

MICROFORUM INC.

2000 ANNUAL INFORMATION FORM

July 14, 2000

TABLE OF CONTENTS

Item 1 – The Company.....	1
Item 2 - General Development of the Business.....	3
Item 3 - Narrative Description of the Business.....	9
Item 4 - Selected Consolidated Financial Information.....	22
Item 5 - Management's Discussion and Analysis.....	24
Item 6 - Market for Securities.....	24
Item 7 - Directors and Officers.....	24
Item 8 –Risk Factors.....	31
Item 9 - Additional Information.....	40

Unless otherwise indicated, all references to dollar amounts herein are to Canadian dollars.

Investors should take note that certain statements in this Annual Information Form are forward-looking and may not give full weight to all of the potential risks and uncertainties. These forward-looking statements include statements that are subject to risks and uncertainties. Forward-looking statements are subject by their nature to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the forward-looking statements. Any forward-looking statements speak only as of the date made. The Company is not undertaking to update any information in this Annual Information Form until the effective date of its future reports required by applicable securities laws.

MICROFORUM INC.

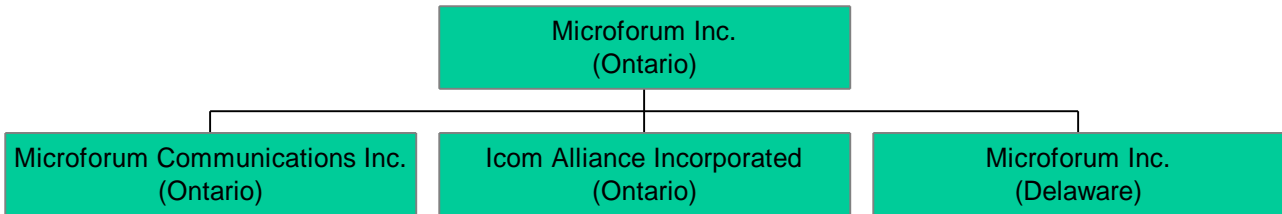
2000 ANNUAL INFORMATION FORM

ITEM 1 - THE COMPANY

Microforum Inc. (“Microforum” or the “Company”) is an integrated e-business company providing its clients with solutions that bring them closer to their customers and partners by removing the barriers of time, location, language and medium. The Company provides a broad range of e-commerce, creative and database marketing services to North American-based clients. The Company provides integrated e-business strategy and technology implementation services to clients that are reconstituting or expanding their existing business to incorporate e-business capabilities. The Company was incorporated on February 27, 1987, by Articles of Incorporation pursuant to the *Business Corporations Act* (Ontario). By Articles of Amendment effective November 9, 1995, the Company subdivided its issued and outstanding common shares on a 200 for 1 basis and by Articles of Amendment effective November 20, 1995, the Company deleted its “private company” restrictions. By Articles of Amendment dated September 11, 1996, the Company amended its share capital to provide for the issuance of an unlimited number of common shares (the “Common Shares”) and an unlimited number of preference shares, issuable in series. The Company's material subsidiaries, each of which is wholly-owned by the Company, consist of: (i) Microforum Communications Inc. (“Microforum Communications”), a company incorporated pursuant to the *Business Corporations Act* (Ontario); (ii) Icom Alliance Incorporated (“Icom”), a company continued pursuant to the *Business Corporations Act* (Ontario); and (iii) Microforum Inc. (Delaware), a company incorporated pursuant to the laws of the State of Delaware. The Company's head office is located at 6050 Tomken Road, Mississauga, Ontario L5T 1X8, telephone: (905) 670-8000, Internet site: www.microforum.com or www.mf.com. Effective September 1, 2000, the Company will relocate its head office to 150 Ferrand Drive, Suite 1200, Toronto, Ontario, M3L 3E5. The contents of the Company's web site are not incorporated by reference into this Annual Information Form.

The organizational structure of the Company is as follows:

Organizational Structure



Microforum has amended its governing documents as follows:

Articles of Amendment	Purpose
March 19, 1987	To change the name of the Company to "Microforum Manufacturing Inc."
August 7, 1992	To create a class of shares of an unlimited number to be designated as Class "E" Preferred Shares.
December 23, 1993	To divide the 1 issued and outstanding Common Share in the capital stock of the Company into 200 issued and outstanding Common Shares. To increase the authorized capital of the Company by creating a limited number of Class "A" Common Shares and Class "F" Special Shares.
July 14, 1994	To change the name of the Company to "Microforum Inc."
November 9, 1995	To divide the 18,000 issued and outstanding Common Shares in the capital stock of the Company into 3,600,000 issued and outstanding Common Shares.
November 20, 1995	To delete, in their entirety, the restrictions on the issuance, transfer and ownership of shares in the Company. To remove the "private company" restrictions.
September 11, 1996	To cancel all of the Class "A" Common Shares, Class "A" Special Shares, Class "B" Special Shares, Class "C" Special Shares, Class "D" Special Shares, Class "E" Preferred Shares, and Class "F" Special Shares. To declare that the authorized capital of the Company, after giving effect to the foregoing, shall consist of an unlimited number of Preference Shares and an unlimited number of

	Common Shares. To provide for the issuance of an unlimited number of Preference Shares, issuable in series.
March 1, 2000	To amalgamate the Company's wholly-owned material subsidiaries with either "Microforum Inc." or "Microforum Communications Inc", as described below under the heading "Corporate Reorganization".

