

# **Microforum Inc.**

Interim Consolidated Financial Statements  
**August 31, 1999 and 1998**

# Microforum Inc.

## Interim Consolidated Balance Sheets As at August 31, 1999 and 1998

	1999 \$	1998 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	430,558	–
Marketable Securities	17,596,931	–
Accounts receivable	8,962,054	5,047,416
Work-in-progress	3,118,695	1,398,979
Loans to officers of the Company for share purchases (note 4)	–	1,580,668
Current portion of note receivable on sale of Microforum Italia s.r.l. (note 3(b))	100,000	100,000
Prepaid expenses and other assets	502,655	368,619
	<hr/>	<hr/>
	30,710,893	8,495,682
<b>Capital assets</b> (note 5)	3,465,355	3,596,058
<b>Investment in Quartet Service Corporation</b>	300,000	–
<b>Goodwill</b> (note 2)	9,410,689	6,427,530
<b>Due from related parties</b> (note 13)	519,124	519,124
<b>Note receivable on sale of Microforum Italia s.r.l.</b> (note 3)	–	100,000
	<hr/>	<hr/>
	44,406,061	19,138,394
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 6)	–	624,597
Accounts payable and accrued liabilities	5,833,592	4,269,641
Deferred revenue	371,026	1,163,614
Liabilities of discontinued software and hardware operations (note 3)	31,714	588,285
Note payable (note 2)	–	502,500
Due to shareholder (note 13)	252,500	–
Due to officer	–	110,951
Current portion of long-term debt (note 7)	694,655	641,213
	<hr/>	<hr/>
	7,183,487	7,900,801
<b>Long-term debt</b> (note 7)	138,083	859,919
<b>Due to shareholder</b> (note 13)	519,124	519,124
	<hr/>	<hr/>
	7,840,694	9,279,844
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (note 8)	56,785,594	27,301,737
<b>Contributed Surplus</b>	113,900	–
<b>Deficit</b>	<hr/>	<hr/>
	(20,334,127)	(17,443,187)
	<hr/>	<hr/>
	36,565,367	9,858,550
	<hr/>	<hr/>
	44,406,061	19,138,394

# Microforum Inc.

## Interim Consolidated Statements of Operations and Deficit For the six months ended August 31, 1999 and 1998

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	<b>1999</b>	<b>1998</b>
	\$	\$
<b>Sales</b> (note 11)	20,598,443	13,315,237
<b>Cost of sales</b>	<u>13,063,704</u>	<u>8,510,208</u>
<b>Gross profit</b>	<u>7,534,739</u>	<u>4,805,029</u>
<b>Operating expenses</b>		
General and administration	5,503,406	2,825,412
Sales and marketing	1,630,600	1,959,059
Interest on long-term debt	<u>47,243</u>	<u>158,488</u>
	<u>7,181,249</u>	<u>4,942,959</u>
<b>Income (loss) from continuing operations, before undernoted items</b>	353,490	(137,930)
<b>Amortization</b>	<u>(781,651)</u>	<u>(687,759)</u>
<b>Loss from continuing operations</b>	(428,161)	(825,689)
<b>Recovery from discontinued software and hardware operations</b> (note 3(a))	<u>80,000</u>	<u>518,000</u>
<b>Net Loss for the period</b>	(348,161)	(307,689)
<b>Deficit – Beginning of period</b>	<u>(19,985,966)</u>	<u>(17,135,498)</u>
<b>Deficit – End of period</b>	<u>(20,334,127)</u>	<u>(17,443,187)</u>
<b>Basic earnings (loss) per share</b> (note 8(c))		
From continuing operations	(0.02)	(0.05)
From discontinued operations and discontinued subsidiary	<u>-</u>	<u>0.03</u>
	<u>(0.02)</u>	<u>(0.02)</u>

