

**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 ARRANGMENT
OF MICROFORUM INC.

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

**AFFIDAVIT OF MICHEL BELAND
(SWORN JULY 8, 2002)**

I, Michel Beland, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the Chief Financial Officer of Microforum Inc. ("Microforum" or the "Applicant") 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. All capitalized terms in this affidavit have the meaning ascribed to them in the Plan of Compromise or Arrangement, as amended (the "Plan"), unless otherwise defined herein.
2. This affidavit is sworn in support of Microforum's motion for Court approval and sanction of the Plan.

The CCAA Process and Court Approval of the Plan for Distribution

3. On January 29, 2002, Microforum commenced an application for relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 (the "CCAA"). By Order of the Court dated January 29, 2002 (the "Initial Order"), Mr. Justice Spence ordered that Microforum is a company to which the CCAA applies and granted a general stay of proceedings as against Microforum until February 28, 2002 (the "Stay Period"). The Initial Order also appointed Ernst & Young Inc. as the Monitor for Microforum. A copy of the Initial Order is attached to this affidavit as Exhibit "A".

4. By order of the Court dated February 28, 2002, Madam Justice Lax extended the Stay Period to May 6, 2002 and approved the first report of the Monitor, dated February 22, 2002 (the "Monitor's First Report"). The Monitor's First Report provided an update on the actions taken by Microforum toward restructuring its operations and on its cash flow position, and recommended an extension of the Stay Period. Copies of the February 28, 2002 Order and the Monitor's First Report are attached to this affidavit as Exhibits "B" and "C", respectively.

5. By order of the Court dated March 18, 2002 (the "Cognicase Agreement Order"), Mr. Justice Ground approved the sale of the Asset Purchase Agreement dated March 1, 2002 between Cognicase Inc. and Microforum. As a condition of court approval the agreement directed Microforum to set aside \$200,000 in a separate bank account (the "Fund") until further order of the Court, to provide funds for all claims against the assets sold to Cognicase Inc. vested out by the Cognicase Agreement Order. A copy of the Cognicase Agreement Order is attached to this affidavit as Exhibit "D". On or about March 18, 2002, the Monitor filed its second report to the Court, dated March 8, 2002 (the "Monitor's Second Report"), which provided an update on the restructuring of Microforum's operations and on its cash flow position, and which recommended the sale of Microforum's Deployed Consulting Services business unit (DCS) to Cognicase. A copy of the Monitor's Second Report is attached to this affidavit as Exhibit "E".

6. By order dated April 12, 2002, the Court approved a claims procedure, extended the Stay Period provided for in the Initial Order until July 31, 2002, and approved an agreement entered into between Microforum and its landlord at 150 Ferrand Drive (the "Claims Procedure Order"). A copy of the Claims Procedure Order is attached to this affidavit as Exhibit "F". On or about April 12, 2002, the Monitor filed its third report to the Court, dated April 9, 2002 (the "Monitor's Third Report"), which provided an update on the restructuring of Microforum's operations and on its cash flow position. The Monitor's Third report also described and recommended approval of the settlement of the claims of Microforum's landlord at 150 Ferrand Drive and of the proposed Claims Procedure, and recommended an additional extension of the Stay Period. A copy of the Monitor's Third Report is attached to this affidavit as Exhibit "G".

7. The Applicant completed the divestiture of its marketing services business, namely the PPL Marketing business unit ("PPL"), on May 8, 2002 in accordance with the terms of the Order of Mr. Justice Ground dated May 8, 2002. On or about May 8, 2002, the Monitor filed its fourth report to the Court, dated May 2, 2002 (the "Monitor's Fourth Report"), which provided an update on Microforum's activities under the terms of the Initial Order and its cash flow position. The Monitor's Fourth Report also recommended the appointment of the Honourable Mr. Houlden as Claims Officer, and approval of the sale of the PPL unit to 1224164 Ontario Inc. and of the Settlement Agreement in respect of the damage claim of Microforum's landlord at 6050 Tomken Road, Mississauga. Copies of the May 8, 2002 Order and the Monitor's Fourth Report are attached to this affidavit as Exhibits "H" and "I", respectively.