Corporate Reorganization

As part of the Company's strategy to brand all aspects of its business under the "Microforum" name, all of its former individual operating subsidiaries were amalgamated on March 1, 2000 in a series of transactions. As a result of these transactions, Internet Frontier Inc. ("iFront"), Frameworks Communications Inc. ("Frameworks"), Relational Solutions Inc. ("Relational Solutions"), PPL Marketing Services Inc. ("PPL") and Poste Haste Systems Inc. ("Poste Haste") were amalgamated pursuant to the *Business Corporations Act* (Ontario) with the Company and now carry on business as "Microforum Inc.". Marshall Fenn and Two Door Communications Corporation ("Two Door") were amalgamated pursuant to the *Business Corporations Act* (Ontario) on March 1, 2000 and now carry on business as "Microforum Communications Inc.".

ITEM 2 - GENERAL DEVELOPMENT OF THE BUSINESS

Summary of the Business

Microforum is an integrated e-business company providing its clients with solutions that bring them closer to their customers and partners by removing the barriers of time, location, language and medium. The Company provides a broad range of e-commerce, creative and database marketing services to North American-based clients. The Company provides integrated e-business strategy and technology implementation services to clients that are reconstituting or expanding their existing business to incorporate e-business capabilities.

The Internet and e-commerce have created new channels of communication and distribution which raise the level and increase the speed of interaction between a business and its trading partners and customers. The demand for Internet and e-commerce services is increasing as an increasing number of companies develop on-line businesses and offer e-commerce solutions.

Microforum provides digital strategy consulting, e-commerce application development, systems architecture, supply chain optimization, knowledge management, creative web design, video and digital design, strategic marketing and public relations, contest and incentive programs, special event management, customer response management, fulfillment services and other tactical services.

Microforum delivers its integrated service offerings through the following operating groups:

e-Business Solutions

Microforum offers clients a single source for the comprehensive range of services required to identify, design, develop and deploy Internet-based business solutions which complement or expand conventional business processes. Services offered by the e-Business Solutions group include: digital strategy consulting, e-commerce services and solutions, enterprise systems integration, knowledge management solutions and creative services. The Company possesses the following proprietary technologies: (i) iFrontECS™, a customizable e-commerce solution that is adaptable to on-line stores or business-to-business needs; (ii) CALMS™ (Credit Adjudication Lending Management Solution), an integrated suite of products that originate and facilitate lending transactions over the Internet/Extranet; (iii) CEPort™, a proprietary XML-based mobile content technology which allows web content to be made available to multiple devices including palm PC's, web TV boxes and wireless equipment such as web-enabled phones and hand-held devices; (iv) TMS™ (Training Management System), a training management program which automates the delivery, tracking and monitoring of training programs using on-line and CD-based technology; and (v) KnowledgeFrame™, an on-line browser-based data analysis and reporting solution for e-business environments to be integrated with Microforum's iFrontECS™ e-commerce suite of applications.

Strategic Marketing

The Strategic Marketing group provides turn-key marketing communications solutions that include: strategic marketing and planning; web design and new media; production execution; point of sale support; permission marketing; contest and incentives design and administration; special event management; corporate conference co-ordination; customer response centres; warehousing and fulfillment; database creation, management and retrieval.

Advertising and Public Relations

The Advertising and Public Relations group is an integrated communications and full service advertising agency, providing communications solutions that include advertising, public relations, direct marketing and Internet/new media advertising. The Company's communications services, which can be executed in connection with the development of both on-line and off-line programs, include: strategic corporate and product positioning, corporate identity, and product branding; web design and new media; and advertising and assistance with media placement.

Significant Developments

The following is a chronology of significant developments of the Company:

- On November 21, 1995, Microforum completed the private placement of 1,100,000 special warrants at a price of \$5.00 per special warrant for gross proceeds of \$5,500,000.
- On September 12, 1996, Microforum completed an initial public offering through Yorkton Securities Inc. and Griffiths McBurney & Partners whereby it sold 1,000,000 Common Shares at a price of \$6.50 per share for gross proceeds of \$6,500,000.
- On September 12, 1996, the Common Shares of Microforum were listed and posted for trading on The Toronto Stock Exchange (the "TSE") under the symbol "MCF".
- On September 18, 1997, the Company completed a private placement financing through Taurus Capital Markets Ltd. and Griffiths McBurney & Partners by way of sale of 8,000,000 special warrants at a price of \$1.00 per special warrant. The special warrants were fully exercised into Common Shares on a one-for-one basis on December 18, 1997. In addition, the Company completed a significant debt restructuring with certain of its creditors on September 18, 1997 by converting an aggregate of \$1,809,800 of indebtedness into 904,900 Common Shares in the capital of the Company at a conversion price of \$2.00 per share.
- On April 6, 1998, the Company completed the arm's-length acquisition of all of the issued and outstanding shares of PPL, Marshall Fenn and Poste Haste, each of which is incorporated pursuant to the *Business Corporations Act* (Ontario). These multimedia, marketing and related technology companies were acquired at a purchase price of \$6.7 million, funded by a combination of \$502,500 cash, a non-interest bearing promissory note in the principal amount of \$502,500 and the issuance of 1,627,143 Common Shares. On March 1, 2000, PPL and Poste Haste were, among other subsidiaries, amalgamated pursuant to the *Business Corporations Act* (Ontario) with the Company and now carry on business as "Microforum Inc.". On March 1, 2000, Marshall Fenn was, among other subsidiaries, amalgamated pursuant to the *Business Corporations Act* (Ontario) and now carries on business as "Microforum Communications Inc." See "Item 1 – The Company – Corporate Reorganization".
- The Company discontinued wholesale distribution of hardware equipment during the year ended February 28, 1998. The Company ceased its internal development of software products as of June 30, 1997 and announced on May 14, 1998 that it would discontinue all software publishing activities.
- On December 2, 1998, the Company issued by way of private placement through Taurus Capital Markets Ltd. an aggregate of 4,000,000 special warrants at a price of \$0.50 per special warrant to various purchasers resident in the Province of Ontario for gross proceeds of \$2,000,000. Each special warrant entitled the holder thereof to one unit consisting of one Common Share and one-half of one Common Share purchase

warrant upon exercise. Each whole Common Share purchase warrant entitled the holder thereof to acquire one Common Share at an exercise price of \$0.52 per share at any time on or before December 2, 2000. A receipt for a (final) prospectus of the Company qualifying the distribution of the underlying Common Shares was issued by the Ontario Securities Commission on March 31, 1999.