# Microforum Inc.

## Interim Consolidated Statements of Cash Flows For the six months ended August 31, 1999 and 1998

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	1999 \$	1998 \$
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Loss from continuing operations	(428,161)	(825,689)
Items not affecting cash		
Amortization of capital assets	532,786	551,994
Amortization of goodwill	248,865	135,765
Changes in non-cash working capital items	(2,642,947)	670,774
	<hr/>	<hr/>
	(2,289,457)	532,844
<b>Financing activities</b>		
Proceeds on issue of common shares – net	1,251,746	1,060,924
Proceeds on sale of treasury stock	213,900	–
Proceeds on issue of Special Warrants	23,606,996	–
Long-term debt – net of repayments	(336,247)	(297,604)
Due to related parties	–	(1,366,147)
Proceeds from officer loan repayment	512,167	–
	<hr/>	<hr/>
	25,248,562	(602,827)
<b>Investing activities</b>		
Purchase of marketable securities	(17,596,931)	–
Acquisition of capital assets – net	(306,328)	(17,924)
Acquisition of subsidiaries	(2,932,588)	(2,781,361)
Acquisition of interest in Quartet Service Corporation	(300,000)	–
	<hr/>	<hr/>
	(21,135,847)	(2,799,285)
<b>Increase (decrease) in cash attributable to continuing operations</b>	1,823,258	(2,869,268)
<b>Increase (decrease) in cash attributable to discontinued software and hardware operations</b>	(38,146)	22,285
	<hr/>	<hr/>
	1,785,112	(2,846,983)
<b>Cash (bank indebtedness) from continuing operations – beginning of year</b>	(1,354,554)	2,222,386
	<hr/>	<hr/>
<b>Cash (bank indebtedness) from continuing operations – End of period</b>	430,558	(624,597)

## **1 Summary of significant accounting policies**

### **Consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries, Internet Frontier Inc., a wholly owned subsidiary of the Company which was incorporated and started business on June 6, 1996, the PPL Group of Companies (the PPL Group) (note 2(a)), Software Guaranty Inc. (note 2(b)) and Q-Inter Applications Inc (note 2(c)).

### **Inventories/work-in-progress**

Inventories are valued at the lower of cost and net realizable value. Cost is determined generally on a first-in, first-out basis.

Work-in-progress inventory is recorded at cost, which comprises billable labour production and creative material costs for ongoing projects.

### **Capital assets**

Capital assets are recorded at cost. Amortization is provided on computer equipment and software, duplication and packaging equipment, furniture, automotive and office equipment using the diminishing balance basis at rates of 20% – 30% per annum. Leasehold improvements are amortized using the straight-line basis over the terms of the respective leases.

### **Revenue recognition**

Revenue from sale of multimedia services, Internet content and Internet services is recognized as the services are performed under the terms of the contract.

Marketing programs, distribution, advertising and public relations revenues are recognized on a completed contract basis.

### **Use of estimates**

Financial statements prepared in conformity with generally accepted accounting principles require management to make estimates and assumptions about reported assets and liabilities, disclosure of contingent assets and liabilities and reported amounts of revenues and expenses. Management also makes estimates and judgements about future results of operations related to specific elements of the business and operating units in assessing recoverability of assets and recorded values of liabilities. Actual results could differ from those estimates.

### **Foreign currency translation**

Monetary assets and liabilities are translated at period-end exchange rates. Revenues and expenses are translated at average rates of exchange during the period. Gains and losses on translation are included in the consolidated statements of operations.

## Goodwill

The excess of the purchase price over the fair value of net assets acquired is recorded as goodwill and is amortized on a straight-line basis over twenty years. The Company evaluates the carrying value of goodwill for potential permanent impairment on an ongoing basis. In order to determine if such permanent impairment exists, the Company's management considers each subsidiary's financial condition and estimated fair value. A permanent impairment in value of goodwill is written off against earnings in the year such impairment is recognized.

## Income taxes

The Company follows the deferral method of accounting for income taxes.

## Financial instruments

The carrying amounts reported in the balance sheets for accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short-term maturity of those instruments. The carrying value for capital leases and term loans approximate fair value because the rates available for similar types of borrowing arrangements have not changed significantly since the Company executed those financing agreements. The carrying amounts for bank loans approximate fair value because they bear interest at variable rates.

