriate stamp duty has been paid. The defaulting Compulsory Seller shall surrender his share certificate for the Sale Shares (or provide a

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satisfactory indemnity in respect thereof) to the Company. On surrender, subject to the provisions of Articles 9.9 and 9.12, he shall be entitled to the agreed or certified price for the Sale Shares.

- 9.12 If a Compulsory Seller has become a Bad Leaver prior to the Payment Date by virtue of having breached a restriction on competitive activity contained in his contract of employment, then the price per Sale Share paid to such Compulsory Seller on the Payment Date shall be as determined in Article 9.5.2 (notwithstanding that the amount so held on trust for such Compulsory Seller pending the Payment Date was an amount originally determined in accordance with Article 9.5.1). Any difference between the amount held on trust on behalf of such Compulsory Seller and the amount paid to him on the Payment Date shall be repaid to the relevant Offerees who put the Company in funds in accordance with Article 9.10.
- 9.13 Following a cessation of employment causing this Article 9 to apply to particular Shares:
- 9.13.1 those Shares may not be transferred under any other Article (unless agreed otherwise by the Investor Directors (acting unanimously)) until the holder can no longer be bound to sell them under this Article 9; and
- 9.13.2 the holder of those Shares is not entitled to vote at general meetings of the Company in respect of those Shares unless
- (i) the Company stipulates otherwise in writing;
- (ii) they have been validly transferred pursuant to this Article 9; or
- (iii) those Shares are no longer subject to the provisions of this

Article 9.

9.14 If any provision in Article 9 shall be found void but would be valid if some part thereof were deleted such provision shall apply with any such deletion as may be necessary to make it valid and effective.

10. PRE-EMPTION RIGHTS ON ORDINARY SHARES

10.1 A Shareholder (the "Selling Shareholder") who wishes to transfer any or all of his Ordinary Shares to a person to whom Articles 8.1 to 8.10 do not apply shall serve notice on the Company ("Sale Notice") stating the number of shares it wishes to transfer ("Offered Shares") and its asking price for each share ("Asking Price").

10.2 The Selling Shareholder may state in the Sale Notice that it is only willing to transfer all the Offered Shares, in which case no Offered Shares can be purchased by the other Shareholders unless valid offers are received for all of them. In addition, if the Selling Shareholder is a holder of Ordinary Shares and Preference Shares, the Selling Shareholder shall state in the Sale Notice that it will transfer its Ordinary Shares together with the proportionate percentage of such Selling Shareholder's Preference Shares (at an Asking Price equal to the redemption money on the basis that the Redemption Date is the date of the transfer of such Preference Shares), in which case

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no Ordinary Shares can be purchased by the other Shareholders unless valid offers are received for the Preference Shares offered. The definition of Offered Shares shall include the Ordinary Shares and the proportionate number of Preference Shares for the purposes of this Article 10.

10.3 The Sale Notice shall make the Company the agent of the Selling Shareholder for the sale of the Offered Shares on the following terms, which the Company shall notify to the other Shareholders within 7 days of receiving the Sale Notice:

10.3.1 the price for each Offered Share is the Asking Price;

10.3.2 that the Offered Shares are to be sold free from all liens, charges and encumbrances together with all rights attaching to them;

10.3.3 that each of the other Shareholders is entitled to buy the Offered Shares in proportions reflecting, as nearly as possible, the nominal amount of their existing holdings of Ordinary Shares;

10.3.4 Shareholders may offer to buy any number of the Offered Shares that are not accepted by the other Shareholders ("Excess Shares");

10.3.5 28 days after the Company's despatch of the terms for the sale of the Offered Shares (for the purposes of this Article 10, the "Closing Date"):

(i) the Sale Notice shall become irrevocable;

(ii) a Shareholder who has not responded to the offer in writing to the Company shall be deemed to have declined it; and

(iii) each offer made by a Shareholder to acquire any Offered Shares shall become irrevocable.

10.4 If the Company receives offers for fewer Shares than the aggregate number of Offered Shares, each Shareholder who offered to buy Excess Shares shall be entitled to a number of Excess Shares reflecting, as nearly as possible (such determination being undertaken by the Company) (acting reasonably)), the number of Excess Shares he offered to buy as a proportion of the total number of Excess Shares for which offers were received.