- On March 8, 1999, the Company issued by way of private placement through Taurus Capital Markets Ltd. and Paradigm Capital Inc. (formerly Kearns Capital Limited) an aggregate of 2,891,739 special warrants at a price of \$1.15 per special warrant to various purchasers resident in the Province of Ontario and outside of North America for gross proceeds of \$3,325,000. Each special warrant entitled the holder thereof to one Common Share upon exercise. A receipt for a (final) prospectus of the Company qualifying the distribution of the underlying Common Shares was issued by the Ontario Securities Commission on June 25, 1999.
- On March 9, 1999, the Company acquired all of the issued and outstanding shares of Software Guaranty Inc. (“Software Guaranty”), a company incorporated pursuant to the *Business Corporations Act* (Ontario), from an arm's-length party. Software Guaranty was acquired for a purchase price of \$3,126,000, funded by a combination of the payment of \$2,250,000 in cash and the issuance of 674,207 Common Shares. On April 1, 1999, Software Guaranty was amalgamated pursuant to the *Business Corporations Act* (Ontario) with iFront and carried on business as “Internet Frontier Inc.”. On March 1, 2000, iFront was amalgamated pursuant to the *Business Corporations Act* (Ontario) with the Company and now carries on business as “Microforum Inc.”. See “Item 1 – The Company – Corporate Reorganization”.
- On May 10, 1999, the Company issued by way of a “bought deal” private placement through Yorkton Securities Inc., Taurus Capital Markets Ltd., Paradigm Capital Inc. (formerly Kearns Capital Limited) and Canaccord Capital Corporation an aggregate of 3,100,000 special units at a price of \$6.50 per special unit to various purchasers resident in the Provinces of Ontario, British Columbia and Alberta as well as the United States. Each special unit entitled the holder thereof to receive one Common Share and one-half of one Common Share purchase warrant upon exercise. Each whole Common Share purchase warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$10.00 per share at any time on or before September 10, 2000. A receipt for a (final) prospectus of the Company qualifying the distribution of the underlying Common Shares and Common Share purchase warrants was issued by the securities regulatory authorities in the Provinces of Ontario, British Columbia and Alberta on June 30, 1999. See “Item 1 – The Company – Corporate Reorganization”.
- On August 5, 1999, the Company acquired all of the issued and outstanding shares of Q-Inter Applications Inc. (“Q-Inter”), a company incorporated pursuant to the *Business Corporations Act* (Ontario), from an arm's-length party. Q-Inter was acquired for a purchase price of \$1,310,000 funded by a combination of the payment

of \$750,000 in cash and the issuance of 86,153 Common Shares. On September 1, 1999, Q-Inter was amalgamated pursuant to the *Business Corporations Act* (Ontario) with iFront and carried on business as “Internet Frontier Inc.”. On March 1, 2000, iFront was amalgamated pursuant to the *Business Corporations Act* (Ontario) with the Company and now carries on business as “Microforum Inc.”. See “Item 1 – The Company – Corporate Reorganization”.

- On November 8, 1999, the Company’s Form 40-F registration statement was declared effective by the United States Securities and Exchange Commission (SEC). Microforum’s registration of its stock in the United States provides the opportunity for its shares to be solicited and traded by licensed broker-dealers in the United States.
- On December 8, 1999, the Company acquired all of the issued and outstanding shares of Frameworks, a company incorporated pursuant to the *Business Corporations Act* (Ontario), from an arm's-length party. Frameworks was acquired for a purchase price of \$4,750,000, funded by a combination of the payment of \$2,750,000 in cash and the issuance of 301,659 Common Shares. On March 1, 2000, Frameworks was amalgamated pursuant to the *Business Corporations Act* (Ontario) with the Company and now carries on business as “Microforum Inc.”. See “Item 1 – The Company – Corporate Reorganization”.
- On December 20, 1999, the Company acquired all of the issued and outstanding shares of Two Door Communications Inc. (“Two Door”), a company incorporated pursuant to the *Business Corporations Act* (Ontario), from an arm's-length party. Two Door was acquired for a purchase price of \$2,000,000, funded by a combination of the payment of \$1,000,000 in cash and the issuance of 150,830 Common Shares. As additional compensation, the vendors are entitled to receive an additional 150,830 shares payable after October 1, 2000 upon realization of certain pre-tax profit thresholds. On March 1, 2000, Two Door was amalgamated with Marshall Fenn pursuant to the *Business Corporations Act* (Ontario) and now carries on business as “Microforum Communications Inc.”. See “Item 1 – The Company – Corporate Reorganization”.
- On February 2, 2000, the Company acquired all of the issued and outstanding shares of Relational Solutions, a company incorporated pursuant to the *Business Corporations Act* (Ontario), from an arm’s-length party . Relational Solutions was acquired for a purchase price of \$4,275,200, funded by a combination of the payment of \$750,000 in cash and the issuance of 465,426 Common Shares. As additional compensation, the vendor is entitled to receive an additional 797,872 shares payable after December 1, 2000 upon realization of certain EBITDA thresholds and the delivery of specified technology product. On March 1, 2000, Relational Solutions was amalgamated pursuant to the *Business Corporations Act* (Ontario) with the Company and now carries on business as “Microforum Inc.”. See “Item 1 – The Company – Corporate Reorganization”.