## 2 Acquisitions

	a) PPL Group	Software b) Guaranty	Q-Inter c) Applications	Total
Value of shares issued	5,695,000	876,000	560,000	7,131,000
Cash paid on closing	502,500	2,250,000	750,000	3,502,500
Promissory note	502,500	-	-	502,500
	<hr/>	<hr/>	<hr/>	<hr/>
Purchase price	6,700,000	3,126,000	1,310,000	11,136,000
Expenses attributable to acquisition	354,683	62,629	105,000	522,312
	<hr/>	<hr/>	<hr/>	<hr/>
Total costs of acquisition	7,054,683	3,188,629	1,415,000	11,658,312
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets acquired				
Cash and equivalents	-	14,068	-	14,068
Current assets	5,345,974	1,634,932	437,270	7,418,176
Capital and other assets	1,456,690	297,000	274,360	2,028,050
Goodwill	6,602,979	2,225,536	1,161,188	9,989,703
	<hr/>	<hr/>	<hr/>	<hr/>
	13,405,643	4,171,536	1,872,818	19,449,997
	<hr/>	<hr/>	<hr/>	<hr/>
Bank indebtedness	(2,781,361)	(135,518)	-	(2,916,879)
Liabilities assumed	(3,609,282)	(847,389)	(457,818)	(4,914,489)
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets	7,015,000	3,188,629	1,415,000	11,618,629
	<hr/>	<hr/>	<hr/>	<hr/>

	a) PPL Group	Software b) Guaranty	Q-Inter c) Applications	Total
Goodwill arising on acquisition	6,602,979	2,225,536	1,161,188	9,989,703
Amortization	(493,067)	(72,558)	(13,389)	(579,014)
	<hr/>	<hr/>	<hr/>	<hr/>
Goodwill at August 31, 1999	6,109,912	2,152,978	1,147,799	9,410,689
	<hr/>	<hr/>	<hr/>	<hr/>
Goodwill at August 31, 1998	6,427,530	-	-	6,427,530
	<hr/>	<hr/>	<hr/>	<hr/>

**a) Acquisition of PPL Group**

Effective March 1, 1998, the Company acquired directly and indirectly all the issued and outstanding common shares of PPL Marketing Services Inc., Marshall Fenn Communications Inc. and Poste Haste Systems Inc., collectively, the PPL Group. The purchase price for the transaction was \$6,700,000, of which \$5,695,000 was paid by way of issue of 1,627,143 common shares of the Company, \$502,500 was paid by way of cash, and \$502,500 was paid by way of a non-interest bearing promissory note maturing six months after the closing of the transaction secured by a pledge of shares of PPL Marketing Services Inc. On January 20, 1999, the Company's shareholders approved arrangements under which \$250,000 of this short-term liability was converted into common shares at a conversion price of \$0.74 per share and the maturity date with respect to a further \$252,500 of this short-term liability was extended to March 31, 2000.

**b) Acquisition of Software Guaranty Inc.**

On March 9, 1999, the Company acquired all the issued and outstanding common shares of Software Guaranty Inc. The purchase price for the transaction, which was determined with reference to the balance sheet at November 30, 1998, was \$3,126,000, of which \$2,250,000 was paid by way of cash and \$876,000 was paid by way of issue of 674,207 common shares of the Company.

**c) Acquisition of Q-Inter Applications Inc.**

Effective June 1, 1999, the Company acquired all the issued and outstanding common shares of Q-Inter Applications Inc. The purchase price for the transaction, was \$1,315,000, of which \$750,000 was paid by way of cash and \$560,000 was paid by way of issue of 86,153 common shares of the Company.

### 3 Discontinued operations and disposals

#### a) Discontinued software development/publishing and hardware distribution operations

In accordance with its restructuring strategy, the Company discontinued wholesale distribution of hardware equipment during fiscal 1998. The Company ceased its internal development of software products June 30, 1997 and announced May 14, 1998 (the measurement date) that it would discontinue all software publishing activities.