10.5 Within 7 days after the Closing Date, the Company shall notify the Selling Shareholder and the Shareholders who offered to buy Offered Shares of the result of the offer and, if any Offered Shares are to be sold pursuant to the offer:

10.5.1 the Company shall notify the Selling Shareholder of the names and addresses of the Shareholders who are to buy Offered Shares and the number to be bought by each Shareholder;

10.5.2 the Company shall notify each Shareholder of the number of Offered Shares he is to buy; and

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10.5.3 the Company's notices shall state a place and time, between 7 and

14 days later, on which the sale and purchase of the Offered Shares is to be completed (including, without limitation, payment to the Selling Shareholder of the Asking Price).

10.6 If the Selling Shareholder does not transfer Offered Shares in accordance with Article 10.5, the directors may authorise any director to transfer the Offered Shares on the Selling Shareholder's behalf to the buying Shareholders concerned against receipt by the Company of the Asking Price. The Company shall hold the Asking Price in trust for the Selling Shareholder without any obligation to pay interest. The Company's receipt of the Asking Price shall be a good discharge to each of the buying Shareholders. The directors shall then authorise registration of the transfer once appropriate stamp duty has been paid. The defaulting Selling Shareholder shall surrender his share certificate for the Offered Shares (or a satisfactory indemnity in respect thereof) to the Company. On surrender, he shall be entitled to the Asking Price for the Sale Shares.

10.7 If, by the Closing Date, the Company has not received offers for all the Offered Shares, the Selling Shareholder may within the next two months transfer the Offered Shares for which offers were not received (or, if the Sale Notice stated that he was only willing to transfer all the Offered Shares, all the Offered Shares) to any person at no less than the Asking Price with any other terms being no more favourable than those in the Sale Notice.

#### 11. TRANSFERS WHICH CHANGE CONTROL

11.1 Other than as expressly provided for in clauses 4.6 and 4.7 of the Subscription and Shareholders Agreement, Article 11 applies when a transfer of Ordinary Shares by a shareholder (the "Transferor Shareholder") made under Articles 8.1 or 10 would, if registered, result in a person and/or any other person:

11.1.1 who in relation to him is a connected person (as defined in Section 839 of the Income and Corporation Taxes Act 1988); or

11.1.2 with whom he is acting in concert, as defined in The City Code on Takeovers and Mergers

(each being "a member of the purchasing group") holding or increasing a holding to 30% or more of the Ordinary Shares in issue taken together.

11.2 No transfer to which Article 11 applies may be made or registered unless:

11.2.1 it is agreed to in writing by the holders of 90% or more of the total number of Ordinary Shares in issue; or

11.2.2 the proposed transferee has made an offer to buy all the other Ordinary Shares on the terms set out in Article 11.3 and the offer has closed and each accepted offer has been completed, unless failure to complete is the fault of the offeree.

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11.3 The terms of the proposed transferee's offer under Article 11.2.2 shall be as follows:

11.3.1 the offer shall be open for acceptance for 21 days or more or, if applicable, until the consideration for the Ordinary Shares has been determined under Article 11.5 (the latest of such dates being for the purposes of this Article 11, the "Closing Date");

11.3.2 the consideration for each Ordinary Share shall be the higher of:

(a) the highest consideration offered for each Ordinary Share whose proposed transfer has led to the offer; and

(b) the highest consideration paid by any member of the purchasing group for an Ordinary Share in the six months up to the offer; and

11.3.3 the proposed transferee shall (where applicable) offer to buy each Preference Share for a cash consideration equal to the amount which would be payable to the holder if the Preference Share were redeemed on the date of its purchase, unless the Preference Share is to be redeemed in accordance with Article 5.5.

11.4 The proposed transferee's offer may be conditional on the offer resulting in members of the purchasing group holding or increasing their shareholding to a specified proportion of the Ordinary Shares in issue.

11.5 Any dispute on the appropriate consideration for the Ordinary Shares shall be referred to an umpire chosen by the parties concerned or, if they cannot agree on an umpire, within 5 Business Days, nominated by the President of

the Institute of Chartered Accountants in England and Wales from time to time on the application of the Transferor Shareholder or any person with whom it is in dispute. The umpire shall act as an expert and not as an arbitrator and his decision shall be final and binding (in the absence of manifest error or fraud). The Transferor Shareholder shall pay half the umpire's costs and the holders of Ordinary Shares in dispute with the proposed transferee shall pay the other half (pro rata to the number of their respective holdings of Ordinary Shares).

