

**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**

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

**AFFIDAVIT OF JASON D. MERETSKY  
(Sworn May 2, 2002)**

I, Jason D. Meretsky, of the City of Toronto, in the Province of Ontario,  
MAKE OATH AND SAY AS FOLLOWS:

1. I am the General Counsel, Vice-President, and Secretary of Microforum Inc. ("Microforum" or the "Company"). 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 four-fold: (i) to describe the sales process carried out by Microforum in relation to the PPL Marketing business unit ("PPL"); (ii) to describe the details of the proposed sale of substantially all of the PPL assets (subject to certain excluded assets as set forth in the Agreement as such term is defined below) to 1224164 Ontario Inc., a wholly-owned subsidiary of True North Corporation (collectively, "True North"), pursuant to an Asset Purchase Agreement dated April 26, 2002 entered into between Microforum and True North, subject to court approval (the "Agreement"), a copy of which attached as Appendix 1 to the Monitor's Fourth Report; (iii) to describe the agreement entered into between Microforum and the landlord of the premises out of which PPL operates at 6050 Tomken Road (the "PPL Premises"), Mohican Holdings Inc. (the "Landlord"), relating to the assignment of the lease and compromise of Landlord's claim against Microforum for repairs (the "Landlord Agreement"); and (iv) to provide the Court with information pertaining to the proposed claims officer. This information is

provided to support the Company's motion to seek court approval of the Agreement, the Landlord Agreement and the appointment of a claims officer.

### **PPL SALES PROCESS**

3. During fiscal 2001, Microforum initiated plans to concentrate on the e-Business solutions segment of its business and divest itself of unrelated assets. Accordingly, on November 22, 2000, the board of directors of Microforum approved a formal plan for Microforum to divest itself of PPL.

4. During the period commencing in November 2000 and ending in February 2001, management of the Company spoke with at least 10 companies with regard to the potential purchase of PPL. Each of these parties expressed varying degrees of interest. However, none of these parties put forward an offer to purchase PPL.

5. On March 13, 2001, the Company retained a small venture capital/corporate finance firm (the "Agent") in order to assist with identifying potential parties that may be interested in acquiring PPL. In addition to contacting a number of the parties previously contacted by management of the Company in order to re-confirm their level of interest or lack thereof, the Agent entered into discussions with four additional parties, none of which resulted in a transaction.

6. For the period October 2002 to the end of March 2002, the Company had entered into discussions with approximately 10 companies with regard to the sale of PPL, including some of the potential purchasers that were canvassed in 2001. In at least four instances, the Company's discussions resulted in the parties entering into non-binding letters of intent. In each case the prospective purchaser elected not to proceed with the transaction prior to finalizing a binding agreement with PPL. Each time Microforum was advised by management of the prospective purchasers that the failure to enter into a binding agreement was due to the parties' lack of comfort on the financial performance of PPL, the concentration risk associated with most of

PPL's business coming from one client and, in certain areas, concern with the management of PPL.

7. Management believes the Company has carried out a complete and responsible sale process for this business unit in an effort to maximize its value. From the time Microforum first announced its intention to divest itself of PPL over 17 months ago, True North is the only party of all the prospective purchasers contacted that has executed a binding agreement to purchase PPL.

#### **VALUE OF PPL TRANSACTION**

8. PPL has operated at a loss for a considerable period of time. For the fiscal year ended February 28, 2002, the loss attributed to the PPL operations (excluding any corporate overhead allocation) was \$278,480, representing an average monthly loss of \$23,207. For the months of March and April of 2002, the loss attributed to the PPL operations (excluding any corporate overhead allocation) was \$73,000 and \$65,000, respectively. Additionally, there has been a significant reduction in business activities and revenue generation from the PPL business since the commencement of the Company's CCAA process owing to the uncertainty surrounding the CCAA process and the viability of PPL as a going concern. The sale of PPL to True North will result in the cessation of providing financial support to a business unit operating at a loss and therefore a positive result on net cash flow.