Selected financial information:

	<b>1999</b>	<b>1998</b>
	\$	\$
Software revenue	–	833,968
Cost of sales and operating expenses	(54,237)	499,450
Recovery before other item	54,237	334,518
Royalty income	25,763	183,482
Recovery from discontinued software development/ publishing and hardware distribution operations	80,000	518,000

Summary of liabilities:

	<b>1999</b>	<b>1998</b>
	\$	\$
Liabilities		
Accounts payable – trade	–	113,285
Accrued liabilities	31,714	475,000
Total liabilities attributed to discontinued operations	31,714	588,285

**b) Sale of Microforum Italia s.r.l.**

On August 18, 1997, the Company concluded an agreement to sell its interest in its subsidiary, Microforum Italia s.r.l. to the Company's founding shareholders for \$200,000. Under the terms of the agreement, the purchasers shall tender to the Company 200,000 common shares presently held in Microforum Inc. over a two-year period expiring in September 1999. Price adjustment provisions apply in the event the purchasers elect to substitute cash in lieu of common shares otherwise due to be tendered. The purchasers were also obliged to arrange for adequate refinancing such that a \$200,000 letter of credit issued by the Company in support of indebtedness incurred by Microforum Italia s.r.l. was released in full in June 1998. The purchasers acquired effective control of Microforum Italia s.r.l. and its subsidiary, Dreamware s.r.l., on July 1, 1997. During November 1998, the Company received 100,000 common shares of Microforum Inc. from the purchasers. In April 1999, the Company sold these shares for proceeds of approximately \$214,000 (note 8(a)).

**4 Loans to officers**

	<b>1999</b>	<b>1998</b>
	\$	\$
Non-interest bearing loans	Nil	1,580,668
	Nil	1,580,668

In accordance with the terms of arrangements approved by the Company's shareholders at March 24, 1998, the Company may provide financial assistance to allow certain senior officers to exercise options and acquire common shares of the Company up to an aggregate limit of \$2,000,000. Such loans totalled \$nil at May 31, 1999 (1998 – \$1,580,668) and were secured by nil common shares (1998 – 986,667) acquired or issued upon exercise of the granted options and, prior to amendment of the terms of such loans, were repayable on the earlier of such date that the officer disposed of his shareholdings or ceased to act as an officer of the Company.

The terms of the loans were amended on November 6, 1998 (the valuation date) to be on a non-recourse basis and to extend the period of repayment to November 30, 2000. In fiscal 1999, the loans to officers were written down to fair value resulting in a charge to income of \$366,667, and the balance of \$1,501,502 was reclassified as a reduction in shareholders' equity. Subsequent loan repayments have resulted in a corresponding increase in share capital.

## 5 Capital assets

	1999 \$	1998 \$
Cost		
Computer equipment and software	6,872,592	5,681,138
Duplication and packaging equipment	1,097,320	1,203,100
Furniture, automotive and office equipment	1,424,156	1,240,262
Leasehold improvements	1,174,615	1,080,052
	<hr/> 10,568,683	<hr/> 9,204,552
Less: Accumulated amortization		
Computer equipment and software	4,364,490	3,287,928
Duplication and packaging equipment	833,428	867,209
Furniture, automotive and office equipment	878,465	697,947
Leasehold improvements	1,026,945	755,410
	<hr/> 7,103,328	<hr/> 5,608,494
	<hr/> <hr/> 3,465,355	<hr/> <hr/> 3,596,058

Included in the above capital assets are assets under capital lease with a cost of \$3,477,010 (1998 – \$3,477,010) and accumulated amortization of \$2,455,754 (1998 – \$2,163,608).

## 6 Bank line of credit

The Company has a revolving line of credit for borrowings up to \$3,000,000 and aggregate non-revolving loan facilities of \$151,250 at August 31, 1999 (1998 – \$388,264). Advances under the non-revolving loans are repayable over three years. Bank indebtedness arising from the revolving line of credit and the non-revolving loans bear interest at prime plus 1.5% and prime plus 1%, respectively. Included in the security for bank indebtedness under the revolving line of credit and the bank debt described in note 7 is a registered general assignment of book debts and a first fixed charge over the assets of the Company.