8. By order of the Court dated June 5, 2002 (the "Meetings Order"), Madam Justice Lax accepted Microforum's proposed Plan of Compromise or Arrangement for filing and distribution to its creditors, and authorized Microforum to hold meetings of its creditors in order to consider and vote on the Plan. Copies of the Plan and the accompanying Management Proxy Circular and Disclosure Statement are attached to this affidavit as Exhibits "J" and "K", respectively. The Meetings Order also authorized

Microforum to use the Fund provided for in the Cognicase Agreement Order as part of the funds to be distributed to Creditors pursuant to the Plan upon the Plan being approved by the Court. A copy of the Meetings Order is attached to this affidavit as Exhibit "L". On or about June 5, 2002, the Monitor filed its fifth report to the Court, dated May 30, 2002 (the "Monitor's Fifth Report"), which reported on the claims process, the efforts of Microforum to restructure its operations within the CCAA process and on its cash flow position. The Monitor's Fifth Report also recommended approval of the meetings dates as set out in the proposed Meetings Order and of Microforum's request to have the Fund available for distribution under the Plan. A copy of the Monitor's Fifth Report is attached to this affidavit as Exhibit "M".

Overview of the Plan

9. As described in the Disclosure Statement attached to this affidavit as Exhibit "K", the purpose of the Plan is to effect a coordinated compromise and restructuring of Affected Claims and the reorganization of the business and affairs of Microforum in order that its business may continue or Microforum may pursue other businesses, and that all Persons doing business with or with an interest in Microforum will derive a greater benefit from the continued operation of the business than would result from the immediate sale or forced liquidation of Microforum's assets.

10. In summary, subject to Section 8.6 (Conditions Precedent to Implementation of Plan) and Section 8.7 (Waiver of Conditions) of the Plan, if the Required Majority of each Class of Claims approves the Plan, then, subject to Section 5.3 (Distributions for Claims Allowed as of the Effective Date) and Section 5.4 (Distributions After Disputed Claims Resolved) of the Plan, on the Distribution Date, in full satisfaction, settlement, release and discharge of and in exchange for each Proven Claim,

- (a) Each holder of a Proven Secured Claim will be entitled to receive cash in an amount equal to 100% of such Proven Secured Claim up to a maximum

amount of \$25,000, and cash in an amount equal to 50% of the total amount of such Proven Secured Claim in excess of \$25,000, if any; and

- (b) Each holder of a Proven Unsecured Claim will be entitled to receive cash in an amount equal to 50% of the total amount of such Proven Unsecured Claim.

11. If, after effecting all distributions pursuant to Section 4.1 (Distributions to Affected Creditors) of the Plan, there is a balance of cash remaining in the Disputed Claims Reserve, the cash will be returned by the Disbursing Agent to Microforum.

The Amendment to the Plan

12. The Amendment to Plan of Compromise or Arrangement, dated June 25, 2002 (the "Amendment"), replaces Section 6.1(2) (Releases by Holders of Claims) of the Plan in its entirety, and is of a minor, immaterial and technical nature and is not materially prejudicial to the interests of the Affected Creditors under the Plan, and therefore the Amendment was not filed with the Court, nor was prior notice given to Affected Creditors pursuant to paragraph 4 of the Meetings Order. The Amendment was made to the form of release by holders of claims in order to permit former directors or officers to claim under Microforum's standard indemnity in the event such directors or officers were ever named in a lawsuit commenced against Microforum. A copy of the Amendment is attached to the Monitor's sixth report to the Court, dated June 26, 2002 (the "Monitor's Sixth Report") as Appendix 1.

The Creditors' Meeting and Approval of the Plan

13. Meetings of Microforum's Affected Unsecured Creditors and Affected Secured Creditors (the "Meetings") were held on June 25, 2002, to consider and approve the Plan. The Amendment was also tabled at the Meetings. The Plan was voted on and approved by Creditors representing a majority in number and two-thirds in value of each Class present and voting, either in person or by proxy, at the meeting. Both the

Affected Unsecured and Affected Secured Creditor Classes voted unanimously in favour of the Plan.

14. The Monitor's Sixth Report reports on the Meetings and the Creditors' approval of the Plan, and details the numbers of Creditors represented by proxy at the Meetings and their respective claims.

15. I am not aware of any creditors with outstanding disputes with respect to the amount of their claims for voting purposes that would materially affect the results of the vote.

The Stay Extension and Implementation of the Plan

16. Section 8.6 of the Plan sets out the conditions precedent to implementation of the Plan. Microforum is in the process of making every effort to ensure that all the conditions will be satisfied by [August 6, 2002](#). It is contemplated that upon satisfaction of those conditions precedent to implementation of the Plan, other than the effectiveness of agreements or satisfaction of conditions precedent contained in those agreements that are dependent on the occurrence of the Effective Date, and in coordination with Creditors to ensure a mutually convenient date, the Plan will be implemented. As a result, Microforum is seeking to have the Stay of Proceedings extended until August 7, 2002, one day after the anticipated Effective Date.

SWORN BEFORE ME at the City of
Toronto, on July 8, 2002.

Commissioner for Taking Affidavits

MICHEL BELAND

**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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

AFFIDAVIT OF MICHEL BELAND
SWORN JULY 8, 2002

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