9. PPL carries with it a number of contingent liabilities that would materialize in the event of a shutdown. As a result of the sale of PPL to True North, as opposed to shutting down the division and liquidating its assets, the Company will be released from a material portion of all such liabilities associated with the PPL business, including significant employee severances claims and the claim of the Landlord for the PPL Premises described below (estimated to be ongoing rental costs until July 31, 2005 at a cost of between \$22,000 and \$24,000 per month, and real property taxes of approximately \$75,000 per annum).

10. In addition, the sale of PPL to True North will result in the Company being able to monetize \$750,000 of accounts receivables for its own account. PPL's major client is one of the big three automakers. The fact that Microforum has been able to sell PPL as a going concern increases the likelihood that Microforum will be able to collect the \$750,000 in accounts receivable that it has retained pursuant to the Agreement (all of which are attributable to one client).

11. The sale as a going concern is also advantageous to Microforum's stakeholders as a number of employees will remain gainfully employed after the sale, as the purchaser has committed to make offers of employment on substantially similar terms and conditions as their employment with Microforum to all of the 60 existing employees of the PPL business as listed on Schedule "C" to the Agreement. Microforum expects that the majority of its employees dedicated to PPL will be hired by the purchaser. Moreover, True North has agreed to assume certain operating leases as set forth in Schedule "E" to the Agreement.

#### **ASSIGNMENT OF TOMKEN ROAD LEASE**

12. The Landlord of the PPL Premises has agreed to an assignment of the Tomken Road lease to True North. With respect to an existing claim for repairs to the PPL Premises, valued by the Landlord to be approximately \$387,000 the Landlord and Microforum have agreed, subject to Court approval, that Microforum will pay \$100,000 in respect of the repairs in return for a full and final release by the Landlord of all its claims against Microforum arising out of the Tomken Road lease. A copy of the agreement entered into by the Landlord and Microforum is attached hereto as Exhibit [A](#).

13. Although Microforum management has not conducted any independent verification of the repairs claim, we have no reason to believe it is not a reasonable amount nor reflective of the actual costs associated with making such repairs and, accordingly, this amount would likely have gone undisputed if filed in the claims procedure approved pursuant to the Order of the Honourable Justice Wilson dated

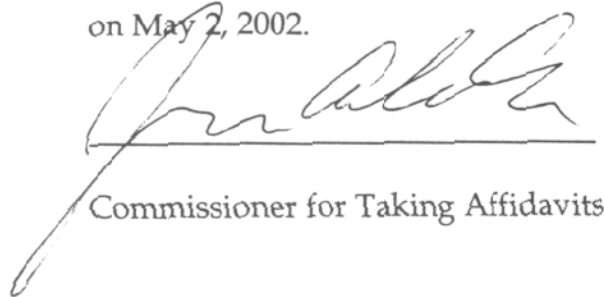
April 12, 2002. Furthermore, based on the Company's current financial position and information on our creditor claims to date, the Company believes that the amount offered to unsecured creditors under its Plan of Arrangement or Compromise will be no less favourable than the settlement offer to the Landlord.

**CLAIMS OFFICER**

14. Pursuant to the Order of the Honourable Justice Wilson dated April 12, 2002, a claims procedure was approved by the Court with a Claims Officer to be appointed by further order of the Court. Microforum is asking this Court to appoint The Honourable Lloyd W. Houlden, Q.C. as the Claims Officer. Mr. Houlden is a former justice of the Ontario Court of Appeal, where he served until his retirement in 1997. Mr. Houlden is presently a member of ADR Chambers, a Toronto-based alternative dispute resolution group, where he has arbitrated a number of complex commercial disputes. The Company has had no prior dealings with Mr. Houlden and believe he is a suitable independent third party to act as Claims Officer.

15. I am advised by Lana Finney and do verily believe that she has contacted ADR Chambers and Mr. Houlden has agreed to act as the Claims Officer.

**SWORN BEFORE ME**  
at the City of Toronto, in the  
Province of Ontario  
on May 2, 2002.

  
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Commissioner for Taking Affidavits

  
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JASON D. MERETSKY

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

Court File No: 02-CL-4394

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

**SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at [Toronto](#)

**AFFIDAVIT OF JASON D. MERETSKY  
(sworn May 2, 2002)**

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