## 7 Long-term debt

Future minimum payments under capital lease obligations and bank loans and the present value of the minimum lease payments are as follows:

	<b>Capital leases \$</b>	<b>Bank loans \$</b>	<b>Total \$</b>
2000	450,000	266,250	716,250
2001	157,667	-	157,667
	<hr/>		
Total payments due	607,667	266,250	873,917
Less: Imputed interest	41,179	-	41,179
	<hr/>		
	566,488	266,250	832,738
Less: Current portion	428,405	266,250	694,655
	<hr/>		
August 31, 1999	138,083	-	138,083
	<hr/>		
August 31, 1998	600,208	259,711	859,919
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- Capital lease obligations bear interest at an average rate of approximately 8%. Security under capital lease obligations is provided by a first fixed charge over the related capital asset.
- In addition to the non-revolving loans (note 6), included in bank loans is \$115,000 (1998 – \$158,500), which bears interest at 7.25%, remaining amounts bear interest at prime plus 1%.

## 8 Capital stock

### Authorized

Unlimited number of common shares  
Unlimited number of preference shares

### Issued capital

	<b>1999 \$</b>	<b>1998 \$</b>
33,946,924 (1998 – 17,580,466) common shares	56,785,594	27,301,737
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	56,785,594	27,301,737
	<hr/>	

a) **Common shares**

	<b>Number of shares</b>	<b>Amount \$</b>
<b>Balance – February 28, 1998</b>	15,610,324	20,545,813
Issued on acquisition of PPL Group (note 2)	1,627,143	5,695,000
Issued to senior officers for non-interest bearing loans (note 4)	333,334	1,050,002
Issued for cash under stock option arrangements	9,665	10,922
<b>Balance – May 31, 1998 &amp; August 31, 1998</b>	17,580,466	27,301,737
Issued to directors for services rendered	3,500	12,250
Received in satisfaction of note receivable arising on sale of Microforum Italia s.r.l. (note 3(b))	(100,000)	(100,000)
Issued to senior officers for non-interest bearing loans (note 4)	250,000	150,000
<b>Balance – November 30, 1998</b>	17,733,996	27,363,987
Issued to senior officers for non-interest bearing loans – net of severance arrangements (note 4)	(83,364)	(395,834)
Issued for cash under stock option arrangements	452,667	463,899
Issued to directors for services rendered	3,500	9,800
Issued on renegotiation of the terms of the original agreement to acquire PPL Marketing Services Inc. and settlement of promissory note (note 2)	1,839,674	1,354,000
Issued on conversion of trade accounts payable	58,823	50,000
<b>Balance – February 28, 1999</b>	20,005,296	28,695,852
Issued on conversion of special warrants (note 8(b))	4,000,000	1,660,000
Issued on conversion of purchase warrants	1,850,000	962,000
Issued on acquisition of Software Guaranty Inc. (note 2(b))	674,207	876,000
Conversion of warrants – Broker	200,000	104,000
Conversion of options to Service providers	200,000	720,000
Issued on conversion of Employee Stock Option Plan	405,716	1,197,384
Sale of shares received in satisfaction of note receivable arising on the sale of Microforum Italia s.r.l. (note 3(b))	100,000	100,000
<b>Balance – May 31, 1999</b>	27,435,219	34,315,236
Issued on acquisition of Q-Inter Applications Inc. (note 2(c))	86,153	560,000
Conversion of warrants – Broker	242,293	301,364
Conversion of options to Service providers	150,000	127,500
Issued on conversion of purchase warrants	2,891,739	3,057,717
Issued on conversion of purchase warrants	3,100,000	18,369,415
Issued on conversion of Employee Stock Option Plan	41,520	54,362
<b>Balance – August 31, 1999</b>	33,946,924	56,785,594

**b) Basic earnings (loss) per share**

Basic earnings (loss) per share are calculated using a weighted average number of outstanding shares of approximately 28,167,069 (1998 – 17,163,100). Fully diluted earnings per share data are not presented as they are anti-dilutive.

**c) Stock options**

Pursuant to a plan authorized by the directors on April 1, 1996, as amended, options were granted to directors, officers, employees and other service providers, entitling the holders to purchase an aggregate of 2,734,176 common shares from treasury, exercisable at a price equal to or greater than the market price on the day preceding the date of grant. These options vest over a three-year period, commencing on the first anniversary of the date of grant and expire on or before the tenth anniversary of the date of grant.