11.6 Within 7 days after the Closing Date, the Company shall notify the proposed transferee and the Shareholders who accepted the offer of the result of the offer and:

11.6.1 the Company shall notify the members of the purchasing group of the names and addresses of the Shareholders who are to sell Shares and the number to be bought by the members of the purchasing group;

11.6.2 the Company shall notify each selling Shareholder of the number of Shares they are to sell; and

11.6.3 the Company's notices shall state a place and time, between 7 and 14 days later, on which the sale and purchase of the relevant Shares is to be completed (including, without limitation, payment to the selling Shareholders of the consideration pursuant to Article 11.3).

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If a selling Shareholder does not transfer Shares in accordance with Article 11.6, the directors may authorise any director to transfer such Shares on the selling Shareholder's behalf to any member of the purchasing group against receipt by the Company of the relevant consideration. The Company shall hold the relevant consideration in trust for the selling Shareholder without any obligation to pay interest. The Company's receipt of the relevant consideration shall be a good discharge to the relevant member of the members of the purchasing group. The directors shall then authorise registration of the transfer once appropriate stamp duty has been paid. The defaulting selling Shareholder shall surrender his share certificate for the Shares to be sold (or a satisfactory indemnity in respect thereof) to the Company. On surrender, he shall be entitled to the relevant consideration for the relevant Shares.

11.7 Article 12 does not apply to transfers of shares made under this Article 11.

## 12. TAG-ALONG RIGHTS

12.1 Other than as expressly provided for in clauses 4.6 and 4.7 of the Subscription and Shareholders Agreement, Article 12 applies when a Founder or Key Manager (the "Offeree Shareholder") has received a bona fide offer from a member or members of the purchasing group to transfer 25% or more of the Ordinary Shares held by such Offeree Shareholder to such member(s) of the purchasing group.

12.2 No transfer to which Article 12 applies may be made or registered unless:

12.2.1 it is agreed to in writing by the holders of 90% or more of the total number of Ordinary Shares in issue; or

12.2.2 the proposed purchaser has made an offer to buy each Shareholder's Proportion of Ordinary Shares on the terms set out in Article 12.3 and the offer has closed and each accepted offer has been completed, unless failure to complete is the fault of the offeree.

In this Article 12:

"Participating Shareholder" means each Shareholder who has accepted the proposed purchaser's offer in accordance with Article 12.3, including the Offeree Shareholder; and

"Shareholder's Proportion of Ordinary Shares" means the number of Ordinary Shares which the Participating Shareholder is entitled to sell to a proposed purchaser and which is calculated as follows:

$A/B \times C$ ,

where:

"A" is the number of Ordinary Shares which the Participating Shareholder specifies as wishing to sell to the proposed purchaser pursuant to Article 12.3.1 (which, for the

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avoidance of doubt, is not limited to the number of Ordinary Shares in respect of which the Offeree Shareholder has received an offer pursuant to Article 12.1);

"B" is the total number of Ordinary Shares which all Participating Shareholders specify as wishing to sell to the proposed purchaser pursuant to Article 12.3.1; and

"C" is the number of Ordinary Shares in respect of which the Offeree Shareholder has received the offer under Article 12.1.

Notwithstanding the foregoing, if a Participating Shareholder is a holder of Ordinary Shares and Preference Shares, such Participating Shareholder shall require the proposed purchaser to purchase a proportion of such Participating Shareholder's Preference Shares (at a purchase price equal to the redemption money on the basis that the Redemption Date is the date of transfer of such Preference Shares) such proportion being the proportion that the Shareholder's Proportion of Ordinary Shares are to the relevant Participating Shareholder's total holding of Ordinary Shares together with its Shareholder's Proportion of Ordinary Shares.

12.3 The terms of the proposed purchaser's offer under Article 12.2.2 shall be as follows:

12.3.1 the offer shall request each Shareholder to specify the number of Ordinary Shares which each such Shareholder proposes to sell and shall be open for acceptance for 21 days or more or, if applicable, until the consideration for the Ordinary Shares has been determined under Article 12.5 (the latest of such dates being for the purposes of this Article 12 the "Closing Date"), and may be accepted by any Shareholder by written notice to the Company on or prior to the Closing Date;

12.3.2 the consideration for each Ordinary Share shall be the higher of:

- (a) the highest consideration offered for each Ordinary Share whose proposed transfer has led to the offer; and
- (b) the highest consideration paid by any member of the purchasing group for an Ordinary Share in the six months up to the offer; and

12.3.3 the proposed purchaser shall (where applicable) offer to buy each Preference Share for a cash consideration equal to the amount which would be payable to the holder if the Preference Share were redeemed on the date of its purchase, unless the Preference Share is to be redeemed in accordance with Article 5.5.

