

MATERIAL CHANGE REPORT

Pursuant to

Section 85(1) of the *Securities Act* (British Columbia)
Section 146(1) of the *Securities Act* (Alberta)
Section 84(1) of *The Securities Act* (Saskatchewan)
Section 75(2) of the *Securities Act* (Ontario)
Section 73 of the *Securities Act* (Quebec)
Section 81(2) of the *Securities Act* (Nova Scotia)
Section 76(2) of the *Securities Act* (Newfoundland and Labrador)

1. Reporting Issuer

ImagicTV Inc. (“ImagicTV” or the “Company”)
One Brunswick Square
14th Floor
Saint John, New Brunswick
E2L 3Y2

2. Date of Material Change

February 7, 2003

3. Press Release

The press release reporting the material change was issued by ImagicTV on February 7, 2003 in Canada through the Canadian Timely Disclosure Network of Canada NewsWire (the “Press Release”).

4. Summary of Material Change

ImagicTV and Alcatel have entered into an arrangement agreement made as of February 6, 2003 (the “Arrangement Agreement”) pursuant to which Alcatel has agreed to acquire all of the issued and outstanding common shares in the capital of ImagicTV (the “ImagicTV Shares”) pursuant to a plan of arrangement (the “Arrangement”) under section 192 of the *Canada Business Corporations Act* (the “CBCA”). In separate agreements, holders of an aggregate of approximately 50% of the outstanding ImagicTV Shares have agreed to support the transaction.

5. Full Description of Material Change

The Arrangement Agreement

ImagicTV and Alcatel have entered into the Arrangement Agreement pursuant to which Alcatel has agreed to acquire all of the ImagicTV Shares pursuant to the Arrangement.

Pursuant to the Arrangement, each ImagicTV Share will be exchanged for Alcatel Class A American Depositary Shares (the “Alcatel ADSs”) on the basis of 0.1733 ADSs per ImagicTV Share (the “Exchange Ratio”), provided that: (a) except where clause (b) below applies, if 0.1733, when multiplied by the simple average of the reported closing prices of the Alcatel ADSs on the New York Stock Exchange (“NYSE”) during the ten consecutive NYSE trading days ending on the third day prior to the effective date (the “Effective Date”) of the Arrangement (the “Effective Date Average ADS Price”), is less than U.S. \$1.00, then the Exchange Ratio will be U.S. \$1.00 divided by the Effective Date Average ADS Price; (b) if the quotient of U.S. \$1.00 divided by the Effective Date Average ADS Price is greater than 0.2022, then the Exchange Ratio will be 0.2022; and (c) if 0.1733, when multiplied by the Effective Date Average ADS Price, is greater than U.S. \$1.30, then the Exchange Ratio will be U.S. \$1.30 divided by the Effective Date Average ADS Price.

Each Company option granted under either of the ImagicTV share option plans that has not been duly exercised prior to the effective time of the Arrangement (the “Effective Time”) will by virtue of the Arrangement become an option (the “Revised Option”) to acquire that number of Alcatel class A shares (the “Alcatel Shares”) equal to the product of the Exchange Ratio multiplied by the number of ImagicTV Shares subject to the Company option. The Revised Option shall provide for an exercise price per Alcatel Share in Euros equal to the product of (i) the quotient of (y) the exercise price per ImagicTV Share of such Company option immediately prior to the Effective Time divided by (z) the Exchange Ratio, and (ii) the Euro exchange rate, which will be the simple average of the Bank of Canada noon exchange rate for Euros for each of the ten consecutive Toronto Stock Exchange trading days ending three days prior to the Effective Date.

The Arrangement must be approved by at least two-thirds of the votes cast at a special meeting of ImagicTV’s shareholders (at which holders of ImagicTV options will also be permitted to vote). The completion of the Arrangement is also conditional upon, among other things, obtaining court approval, certain regulatory approvals and listing approval of the NYSE for the Alcatel ADSs to be issued on the Effective Date. In addition, Alcatel is not obligated to complete the Arrangement if, among other things, holders of more than 5% of the ImagicTV Shares have exercised their dissent rights in connection with the

Arrangement. Also, unless otherwise agreed by the parties, the Arrangement Agreement will terminate if the Effective Date of the Arrangement does not occur on or prior to May 30, 2003.

The Arrangement will become effective, subject to satisfaction of the conditions set out in the Arrangement Agreement, upon filing of articles of arrangement with the Director under the CBCA.