- On February 10, 2000, the Company issued by way of a “bought deal” private placement through TD Securities Inc., BMO Nesbitt Burns Inc., Taurus Capital Markets Ltd., Paradigm Capital Inc. and Canaccord Capital Corporation an aggregate of 4,344,400 special warrants at a price of \$10.00 per special warrants to various purchasers resident in the Provinces of Ontario, British Columbia and Quebec. Each special warrant entitled the holder thereof to receive one Common Share upon exercise. A receipt for a (final) prospectus of the Company qualifying the distribution of the underlying Common Shares was issued by the securities regulatory authorities in the Provinces of Ontario, British Columbia and Quebec on April 5, 2000.
- In February, 2000, the Company’s Initial Annual Information Form was accepted under National Policy Statement No. 47 (Prompt Offering Qualification System).
- On May 11, 2000, in an arm's-length transaction, the Company acquired intellectual property, personnel and assets from Flashcast Communications Inc. (“Flashcast”) including CEPort™, a proprietary XML-based mobile content technology which allows web content to be made available to multiple devices including palms PC’s, web TV boxes and wireless equipment such as web-enabled phones and hand-held devices. The Flashcast assets were acquired at a purchase price of US\$2,000,000 funded by a combination of the payment of US\$500,000 in cash and the issuance of 342,563 Common Shares.
- On May 19, 2000, the Company acquired all of the issued and outstanding shares of Icom Alliance Inc. (“Icom”), a company incorporated pursuant to the *Business Corporations Act* (Nova Scotia), from an arm's-length party. Icom was acquired for a purchase price of \$1,000,000 funded by a combination of the payment of \$750,000 in cash and the issuance of 39,872 Common Shares. As additional compensation, the vendors are entitled to receive an additional 396,825 Common Shares to be payable over a 30 month period following the closing date, subject to the achievement of certain growth objectives. Subsequent to the acquisition of Icom, the Company continued its jurisdiction from Nova Scotia to Ontario in accordance with the *Business Corporations Act* (Ontario).
- On June 19, 2000, the Company entered into a letter of intent to acquire, from an arm’s-length party, the issued and outstanding shares of New York City-based Blue Hypermedia, Inc. (“Blue”), a company incorporated pursuant to the laws of the State of New York. The purchase price is expected to be US\$14,000,000 funded by a combination of the payment of US\$4,900,000 in cash and the balance in Common Shares based on a weighted average trading price.
- On June 26, 2000, the Company filed an application to list its securities on the Nasdaq National Market.

ITEM 3 - NARRATIVE DESCRIPTION OF THE BUSINESS

BUSINESS OF THE COMPANY

General

The Internet and e-commerce have created new channels of communication and distribution which raise the level and increase the speed of interaction between a business and its trading partners and customers. The demand for Internet and e-commerce services is increasing as a greater number of companies develop on-line businesses and require e-commerce solutions. The Internet enables businesses to establish an on-line presence through which they can offer new and complementary products and services to new and existing markets. As a result, businesses have been able to create new sources of revenue, improve customer care and retention and streamline their internal operations by processing orders and payments on-line.

Businesses are increasingly using the Internet and e-commerce to open cost-effective, reliable, highly efficient channels of business-to-business communication and commerce with their suppliers and distributors. Businesses are increasingly discovering that implementing Internet and e-commerce solutions is necessary to remain competitive, and are demanding end-to-end Internet and e-commerce solutions that can improve every aspect of their operations. Because Internet and e-commerce technologies have developed so rapidly, few businesses currently have employees with the advanced skills necessary to effectively evaluate and implement these technologies successfully.

Companies implementing Internet solutions often must rely on fundamentally new business approaches because these solutions utilize new technologies and allow companies to implement a broad scope of business process improvements. Businesses seeking to realize the benefits provided by Internet solutions face a formidable series of challenges presented by the need to link business strategies with new and rapidly changing technologies and continuously updated content. Similarly, recent trends are changing the marketing communications requirements. Businesses must be able to develop and execute marketing strategies rapidly, because shortening product life cycles reduces lead times for marketing campaigns. New media, including Internet-related services as well as CD-ROMs and interactive kiosks, have emerged as an integral component of an effective marketing and communications strategy.

To perform the multitude of Internet professional services and integrated marketing communications functions in-house, a company would typically have to make substantial commitments of time, money and technical personnel to keep current with rapidly evolving technologies, content presentation techniques and competitors' offerings. Professionals with the requisite strategic, technical and creative skills are often in short supply and many organizations are reluctant to expand their internal information systems or marketing departments for particular engagements at a time when they are attempting to minimize fixed costs to increase returns on investment. At the same time, external

economic factors encourage organizations to focus on their core competencies and limit workforces in the information technology management and marketing areas.

Microforum believes that the rapidly increasing demand for Internet solutions and integrated marketing communications services, combined with the inability of most current providers to supply the full range and integration of strategic, technical and creative skills required by clients, has created a significant market opportunity for an Internet professional services and integrated marketing communications services business.

Microforum provides a range of services involving the design, development, implementation and management of Internet and e-commerce solutions that facilitate and promote communication and commerce between businesses and consumers as well as among businesses and their trading partners. These services are generally delivered in partnership with clients that identify and capitalize on Internet-driven opportunities to improve and expand their businesses.

Success in this type of environment entails more than deploying technology in a way that enhances the manner in which people work. Businesses must create digital processes that manage and deliver important information to those who require it, in order to respond to new opportunities, assess risks and solve problems quickly. Microforum believes that this expertise and experience, together with its combined management talent and business systems and processes, will establish it as a partner for clients seeking to participate in and profit from the new business environment created through the emergence of the Internet and e-commerce.