12.4 The proposed purchaser's offer may be conditional on the offer resulting in members of the purchasing group holding or increasing their shareholding to a specified proportion of the Ordinary Shares in issue; provided that no transfer by any Participating Shareholder proposing to sell Shares under this Article 12 shall be permitted if such condition is not satisfied.

12.5 Any dispute on the appropriate consideration for the Ordinary Shares shall be referred to an umpire chosen by the parties concerned or, if they cannot agree on an umpire,

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within 5 Business Days, nominated by the President of the Institute of Chartered Accountants in England and Wales from time to time on the application of the Offeree Shareholder or any person with whom it is in dispute. The umpire shall act as an expert and not as an arbitrator and his decision shall be final and binding (in the absence of manifest error or fraud). The Offeree Shareholder shall pay half the umpire's costs and the Participating Shareholders (other than the Offeree Shareholder) in dispute with the proposed purchaser shall pay (pro rata to their respective Shareholder's Proportions) the other half.

12.6 Within 7 days after the Closing Date, the Company shall notify the proposed transferee and the Shareholders who accepted the offer of the result of the offer and:

12.6.1 the Company shall notify the members of the purchasing group of the names and addresses of the Shareholders who are to sell Shares and the number to be bought by the members of the purchasing group;

12.6.2 the Company shall notify each selling Shareholder of the number of Shares they are to sell; and

12.6.3 the Company's notices shall state a place and time, between 7 and 14 days later, on which the sale and purchase of the relevant

Shares is to be completed (including, without limitation, payment to the selling Shareholders who are selling of the consideration pursuant to Article 12.3.2).

12.7 If a selling Shareholder does not transfer Shares in accordance with Article 12.6, the directors may authorise any director to transfer such Shares on the selling Shareholder's behalf to the proposed purchaser against receipt by the Company of the relevant consideration. The Company shall hold the relevant consideration in trust for the selling Shareholder without any obligation to pay interest. The Company's receipt of the relevant consideration shall be a good discharge to the proposed purchaser. The directors shall then authorise registration of the transfer once appropriate stamp duty has been paid. The defaulting selling Shareholder shall surrender his share certificate for the Shares to be sold (or a satisfactory indemnity in respect thereof) to the Company. On surrender, he shall be entitled to the relevant consideration for the relevant Shares.

12.8 If any difficulties shall arise in the apportionment of a Shareholder's Proportion of Ordinary Shares (including fractional Shares) such difficulties shall be determined by the Company (acting reasonably).

### 13. BRING-ALONG RIGHTS

13.1 Subject to Article 13.2, if transfers under Article 8.1, 10, 11 and/or 12 result in members of the purchasing group holding or increasing their shareholding to 40% or more of the Ordinary Shares then in issue, the members of the purchasing group may serve a "Compulsory Purchase Notice" on each other Shareholder ("Minority Shareholders") within 30 Business Days of the relevant consent having been given under Article 8.1 or the relevant notice or offer having been given under Articles 10,

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11 and/or 12 (as the case may be), requiring all the Minority Shareholders to sell all their Ordinary Shares to one or more persons identified by the members of the purchasing group at the consideration specified in Articles 11.3.2 or 12.3.2 (as appropriate). Where Minority Shareholders hold Preference Shares, any Compulsory Purchase Notice addressed to such Minority Shareholders shall also require the Minority Shareholders to sell all their Preference Shares to one or more persons identified by the members of the purchasing group at the consideration specified in Articles 11.3.3 or 12.3.3 (as appropriate), unless the Preference Shares are to be redeemed in accordance with Article 5.5.

13.2 If, after the redemption of all Preference Shares together with payment in respect of accrued dividends thereon has been made in accordance with Article 5.6, the consideration for each Ordinary Share specified in Article 11.3.2 or 12.3.2 (as appropriate) which is to be applied to any transfer under Article 13.1 is less than (pound)6.00 per Ordinary Share, then the members of the purchasing group must hold or increase their shareholding to 75% or more of the Ordinary Shares then in issue before the provisions of Article 13 become operative in respect of any transfer to which the provisions of Article 13.1 would otherwise apply.