Non-Solicitation

ImagicTV has agreed, except as otherwise provided for in the Arrangement Agreement, that it will not, directly or indirectly, through any officer, directors, employee, shareholder, representative or agent of ImagicTV or any of its subsidiaries, (i) solicit, initiate, knowingly encourage or otherwise facilitate (including by way of furnishing information or entering into of any form of agreement, arrangement or understanding) the initiation of any inquiries or proposals regarding an Acquisition Proposal, (ii) participate in any discussions or negotiations regarding any Acquisition Proposal, (iii) approve or recommend any Acquisition Proposal, or (iv) accept or enter into any agreement, letter of intent, arrangement or understanding related to any Acquisition Proposal. An "Acquisition Proposal" means any written or publicly announced proposal or offer made by any person other than Alcatel (or any affiliate of Alcatel, or any person acting in concert with Alcatel or any affiliate of Alcatel) with respect to any merger, amalgamation, arrangement, business combination, liquidation, dissolution, recapitalization, take-over bid, purchase of all or any material assets of, or any purchase of more than 5% of the equity (or rights thereto) of, or similar transaction involving ImagicTV or any of its subsidiaries, excluding the Arrangement.

Notwithstanding the foregoing, nothing shall prevent the board of directors of ImagicTV (the "Board of Directors") from complying with ImagicTV's disclosure obligations under applicable laws with regard to an Acquisition Proposal or from considering, participating in any discussions or negotiations, or entering into a confidentiality agreement and providing information in relation to an unsolicited *bona fide* written Acquisition Proposal that did not otherwise result from a breach of the covenants regarding non-solicitation set out in the Arrangement Agreement and which the Board of Directors has determined in good faith, after consultation with financial advisors and outside counsel, is a Superior Proposal. ImagicTV has agreed to notify Alcatel, no later than the next day, of, among other things, any Acquisition Proposal and any inquiry that could reasonable be expected to lead to an Acquisition Proposal and to include in such notice the material terms and conditions of any proposal and the identity of the person making the proposal as well as such other details of the proposal as Alcatel may reasonably request, as well as a copy of the proposal. A "Superior Proposal" means any *bona fide* written Acquisition Proposal that in the good faith determination of

the Board of Directors, after consultation with its financial advisors and with outside counsel (a) is reasonably capable of being completed, (b) would if completed result in the acquisition of all or substantially all of the assets of the Company and its subsidiaries taken as a whole or of more than 50% of the outstanding ImagicTV Shares, and (c) would, if consummated in accordance with its terms, result in a transaction more favourable to holders of ImagicTV Shares from a financial point of view than the transaction contemplated by the Arrangement Agreement (bearing in mind the fluctuations arising from the definition of the term Exchange Ratio).

ImagicTV is entitled, subject to Alcatel's rights in relation to termination of the Arrangement Agreement and the payment of a break fee (as described below), to accept, approve or recommend or enter into any agreement, understanding or arrangement with respect to an unsolicited Superior Proposal if, and only if: (i) it has provided Alcatel with a copy of the Superior Proposal document, (ii) ImagicTV and the Superior Proposal comply with the terms of the Arrangement Agreement, and (iii) five business days shall have elapsed from the later of the date Alcatel received written notice advising Alcatel that the Board of Directors has resolved to accept, approve, recommend or enter into an agreement, understanding or arrangement in respect of such Superior Proposal and the date Alcatel received a copy of such Superior Proposal. During such five business day period, ImagicTV agrees that Alcatel shall have the right, but not obligation, to offer to amend the terms of the Arrangement Agreement. The Board of Directors will review any offer by Alcatel to amend the terms of the Arrangement Agreement in good faith in order to determine, in its discretion in the exercise of its fiduciary duties, whether Alcatel's offer (having regard to such offer's value at that time) upon acceptance by ImagicTV would, if consummated in accordance with its terms, result in a transaction equally or more favourable to ImagicTV shareholders from a financial point than the transaction contemplated by such previously disclosed Superior Proposal. If the Board of Directors so determines, it will enter into an amended agreement with Alcatel reflecting Alcatel's amended offer. If the Board of Directors continues to believe, in good faith, after consultation with its financial advisors and outside counsel, that such Superior Proposal remains a Superior Proposal and therefore rejects Alcatel's amended offer, ImagicTV and its Board of Directors may approve, recommend, accept or enter into an agreement, understanding or arrangement with respect to the Superior Proposal provided that ImagicTV will continue to fulfill its obligations pursuant to the Arrangement Agreement and provided further that the Superior Proposal does not impose any "break-up", "hello" or other fees or options or rights to acquire assets or securities, or any other obligations that could survive the Effective Date, on ImagicTV or any subsidiary unless and until the Arrangement Agreement is terminated in accordance with its terms.