The Company delivers its integrated service offering through the following operating groups:

- e-Business Solutions
- Strategic Marketing
- Advertising and Public Relations

Historically, the majority of the Company's revenues have been generated from its Strategic Marketing and Advertising and Public Relations businesses. The Company expects that the proportion of overall revenues attributable to its e-Business Solutions business will increase over time as the use of the Internet and e-commerce becomes more widespread.

e-Business Solutions

Microforum is dedicated to providing high-quality complex business-to-business and business-to-consumer e-commerce solutions, digital strategy, technology development, implementation, integration, maintenance, data marketing and data warehousing. The Company offers clients a comprehensive range of services required to identify, design, develop and deploy Internet-based business solutions which complement or expand conventional business processes. Services include digital strategy consulting, e-commerce services and solutions, Internet-based business solutions, enterprise systems integration, knowledge management solutions and creative services.

Digital Strategy Consulting

Microforum's business-level and process-level strategic consulting services assist the Company's clients to successfully develop on-line businesses and improve their overall business processes. The Company utilizes business-level strategic consulting to study and analyze its clients' market position, operating requirements, systems and capabilities to determine how its clients should use the Internet and e-commerce to accomplish their objectives. Microforum works with clients to incorporate Internet and e-commerce solutions into their businesses and to assist in the development of on-line businesses and on-line marketing strategies. Process-level strategic consulting is also utilized with clients that have already incorporated Internet and e-commerce solutions into their businesses to assist them in improving their overall business processes by incorporating on-line system architecture and design with existing Internet and e-commerce solutions, thereby improving operating efficiencies and reducing costs. Internet strategy consulting combines the Company's knowledge of industry dynamics and business processes with an understanding of the client's specific needs.

E-Commerce Services and Solutions

Microforum's primary focus is in the design, development and deployment of sophisticated business-to-business and e-commerce applications. In addition, Microforum designs and develops high-quality business-to-consumer online commerce solutions in order to bring buyers and sellers together via the Internet, ranging from on-line retail sites to electronic procurement systems. Management believes that its strength in e-commerce lies in the Company's ability to integrate its own internally developed software with a client's existing computing and network infrastructure to create a robust e-commerce environment for the client's customers and prospects. The Company is involved in developing on-line storefronts, corporate Intranets/Extranets, custom web-based applications and the integration of enterprise back-end systems with web front-ends.

These solutions can incorporate multiple capabilities including Internet strategy consulting, creative design, information architecture, software engineering, project management, and audio, video and animation production. Other Internet-based business solutions include business information management systems, interactive learning

environments, digital media services, and website development and limited hosting services.

Enterprise Systems Integration

Enterprise systems integration is the integration of e-commerce systems, which automate the receipt, processing and delivery of transaction data and other information, with other corporate software and computer-based applications such as websites and accounting and financial systems. These services are designed to rapidly install and integrate off the shelf products such as Navision's™ Management Solution, an enterprise resource solution, with a client's existing financial accounting system. The Company can convert data, perform acceptance testing and integrate the solution with back-office existing legacy systems to ensure that each client's computer-based applications operate seamlessly and with maximum security.

Knowledge Management Solutions

Microforum is involved in the design and development of business information management systems that assists clients in managing their customer, supplier, and vendor relationships more effectively and provide secure database access. Some of these websites also have the capacity to recognize and profile the types of information in which a user is typically interested. By offering a full data mart solution enabling the client with the means to access, analyze, summarize and update the information, a complete "business intelligence" solution is offered.

New Media Services

Microforum develops solutions that combine video, audio, animation, graphics and content into digital media presentations. The Company's interactive media services include creative website design and development, branding, which is the creation of a unique corporate identity for a client and its products and developing on-line advertising strategies. Developing on-line advertising strategies includes media buying and planning, on-line ad placement, management, tracking, and reporting and on-line promotion and campaign development. As part of an on-line advertising strategy, Microforum also develops affinity programs that link businesses by rewarding one business' clients with products and services of another business. The Company possesses expertise in numerous post-production editing technologies, typically used for the assembly of video and audio content for many of its clients' Internet applications.

Proprietary Technologies

Microforum has the following proprietary technologies, which are generally sold as part of a services engagement and not as stand-alone products:

- **iFrontECS™** - is based on Microsoft® Site Server, Commerce Edition™, and provides a customizable e-commerce solution that is easily adaptable to on-line stores or business-to-business needs.

The iFrontECS™ e-commerce suite of applications provides a customizable, feature-rich e-commerce solution for businesses looking to create an alternative channel for global distribution of products and services. Based on industry standards, the iFrontECS™ solution has been implemented by Petopia.com, Sony Music of Canada and ValueVision International. The iFrontECS™ is applicable to most retail products suitable for direct marketing. With a "plug-n-play" application framework as provided by the iFrontECS™, the Company believes it is well positioned to be a leader in offering its cost-effective solution to retailers and corporate clients.

- **CALMS™** (Credit Adjudication Lending Management Solution) - is an integrated suite of products that originate and facilitate lending transactions over the Internet/Extranet. The CALMS™ suite of applications is connected on-line and in real-time with many of the major credit bureaus in North America and enables equipment dealers, vendors, brokers and other indirect lenders to quickly perform credit check approvals and documentation over the Internet/Extranet. The CALMS™ solution has received numerous awards including Microsoft's 1998 SIA *Best Infrastructure Award*, was one of the finalists worldwide for Microsoft's *Best Independent Solution*, and a finalist for the Microsoft *Best Structured Workflow Product*.