13.3 The Shares subject to Compulsory Purchase Notices shall be sold and purchased in accordance with the provisions of Articles 9.10 to 9.12 mutatis mutandis:

13.3.1 the "completion date" being the date which is 10 Business Days after the service of the Compulsory Purchase Notice;

13.3.2 "Offered Shares" being the Minority Shareholders' Shares;

13.3.3 "Compulsory Seller" being the Minority Shareholders; and

13.3.4 "Offerees" being the persons identified as the purchasers in the Compulsory Purchase Notice.

13.4 Any dispute on the price payable for Ordinary Shares shall be determined in accordance with the provisions of Article 11.5 mutatis mutandis, "Transferor Shareholder" being any member of the purchasing group.

13.5 While this Article 13 applies to a Minority Shareholder's Shares, those Shares may not be transferred otherwise than under this Article 13.

Articles 10, 11 (with the exception of Article 11.5 for the purposes of Article 13.4) and 12 do not apply to transfers of shares made under this Article 13.

### 14. PRE-EMPTION RIGHTS ON ISSUANCE OF NON-EQUITY SECURITIES

14.1 Prior to the earlier of the Tranche 3 Subscription Date or the date of transfer of the Option Shares to the Company or the Existing Shareholders (as applicable) in accordance with the provisions of clause 5 of the Subscription and Shareholders Agreement (the "First Refusal Date"), the

Investor shall have the right to subscribe for all securities (other than equity securities (as defined in section 94 of the Act))

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("non-equity securities") issued by the Company; provided that, if the Investor has not elected to subscribe for such issue within 10 Business Days of receipt of written notice from the Company of its intention to issue such non-equity securities (such notice to contain the issue price and reasonable details of the proposed rights of such non-equity securities), the Company may allot such non-equity securities to any person at no less than the issue price notified to the Investor and with any other terms being no more favourable than those in such notice. For the avoidance of doubt, this Article 14.1 does not apply to the issue of Preference Shares to the Investor pursuant to terms of the Subscription and Shareholders Agreement.

- 14.2 Any non-equity securities which the Company proposes to allot at any time after the First Refusal Date shall first be offered for subscription to the holders of the Ordinary Shares in the proportion that the number of Ordinary Shares from time to time held by each such holder bears to the total number of Ordinary Shares in issue. Where any such offer is an offer to acquire different classes of equity securities (as defined in section 94 of the Act) or non-equity securities in the Company in a fixed ratio any pre-emptive offer made in accordance with this clause shall only be capable of acceptance by agreeing to take such equity securities as the shareholder becomes entitled to by virtue of accepting the offer of non-equity securities. If such an offer has been made by the Company and declined by a shareholder in the Company, the Company will have complied with its obligations under this Article 14.2.
- 14.3 Such offer shall be made by notice in writing specifying the number of non-equity securities to which the relevant holder is entitled and limiting a time (being not less than four weeks) within which the offer (if not accepted) will be deemed to have been declined. Holders who accept the offer shall be entitled to indicate that they would accept, on the same terms, non-equity securities (specifying a maximum number) which have not been accepted by other holders ("Excess Securities"). Any Excess Securities shall be allotted to holders who have indicated they would accept Excess Securities. Excess Securities shall be allotted pro-rata to the aggregate number of Ordinary Shares held by holders accepting Excess Securities (provided that no such holder shall be allotted more than the maximum number of Excess Securities such holder has indicated he is willing to accept).
- 14.4 After the expiration of the time limit specified in the notice pursuant to Article 14.2, or upon receipt by the Company of an acceptance or refusal of every offer so made, the Board shall be entitled to allot any non-equity securities so offered, and which are not required to be allotted in accordance with this Article 14, in such manner as the Board may think most beneficial to the Company. If any difficulties shall arise in the apportionment of any such new non-equity securities amongst the holders, such difficulties shall be determined by the Company (acting reasonably).

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## 15. GENERAL PROVISIONS

### 15.1 SHAREHOLDERS' MEETINGS AND RESOLUTIONS

- 15.1.1 Regulation 37 of Table A is modified by the deletion of the words "eight weeks" and the substitution for them of the words "28 days".
- 15.1.2 A corporation which is a member of the Company may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of members of the Company. The person so authorised is entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member.
- 15.1.3 A poll may be demanded by the chairman or by any member present in person or by proxy and entitled to vote and regulation 46 of Table A is modified accordingly.
- 15.1.4 Where an ordinary resolution of the Company is expressed to be required for any purpose, a special or extraordinary resolution is also effective for that purpose, and where an extraordinary resolution is expressed to be required for any purpose, a special resolution is also effective for that purpose.
- 15.1.5 Regulation 53 of Table A is modified by the addition at the end of the following sentence: "If a resolution in writing is described as

a special resolution or as an extraordinary resolution it shall have effect accordingly."