In addition, the Company has granted the following options, which are outstanding at August 31, 1999:

	<b>Number of options</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
Compensation options	120,000	0.52	December 2, 2000
Compensation options	60,129	1.38	March 8, 2001
Compensation options	310,000	6.50	November 10, 2000
Compensation options	155,000	10.00	September 10, 2000

**9 Income taxes**

As of February 28, 1999, the Company had losses available to offset future taxable income of approximately \$22.7 million. If unutilized, these losses will expire in 2003 (\$0.3 million), 2004 (\$8.6 million), 2005 (\$9.3 million) and 2006 (\$4.5 million). The benefit of these tax losses has not been recognized in these financial statements, which primarily accounts for the Company's effective tax rate differing from the statutory rate.

**10 Operating lease commitments**

The Company has entered into operating leases for premises and equipment with annual rentals as follows:

	<b>\$</b>
2000	845,000
2001	653,000
2002	245,000
2003	130,000
2004	117,000

## 11 Segmented information

In 1999, the Company adopted CICA Section 1701, Segment Disclosures. The accounting policies of the segments are the same as those described in note 1. The Company's continuing operations are in three distinct segments as reported below.

The Company is an e-commerce applications, content, technology service corporation providing a broad range of e-commerce, creative and database marketing services to a list of recognized North American based clients. The Company has redirected its strategic focus to become a total response, Internet based commerce and communications organization.

Areas of expertise include e-commerce and related software development, Web design, animation, video and digital design, strategic marketing, direct marketing, contest and incentive programs, special event management, telemarketing, warehousing, distribution and fulfillment services, advertising, public relations, database development and management, lettershop and variable imaging, CD-ROM and disc duplication.

	<b>August 31, 1999</b>				
	<b>Marketing programs and distribution \$</b>	<b>Advertising and public relations \$</b>	<b>Internet and multimedia services \$</b>	<b>Eliminations \$</b>	<b>Total \$</b>
Sales	9,978,877	5,033,831	6,210,211	(624,476)	20,598,443
Operating and other expenses	9,948,039	5,118,887	6,584,154	(624,476)	21,026,604
Income (loss) from continuing operations	30,838	(85,056)	(373,943)	-	(428,161)
Identifiable assets from continuing operations	10,258,508	2,367,853	42,497,791	(10,718,091)	44,406,061

	<b>August 31, 1998</b>				
	<b>Marketing programs and distribution \$</b>	<b>Advertising and public relations \$</b>	<b>Internet and multimedia services \$</b>	<b>Eliminations \$</b>	<b>Total \$</b>
Sales	7,821,211	3,211,245	2,347,186	(64,405)	13,315,237
Operating and other expenses	7,773,367	3,252,804	3,179,160	(64,405)	14,140,926
Income (loss) from continuing operations	47,844	(41,559)	(831,974)	-	(825,689)
Identifiable assets from continuing operations	5,163,211	3,342,739	18,494,095	(7,861,651)	19,138,394

The Company's predominant geographic segment is Canada.

## 12 Economic dependence

For the period ended August 31, 1999, the Company earned a significant portion of its marketing, program and distribution revenue from three (1998 – three) customers. As at August 31, 1999, approximately 69% (1998 – 25%) of the accounts receivable balance and 61% of revenues for the period then ended were derived from these customers.

## 13 Related party transactions

Amounts due from/to related parties are detailed as follows as at August 31, 1999:

	\$
Due from related parties	
Due from Elliot & Andrews Studios Inc. (a)	370,000
Due from Tribco Communications Group Inc. (b)	<u>149,124</u>
	<u>519,124</u>
Due to related party	
Due to shareholder (c)	<u>771,624</u>

The companies in (a) and (b) are ultimately controlled by a former controlling shareholder of the PPL Group who is an officer, director and shareholder of the Company. All amounts are non-interest bearing and due on demand.

Amounts due to the shareholder in (c) are non-interest bearing and due on demand except for \$252,500 (note 2) which matures March 31, 2000.

## **14 Uncertainty due to the Year 2000 Issue**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.