The Company has provided object-oriented, Internet-based lending software to some of North America's largest financial and business services companies, including Fair Isaac & Co., First National Equipment Financing (a division of First National Bank of Omaha), evedent Corporation, National Bank of Canada, Newcourt Credit Group (now CIT Group), AT&T Capital Canada, Federated Financial Reserve Corporation, Financial Pacific Corporation and National Leasing Group. Geographically, the Company has concentrated its sales of this product within North America, but it has also successfully implemented systems in Australia.

- **CEPortô** - is a proprietary XML-based mobile content technology which allows web content to be made available to multiple devices including palm PCs, web TV boxes and wireless equipment such as web-enabled phones and hand-held devices.
- **TMS™** (Training Management System) - is a training management program which automates the delivery, tracking and monitoring of training programs using on-line and CD-based technology. The program provides for increased retention levels, compressed training time, better consistency of learning over other methods of training and better defined feedback for improving product and service knowledge. The Company has implemented TMS™ in more than 1,700 Tim Horton's stores across Canada to manage its training programs.

- **KnowledgeFrame** - is an on-line browser-based data analysis and reporting solution for e-business environments to be integrated with Microforum's iFrontECS™ e-commerce suite of applications.

Strategic Relationship with Microsoft

Microforum is a "Microsoft Certified Solutions Provider Partner" and one of 50 companies worldwide, and one of two Canadian companies, appointed to Microsoft's Commerce Partner Advisory Board, an industry strategy group designed to establish protocols for digital commerce. The Company's Senior Vice-President, Strategic Development & Chief Technology Officer, Marco Argenti, serves on this board on behalf of the Company. See "Item 7 – Directors and Officers". As a result of its Microsoft "Partner" status and its seat on the Advisory Board, Microforum is often invited to participate in alpha/beta testing programs and development labs for several Microsoft products and technologies. The Company regularly meets with members of Microsoft's Commerce development team to discuss e-commerce technologies in an effort to ensure that future development and enhancements to the iFrontECS™ technology suite will be compliant with the Microsoft Back Office™ and Commerce Server™ product line.

Clients

The following represents certain of the Company's key clients in the e-Business Solutions group:

- | | |
|--------------------|---|
| ElectronicCommerce | <ul style="list-style-type: none">• Ford Motor Company of Canada (Inford dealer communication Extranet solution)• Chapters Online (on-line book store)• Petopia.com (on-line pet store)• Sony Music of Canada (on-line B2E music store)• Value Vision International, Inc. (on-line shopping network)• Wasteclick (waste industry portal)• Clearwater Foods (seafood portal)• Microsoft Corporation (multiple consulting engagements)• Tim Hortons (e-learning solution) |
| Financial Services | <ul style="list-style-type: none">• Fair Isaac & Co. ((CALMS™ ASP implementation)• National Bank of Canada (CALMS™ implementation)• First National Bank of Omaha (CALMS™ implementation)• Newcourt Credit Group (now CIT Group) (financial services implementation)• Financial Pacific Corporation (CALMS™ implementation)• Federated Financial Reserve Corporation (CALMS™ implementation) |

- | | |
|----------------------|---|
| Enterprise Solutions | <ul style="list-style-type: none">• World Hearth (ERP system integration)• VisTek (ERP system integration)• Lexmark (ERP system integration)• World Vision Canada (ERP system integration) |
| Knowledge Management | <ul style="list-style-type: none">• Consumers Packaging• Management Board Secretariat• Hostess Frito-Lay• Macrotech• Petopia.com• Ministry of Education |
| New Media | <ul style="list-style-type: none">• Canon Canada (CD-ROM based learning products)• DKNY (CD-ROM based marketing products)• Sharp Electronic Corp. (CD-ROM based learning products)• Ford Motor Company of Canada (CD-ROM based marketing products)• Bombardier (CD-ROM based learning products) |

The Company's client engagements are increasingly involving a combination of e-Business Solutions, Marketing Services and Advertising and Public Relations.

Strategic Marketing

Microforum's Strategic Marketing business provides turn-key marketing communications solutions to North American based clients that include: strategic marketing and planning; web design and new media; production execution; point of sale support; permission marketing; contest and incentives design and administration; special event management; corporate conference co-ordination; customer response centres; warehousing and fulfillment; database creation, management and retrieval.

The Company has developed a vertical presence within the automotive industry and believes its recognized strengths are creativity, innovation and quality. Each discipline is managed within a quality environment utilizing ISO9001-94 as well as Q1 quality operating standards established by the Ford Motor Company of Canada ("Ford"). Microforum was one of the first Canadian marketing services companies to achieve Q1 status conferred by Ford. Pursuant to a Memorandum of Agreement dated May 1, 1997 between Ford and PPL, a predecessor corporation to the Company (the "Ford Agreement"), the Company is responsible for creating, designing and developing marketing projects assigned and authorized by Ford personnel. The Company has developed a diverse range of services that have resulted in business opportunities with a diverse array of organizations such as Rapp Collins (a division of Omnicom), Merisel, Sony Music of Canada, Canada Trust, Cadbury Schweppes, Canon, Robotic Technology Services, Lifescan (a divisions of Johnson & Johnson) and Pepsi Cola Canada.

With the continuing trend by major sophisticated marketers to out-source marketing services, the Company believes that its Strategic Marketing business is well positioned to take advantage of these opportunities. The strengths of the Strategic Marketing business include the development of strategic marketing plans, production of support materials, special event management, customer response centres, and contest and incentive programs. Current clients include Ford, Sony Music of Canada, Inglis and ManuLife Financial.