- 15.1.6 Regulation 57 of Table A is modified by the inclusion after the word "shall" of the phrase "unless the directors otherwise determine".
- 15.1.7 Regulation 59 of Table A is modified by the addition at the end of the following sentence: "Deposit of an instrument of proxy shall not preclude a member from attending and voting at the meeting or at any adjournment of it."
- 15.1.8 Regulation 62 of Table A is modified by the deletion in paragraph (a) of the words "deposited at" and by the substitution for them of the words "left at or sent by post or by facsimile transmission to", by the substitution in paragraph (a) of the words "one hour" in place of "48 hours" and by the substitution in paragraph (b) of the words "one hour" in place of "24 hours".

#### 15.2 NUMBER OF DIRECTORS

Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall be subject to a maximum of eight and the minimum number is one.

#### 15.3 ALTERNATE DIRECTORS

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- 15.3.1 An Investor Director is entitled to appoint any person willing to act, whether or not he is a director of the Company, to be an alternate director. That person need not be approved by resolution of the directors and regulation 65 of Table A is modified accordingly.
- 15.3.2 An alternate director who is absent from the United Kingdom is entitled to receive notice of all meetings of directors and meetings of committees of directors and regulation 66 of Table A is modified accordingly.
- 15.3.3 Regulation 68 of Table A is modified by the addition at the end of the following sentence: "Any such notice may be left at or sent by post or facsimile transmission to the office or such other place as may be designated for the purpose by the directors."

#### 15.4 APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS

- 15.4.1 The directors are not subject to retirement by rotation and any reference in any regulation of Table A to retirement by rotation is to be disregarded.
- 15.4.2 The Company may by resolution of its directors appoint a person who is willing to act to be a director either to fill a vacancy or as an additional director, other than a vacancy of an Investor Director, which vacancy shall be filled in accordance with the appointment provisions of Article 6.1.
- 15.4.3 A person appointed by the directors to fill a vacancy or as an additional director need not retire from office at the annual general meeting next following his appointment and the last two sentences of regulation 79 of Table A are deleted.

#### 15.5 DISQUALIFICATION AND REMOVAL OF DIRECTORS

- 15.5.1 The office of a director shall be vacated if:
- (i) he ceases to be a director by virtue of any provision of the Act or he becomes prohibited by law from being a director;
  - (ii) he becomes bankrupt or makes any arrangement or composition with his creditors generally;
  - (iii) he becomes, in the opinion of all his co-directors, incapable by reason of mental disorder of discharging his duties as director;
  - (iv) he resigns his office by notice in writing to the Company;
  - (v) he has for more than six consecutive months been absent without permission of the directors from meetings of directors held during that period and his alternate director (if any) has not during such period attended any such meetings instead of him, and the directors resolve that his office be vacated; or

- (vi) he is removed from office by notice addressed to him at his last-known address and signed by all his co-directors.

#### 15.6 PROCEEDINGS OF DIRECTORS

- 15.6.1 Regulation 88 of Table A is modified by the exclusion of the third sentence and the substitution for it of the following sentence:  
"Every director shall receive notice of a meeting, whether or not he is absent from the United Kingdom. A director may waive the requirement that notice be given to him of a board meeting, either prospectively or retrospectively."
- 15.6.2 A director or his alternate may validly participate in a meeting of the directors or a committee of directors through the medium of conference telephone or similar form of communication equipment if all persons participating in the meeting are able to hear and speak to each other throughout such meeting. A person participating in this way is deemed to be present in person at the meeting and is counted in a quorum and entitled to vote. Subject to the Act, all business transacted in this way by the directors or a committee of the directors is for the purposes of the Articles deemed to be validly and effectively transacted at a meeting of the directors or of a committee of the directors although fewer than two directors or alternate directors are physically present at the same place. The meeting is deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.
- 15.6.3 Meetings of the Board shall take place no less frequently than once per calendar month unless otherwise agreed by the Board and at least five working days' notice shall be given to each director. The quorum for a meeting of the board of directors shall be five directors at least four of whom must be the Investor Directors, Andrew Birchall and Anthony Kelly.
- 15.6.4 If and for so long as there is a sole director, he may exercise all the powers conferred on the directors by the Articles by resolution in writing signed by him, and regulations 88, 89, 91 and 93 of Table A and Article 18.6.2 shall not apply.
- 15.6.5 Without prejudice to the obligation of any director to disclose his interest in accordance with section 317 of the Act, a director may not vote at a meeting of directors or of a committee of directors on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty. The director shall be counted in the quorum present when any such resolution is under consideration.