Termination and Break Fees

The termination and break fee events and payments, as the case may be, under the Arrangement Agreement include the following:

- (i) the Arrangement Agreement may be terminated by ImagicTV or Alcatel, as the case may be, if certain conditions set out in the Arrangement Agreement are not satisfied on or before the Effective Date;
- (ii) the Arrangement Agreement may be terminated by mutual agreement of ImagicTV and Alcatel;
- (iii) the Arrangement Agreement may be terminated by ImagicTV or Alcatel, as the case may be, if any law is passed that makes consummation of the transactions contemplated by the Arrangement Agreement illegal or otherwise prohibited or if any final and non-appealable judgement or decision of a governmental entity prevents completion of the transactions contemplated by the Arrangement Agreement;
- (iv) the Arrangement Agreement may be terminated by Alcatel if (A) the Board of Directors has failed to recommend or has withdrawn, modified or changed in a manner adverse to Alcatel its approval or recommendation of the Arrangement Agreement or the Arrangement (unless such failure to approve or recommend the Arrangement Agreement or the Arrangement is due to Alcatel having made a material misrepresentation or materially breached a covenant in the Arrangement Agreement, (B) the Board of Directors shall have approved or recommended any Acquisition Proposal, or (C) ImagicTV has entered into an agreement, understanding or arrangement with respect to a Superior Proposal;
- (v) if the Arrangement Agreement is terminated by Alcatel, ImagicTV or automatically as a result of the requisite approval by ImagicTV shareholders and optionholders not being obtained at the ImagicTV shareholders meeting or the Effective Date not occurring on or prior to May 30, 2003 and in either case an Acquisition Proposal has been made by a person prior to holding the ImagicTV shareholders meeting, then ImagicTV will pay Alcatel a “break fee” of U.S. \$625,000, together with reimbursement of Alcatel’s out-of-pocket costs and expenses up to an aggregate cap of U.S. \$1.25 million;
- (vi) if ImagicTV or Alcatel terminate the Arrangement Agreement pursuant to certain conditions set out in the Arrangement Agreement not being satisfied or the Arrangement Agreement terminates automatically on May 30, 2003, in each case as a result of not having

obtained the requisite approval by ImagicTV shareholders and optionholders at the ImagicTV meeting, then except in circumstances where the break fee is payable, ImagicTV will reimburse Alcatel's out-of-pocket costs and expenses in connection with the transaction contemplated by the Arrangement Agreement, to a maximum of U.S. \$1,000,000;

- (vii) the Arrangement Agreement may be terminated by ImagicTV at any time prior to the Effective Date if, on the third day prior to the Effective Date, the product of the Exchange Ratio by the Effective Date Average ADS Price is less than U.S. \$1.00; and
- (viii) the Arrangement Agreement will automatically terminate if the Effective Date does not occur by May 30, 2003.

Certain exclusions from the obligation to pay the break fee are also set out in the Arrangement Agreement relating to a material breach of covenants or material misrepresentation by Alcatel under the Arrangement Agreement.

Shareholder Lock-up Agreements

Each of Aliant Inc., Whitecastle Investments Limited, 3841553 Canada Inc., Gerald L. Pond, Marcel LeBrun, Jeffrey P. White, G. Reid Parker and Peter G. Jollymore, representing, in the aggregate, approximately 50% of the outstanding ImagicTV Shares, have entered into agreements with Alcatel to support the transaction.

Financial Advisor

Reference is made to the Press Release with regards to the role of CIBC World Markets Inc. as financial advisor to the Board of Directors.

6. Reliance on Section 75(3) of the Act

Not applicable.

7. Omitted Information

Not applicable.

8. Senior Officers

The senior office of ImagicTV who is knowledgeable about this material change is: Jeffrey P. White, Chief Financial Officer, (506) 631-3000.

9. Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

SIGNED this 17th day of February, 2003 at Saint John, New Brunswick.

IMAGICTV INC.

Per: "Jeffrey P. White"
Jeffrey P. White
Chief Financial Officer