Advertising and Public Relations

Microforum carries out its Advertising and Public Relations services operations through its wholly-owned subsidiary, Microforum Communications, an integrated communications and full-service advertising agency, providing communications solutions that include creative advertising, public relations, direct marketing implementation and support, Internet/new media and strategic marketing brand support. The Company believes that one of its key strengths is its ability to combine these historically independent and distinct communications disciplines into cohesive marketing communications programs for diverse clients.

The Advertising and Public Relations business has developed a vertical presence in the gaming industry and also has core expertise in developing branding strategies for technology companies. The Company's largest account in this business unit is with CasinoRama. Pursuant to an agency agreement dated April 17, 1999 between CasinoRama and Marshall Fenn (the "CasinoRama Agreement"), Marshall Fenn was engaged as the agency of record in a non-exclusive capacity for the provision of advertising services for a one year period commencing May 6, 1999.

Microforum's communications services, which can be executed in connection the development of both on-line and off-line programs, include the following:

- *Strategic Corporate and Product Positioning, Corporate Identity, and Product Branding.* The Company analyzes its client's products or services and the market for those services, and develops a unique selling proposition for either a company or product that can be differentiated from the competition. In addition, a creative look and feel that establishes the appropriate corporate or brand personality is also developed.
- *Web Design and New Media.* The Company develops media and technology solutions to help clients deliver a consistent and effective marketing message through traditional and digital channels.
- *Advertising and Media Placement.* The Company designs cross-media advertising, including broadcast and/or print advertising, to generate awareness of a company, product, or service over an extended period of time. The Company also provides

strategic planning, negotiation and assistance with the purchase of both traditional and new media.

Clients

Microforum's key Advertising and Public Relations clients include the following:

Advertising and Public Relations

- Carnival Hotels & Casinos
- KPMG LLP (National Marketing)
- Ontario Lottery Corporation
- Star Data
- Imperial Oil

Digital Branding Clients

- International Leisure Systems
- AT&T Internet and e-Business Services
- Thomson Corporation
- EMed Technologies

The advertising and public relations industry is based on professional consultancy. Sales are generated as a result of existing business relationships, referrals, cold calling, networking activities and advertising in trade publications. The Company has created a network of affiliate firms throughout Canada to enhance its ability to service clients nationally on a cost effective basis. Much of the new business expansion is generated through the cross selling of services. The Company will focus on promoting its expertise in specific industry sectors including high technology, sports and entertainment marketing and capitalizing on its reputation in the North American gaming industry as it is one of only two advertising agencies in the province of Ontario to be licensed by the Ontario Gaming Commission to provide non-gaming services to the Province of Ontario.

Sales and Marketing

Distribution channels for integrated e-commerce services will develop around the Company's expansion into the U.S. market. In 1999, Microforum opened up a production office in San Francisco, California to service regional business as well as a sales office in Chicago, Illinois as a result of the acquisition of Frameworks. As a result of the purchase of certain assets of flashCast, the Company opened up an office in Seattle, Washington in May 2000. Within the Canadian marketplace, the Company opened up offices in Halifax, Nova Scotia in May 2000 and Vancouver, British Columbia in June 2000. The Company's acquisition strategy is to expand into the U.S. market and it is currently examining a number of potential transactions. See "Acquisition Strategy". The Company expects to complete its previously announced letter of intent to acquire Blue by the end of July 2000, which will result in the Company having an office in New York City. Expansion in the U.S. is expected to provide the Company with a solid base to secure additional U.S. clients. Additionally, management believes that expanding the resources pool in Canada as a "back end" development shop for sales made in the U.S. will provide the Company with a further competitive advantage by leveraging the current currency exchange differential.

Leveraging its strong partnership with Microsoft, Microforum expects to identify other Microsoft Certified Solutions Provider Partners to partner with implementations of the iFrontECS™ solution for their clients. As an example, Micro Modeling Associates Inc. (now Plural Inc.) utilized the iFrontECS™ suite ValueVision International, Inc.'s on-line home shopping network.

Management believes that focused sales efforts in the financial services market of the CALMS™ solution, together with the additional technical capabilities and sales depth as a result of the acquisition of Frameworks, should support increased sales of CALMS™. The Company believes it can rely upon a number of successful U.S. implementations of its CALMS™ solution as a means of strengthening its ability to compete in this arena.

The tables and paragraphs below provide a breakdown of the Company's revenues from sales from continuing operations and related services based on geographic area and by source for fiscal 2000 and 1999.

Revenues by Geographic Area for the years ended February 28/29

For the year ended February 29, 2000 all of the Company's audited revenue of \$47,806,569 was generated in North America. Similarly, for the year ended February 28, 1999, all of the Company's audited revenue of \$29,148,575 was generated in North America.

Revenue by Source for the years ended February 28/29 (in 000's of Cdn.\$)

<i>(unaudited)</i>	2000		1999	
<i>e-Business Solutions</i>				
Content	\$ -	0%	\$ 137	0%
Services	11,344	24%	559	2%
Intercompany sales adjustments	(1,100)	-2%	(64)	0%
<i>Internet</i>	<u>10,244</u>	<u>21%</u>	<u>632</u>	<u>2%</u>
Duplication / Replication	\$ 3,254	7%	\$ 3,177	11%
Contract services	2,049	4%	1,408	5%
Other	-	0%	100	0%
Intercompany sales adjustments	(1,214)	-3%	(111)	0%
<i>Multimedia</i>	<u>4,089</u>	<u>9%</u>	<u>4,574</u>	<u>16%</u>
	\$ 14,333	30%	\$ 5,206	18%
<i>Strategic Marketing</i>				
Marketing	\$ 18,294	38%	\$ 10,557	36%
Fixed programs	2,116	4%	2,246	8%
Distribution - PPL Marketing	1,016	2%	1,761	6%
Distribution - Poste Haste Systems Inc.	620	1%	1,077	4%
Intercompany sales adjustments	(517)	-1%	(169)	-1%
	\$ 21,529	45%	\$ 15,472	53%
<i>Advertising and Public Relations</i>				
Consulting and production fees	\$ 4,876	10%	\$ 2,556	9%
Media revenue	6,718	14%	5,405	19%
Other	398	1%	510	2%
Intercompany sales adjustment	(48)	0%	-	-
	\$ 11,992	25%	\$ 8,471	29%
Total revenue	\$ 47,854	100%	\$ 29,149	100%