#### 15.7 BORROWING POWERS OF DIRECTORS

The directors may exercise all the powers of the Company to borrow and raise money and to mortgage and charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the provisions of the Act, to issue debentures

and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

#### 15.8 DIVIDENDS

The directors may deduct from any dividend or other moneys payable to a person in respect of a share any amounts due from him to the Company on account of a call or otherwise in relation to a share.

#### 15.9 CAPITALISATION OF PROFITS

The directors may, with the authority of an ordinary resolution of the Company, resolve that any shares allotted under regulation 110 of Table A to any member in respect of a holding by him of any partly paid shares rank for dividends, so long as those shares remain partly paid, only to the extent that those partly paid shares rank for dividend and regulation 110 of Table A is modified accordingly.

#### 15.10 NOTICES

- 15.10.1 Regulation 112 of Table A is modified by the deletion of the last sentence and the substitution for it of the following: "A member whose registered address is not within the United Kingdom shall be entitled to have notices given to him at that address."

- 15.10.2 A notice sent by post to an address within the United Kingdom is deemed to be given 24 hours after posting, if pre-paid as first class, or 48 hours after posting, if pre-paid as second class. A notice sent by post to an address outside the United Kingdom is deemed to be given four days after posting, if pre-paid as airmail. Proof that an envelope containing the notice was properly addressed, pre-paid and posted is conclusive evidence that the notice was given. A notice not sent by post but left at a member's registered address is deemed to have been given on the day it was left.
- 15.10.3 Regulation 116 of Table A is modified by the deletion of the words "within the United Kingdom".
- 15.10.4 Where the Articles require notice to be given by the holders of a stated percentage of shares, notice may consist of several documents in similar form each signed by or on behalf of one or more shareholders.

#### 15.11 INDEMNITY

- 15.11.1 Subject to the provisions of the Act, but without prejudice to an indemnity to which he may otherwise be entitled, every director, alternate director or secretary of the Company shall be and be kept indemnified out of the assets of the Company against all costs, charges, losses and liabilities incurred by him in the proper execution of his duties or the proper exercise of his powers, authorities and discretions including, without limitation, a liability incurred defending proceedings (whether civil or criminal) in which judgment is given

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in his favour or in which he is acquitted or which are otherwise disposed of without a finding or admission of material breach of duty on his part, or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

- 15.11.2 The directors may exercise all the powers of the Company to purchase and maintain insurance for the benefit of a person who is a director, alternate director, secretary or auditor, or former director, alternate director, secretary or auditor, of the Company or of a company which is a subsidiary of the Company or in which the Company has an interest (whether director or indirect), or who is or was trustee of a retirements benefit scheme or another trust in which a director, alternate director or secretary or former director, alternate director or secretary is or has been interested, indemnifying him and keeping him indemnified against liability for negligence, default, breach of duty or breach of trust or any other liability which may lawfully be insured against by the Company.

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NEWS

[LOGO OF ON DEMAND GROUP]

SeaChange and The On Demand Group Form Partnership To Bring VOD To Europe U.S.

VOD Leader Invests in Europe's Top Transactional Television Service Provider

MAYNARD, Mass. and London (Nov. 4, 2002) - SeaChange International (Nasdaq:SEAC), a leading provider of digital video servers to the television industry, and The ON Demand Group today announced their strategic partnership to further the development of video-on-demand (VOD) services in Europe. The two companies have signed a business development agreement whereby ON Demand, Europe's successful transactional television management company, will exclusively promote and use SeaChange's industry-leading VOD systems and software.

As part of their agreement, SeaChange has invested (pound)1.5 million (U.K. Sterling) in The ON Demand Group and has agreed to further investments of up to (pound)8.5 million if required. The SeaChange investment will allow ON Demand to develop its existing business areas while realizing the longer-term ambition of becoming Europe's premier creator and turn-key supplier of VOD services for cable operators throughout Europe.

Andy Birchall, Chairman of The ON Demand Group comments, "We looked carefully at all the major VOD server systems companies and SeaChange came out on top in terms of functionality, support, performance and customer satisfaction. We are therefore especially pleased that SeaChange is joining us as a strategic investor in our plans to aggressively develop video on demand throughout Europe."

