

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990, c. C-43, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF MICROFORUM INC.

APPLICATION UNDER THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36

**AFFIDAVIT OF STEVEN SCHOFIELD
(SWORN JULY 16, 2002)**

I, Steven Schofield, of the City of Toronto, in the Province of Ontario, MAKE OATH
AND SAY:

1. I am the President, Chief Executive Officer, and a member of the board of directors of Microforum Inc. ("Microforum" or the "Vendor") and as such I have personal knowledge of the matters that I attest to in this affidavit, except where same are stated to be on information and belief, in which case I believe such information to be true.

2. The purpose of this affidavit is two-fold: (a) to describe the sales process carried out by Microforum in relation to the CALMS Solutions business unit (the "Business"); and (b) to describe the details of the proposed sale of substantially all of the assets relating to the Business to White Clarke North America Inc. ("White Clarke" or the "Purchaser") and White Clarke & Partners Ltd. (the "Parent"), pursuant to an Asset Purchase Agreement dated July 12, 2002 entered into between Microforum and White

Clarke and the Parent (the "Agreement"). All capitalized terms in this affidavit have the meaning ascribed to them in the Agreement, unless otherwise defined herein. A copy of the Agreement is attached to this affidavit as Exhibit "A".

SALES PROCESS FOR THE BUSINESS

3. On December 7, 2001, Microforum retained the services of TD Securities Inc. ("TDSI") to assist with the sale of Microforum and to assist generally with the offer of its individual business units.

4. On January 29, 2002 the Court granted Microforum protection from its creditors under the CCAA (the "Initial Order"). As a result of the significant costs of continuing to operate the Business, as well as Microforum's general financial condition, Microforum management believed that the remaining clients of the Business would be unlikely to continue to do business with Microforum once the stay of proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") had been lifted. Essentially, Microforum would not possess sufficient capital reserves to convince its existing clients, or to entice new clients, to outsource mission critical development initiatives for the Business. Under the Initial Order, Microforum was authorized to divest itself of some or all of its individual business units, including the Business.

5. Between December 2001 and June 2002, management of Microforum and/or TDSI spoke with at least thirty (30) parties with respect to the potential sale of the Business. Each of these parties expressed varying degrees of interest and some pursued additional due diligence on the Business.

6. From February 2002 to June 2002, Microforum received four (4) expressions of interest in the Business including the offer to purchase from White Clarke. With the exception of White Clarke, none of the parties were prepared to formalize their offers.

7. On July 5, 2002, the board of directors of Microforum authorized the sale of the Business to White Clarke in principle, subject to the completion of the negotiations with

respect to a satisfactory purchase agreement and obtaining certain third party consents as set forth in the conditions precedent to the Agreement.

8. Microforum has carried out a complete and responsible sale process for the Business in an effort to maximize its value. From the time Microforum first announced its intention to divest itself of the Business over eight (8) months ago, White Clarke and its Parent have been the only parties, of all the prospective purchasers contacted, to execute a binding agreement to purchase the Business.

VALUE OF THE TRANSACTION

9. The Business has operated at a loss for a considerable period of time. There is currently only one (1) client contract for the Business, which is expected to be complete by the end of July 2002. For the fiscal year ending February 28, 2002, the loss attributed to the operations of the Business (excluding any corporate overhead allocation) was \$2.7 million. For the three (3) months ending May 31, 2002, the loss attributed to the operations of the Business (excluding any corporate overhead allocation) was \$797,133. Additionally, there has been a significant reduction in business activities and revenue generation from the Business since Microforum entered the CCAA process, owing in large part to the uncertainty surrounding the CCAA process and concerns about the viability of the Business as a going concern.

10. If the proposed sale of the Business to White Clarke (and Parent) is not completed, management will be required to shut down the Business. If the proposed sale is completed however, Microforum will benefit from the cessation of financial support to a business unit operating at a loss and there may be a positive impact on net cash flow.

11. As part of the Agreement, White Clarke will assume certain contractual obligations of the Business, including the continued employment of approximately 25 employees of the Business. The Purchaser has committed to make offers of employment on substantially similar terms and conditions as their employment with

Microforum to all of the existing employees listed on Schedule "C" to the Agreement. Microforum expects that the majority of its employees dedicated to the Business will be hired by the Purchaser. As a result of the continued employment of the employees of the Business, Microforum will avoid paying \$475,000, representing the amount of its contractual employee severance obligations.

12. In addition, White Clarke will assume the sole remaining operating contract of the Business. By assuming the Business' remaining client obligation, Microforum anticipates being able to recover work-in-process associated with the contract. White Clarke has also agreed to assume certain Assumed Obligations as set forth in Schedule "B" to the Agreement.

13. Under the Agreement Microforum and White Clarke have also contemplated a Transfer and Non-Competition Agreement (the "Software Agreement"). As a term of the Software Agreement, Microforum would co-own the CALMS Software and associated documentation (collectively the "Materials"), and would be entitled to use the Materials for a potential future business that would not compete with White Clarke. The Software Agreement is set forth in Schedule "D" to the Agreement.

14. The net purchase price for the Purchased Assets is \$210,000 cash, with an earn-out over two (2) years of up to \$350,000 (i.e. one half (1/2) each year) based on net profitability. Microforum places little, if any, value on receiving this earn-out.

15. To date, Microforum has not been contacted by any creditors claiming to have an interest in the Purchased Assets.

16. The Closing is expected to occur on or about July 19, 2002.

17. This affidavit is sworn in support of Microforum's motion for Court approval of the sale of the Business, subject to satisfying the condition precedent in Section 4.03 of the Agreement requiring the consent of Ford Motor Company to the assignment of its contract with Microforum.

SWORN BEFORE ME at the City of
Toronto, on July 16, 2002.

Commissioner for Taking Affidavits

STEVEN SCHOFIELD

**IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT
OF MICROFORUM INC.**
under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36

Court File No: 02-CL-4394

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Proceeding commenced at Toronto

**AFFIDAVIT OF STEVEN SCHOFIELD
(SWORN JULY 16, 2002)**

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