ON Demand has an impressive list of clients and is responsible for the launch and ongoing management of one of the most successful cable near video-on-demand (NVOD) services in the world, Front Row Television. Front Row's customer base has increased dramatically since its launch four years ago, from zero to more than 2,000,000 digital customers, and it is now the only UK NVOD operator with movies from every major Hollywood studio. In addition to its management of the Front Row service in the UK, The ON Demand Group successfully launched Mirador, the Spanish pay-per-view service, into 11 Spanish cable companies.

"Our partnership with The ON Demand Group brings together their proven success in the European television market with the quality of SeaChange's VOD services and software to address a significant opportunity -- VOD in Europe," said Bill Styslinger, president and CEO, SeaChange International. "We are very confident in our partnership and our ability to bring compelling new VOD applications to Europe's cable operators."

Tony Kelly, CEO of The ON Demand Group further comments, "We believe the proven, market leading technology of SeaChange International and our hands-on experience gained from operating Europe's most successful NVOD business will deliver VOD services that are attractive to consumers and, ultimately, are highly profitable."

SeaChange is a leader in the market for VOD systems with over 300,000 VOD streams deployed for North America's largest cable operators including, AT&T Broadband, Adelphia, Cablevision, Comcast, Insight Communications, Mediacom, Time Warner Cable and Rogers, for a population of more than 14 million basic cable subscribers.

About the ON Demand Group  
([www.ondemand.co.uk](http://www.ondemand.co.uk))

The Group launched and continues to manage Front Row Television, one of the most successful near video-on-demand services in the world, and is also a consultant to Front Row's joint venture partners, ntl and Telewest. The Group managed the launch of Mirador, the Spanish cable industry's pay-per-view and NVOD service and supports Mirador's ongoing operation. ON Demand has operated in more than 20 different countries developing pay TV, pay per view and video on demand businesses. Transactional television industry experts Andy Birchall and Tony Kelly formed the ON Demand Group in 1996.

About SeaChange

([www.seachangeinternational.com](http://www.seachangeinternational.com))

SeaChange International, Inc. provides digital video systems that are changing television. Its powerful server and software systems enable television operators to provide new on-demand services and to gain greater efficiencies in advertising and content delivery. With its Emmy-winning MediaCluster technology, thousands of SeaChange systems are helping broadband, broadcast and satellite television companies to streamline operations, expand services and increase revenues. SeaChange is headquartered in Maynard, Massachusetts and has product development, support and sales offices throughout the world.

Safe Harbor Provision

Any statements contained in this press release that do not describe historical

facts, including without limitation statements concerning expected investments and product introductions, may constitute forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any such forward-looking statements contained herein are based on current expectations, but are subject to a number of risks and uncertainties that may cause actual results to differ materially from expectations. The factors that could cause actual future results to differ materially from current expectations include the following: the success of The On Demand Group in promoting the products of SeaChange and establishing VOD throughout Europe; the emergence and acceptance of the video-on-demand market; the loss of one of SeaChange's large customers; the cancellation or deferral of purchases of SeaChange's products; a decline in demand or average selling price for SeaChange's broadband products; SeaChange's ability to manage its growth; content providers limiting the scope of content licensed for use in the video-on-demand market; SeaChange's ability to introduce new products or enhancements to existing products; SeaChange's dependence on certain sole source suppliers and third-party manufacturers; SeaChange's ability to compete in its marketplace; SeaChange's ability to respond to changing technologies; SeaChange's ability to protect its intellectual property rights and the expenses that may be incurred by SeaChange to protect its intellectual property rights; an unfavorable result of current or future litigation, including our current patent litigation with nCube Corp.; the risks associated with international sales; SeaChange's ability to integrate the operations of acquired subsidiaries; changes in the regulatory environment; SeaChange's ability to hire and retain highly skilled employees; and increasing social and political turmoil.

Further information on factors that could cause actual results to differ from those anticipated is detailed in various publicly available documents made by SeaChange from time to time with the Securities and Exchange Commission, including but not limited to, those appearing under the caption "Certain Risk Factors" in SeaChange's Annual Report on Form 10-K filed with the Commission on April 30, 2002. Any forward-looking statements should be considered in light of those factors. SeaChange cautions readers not to place undue reliance on any such forward-looking statements, which speak as of the date they are made. SeaChange disclaims any obligation to publicly update or revise any such statements to reflect any change in SeaChange's expectations or events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results may differ from those set forth in the forward-looking statements.

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