For the year ended February 29, 2000, the Company earned a significant portion of its revenue from three (1999 – two) customers, namely Ford, CasinoRama and Rapp Collins (a division of Omnicom Inc.). As at February 29, 2000, approximately 35% (1999 – 51%) of the accounts receivable balance and 56% (1999 – 55%) of revenues for the period then ended were derived from such customers. While the Company has a diverse and expanding client list, the loss of these customers could have an adverse impact on the Company's business and results of operations. Although the Company believes that due to the duration and strength of its relationship with these clients, existing contracts will continue to operate throughout their entire term and will be extended in the ordinary course, there can be no assurance that extensions will be exercised or contracts will be renewed at their scheduled expiration.

Acquisition Strategy

The pursuit of growth opportunities and strategic acquisitions of e-commerce development and technology companies in Canada and the United States is a key element of the Company's business strategy. Acquisition opportunities will be considered by Microforum where the target has complementary technology, and where the Company can add value by improving profitability with its skills, technology or management approach.

Competition

The markets for the Company's products and services are competitive and rapidly expanding. Microforum faces numerous competitors in its markets, which compete with the Company in one or more of its operations. The Company believes that its ability to successfully compete depends primarily upon its broad range of e-commerce, creative and database marketing services and its ability to penetrate the U.S. marketplace. The Company's main competitors in its e-Business Solutions group include Cyberplex Inc., OnX Inc., Nurun Inc., Netgraphe Inc., BCE Emergis Inc., Caught in the Web Inc., Burnt Sand Inc. and Axia Media Inc. in Canada and Razorfish Inc., iXL Holdings Inc., Proxicom Inc., Scient Inc., Sapient Corp., March First Inc., Viant Corp., Organic Inc., Agency.com Inc., Inforte Corp., Rare Medium Group Inc., Xpedior Inc., Clarus Corporation, Lante Corp. and AppNet Inc. in the U.S. The Company's main competitors in its Marketing Services group include Barry Raynor & Associates Inc., Meritz Canada Inc. and in the area of creative services include ICE, Digital Renaissance, McGill Multimedia, Sutjava.com and Tudhope Associates in Canada, and a multitude of competitors in the U.S. The Company's main competitors in its Advertising and Public Relations group include Envoy, Bradworks, The Ginko Group and Communique in Canada and numerous competitors in the U.S.

Facilities

Effective mid-September, 2000, the Company will be consolidating its various operations located in the Greater Toronto Area into two facilities. The Company has entered into a 10-year lease agreement expiring on August 31, 2010 for 81,170 square feet of office space located at 150 Ferrand Drive in Toronto, Ontario. The Company will continue to occupy its current leased facility comprised of approximately 42,145 square feet located at 6050 Tomken Road in Mississauga, Ontario.

The Company's additional operating facilities outside of the Greater Toronto Area include the following leased offices:

City	Address	Square Feet
Chicago, Illinois	Cantera Centre 4320 Winfiled Road, Suite 200 Warrenville, Il 60555	< 1,000
Halifax, Nova Scotia	1959 Upper Water Street, Suite 508 Purdy's Wharf Tower Halifax, NS B3J 3N2	4,163
San Francisco, CA	425 Market Street, Suite 2200 San Francisco, CA 94105	< 1,000
Seattle, WA	14-400 Bel-Red Road, Suite 207 Bellevue, WA 98007	1,939
Vancouver, BC	1107 Homer Street, Suite 204 Vancouver, BC V6B 2Y1	1,226

All existing and planned lease arrangements are with arm's-length third parties and the terms and conditions of each of the leases are commercially standard. Management believes that its new facilities will be adequate to support its present operations. Additionally, the Company intends to vacate certain of its leased premises acquired as a result of various acquisitions in the Greater Toronto Area. The Company has retained a real estate firm to assist with subletting these premises and expects to substantially mitigate its relocation costs.

Human Resources

As of July 14, 2000, Microforum employees approximately 430 persons, of which 206 persons are involved with the e-Business Solutions group. Management believes that its human resources constitute a significant asset and provide the Company with a competitive advantage. The Company employs a number of highly skilled programmers, graphic artists and technicians, most of whom have received training and experience with larger companies in developing business applications and solutions. In order to retain (and continue to attract) such multi-talented individuals, management has fostered a dynamic, creative, fast-paced yet flexible working environment conducive to individual expression and individual development. Microforum believes that its work environment provides an opportunity for individuals to make significant contributions to the overall success of the Company, and therefore will allow the Company to continue to recruit and retain highly skilled personnel. As well, the ability of certain employees to acquire an equity position in the Company through the Company's stock option plan serves as a valuable inducement to attract and retain personnel. In addition, the Company has implemented a profit-sharing arrangement for certain personnel subject to the satisfaction by the Company of specified revenue and profitability targets.

ITEM 4 - SELECTED CONSOLIDATED FINANCIAL FIVE YEAR INFORMATION

All consolidated financial information is in Canadian dollars.

	<u>Years ended February 28 (or 29)</u>				
	2000	1999	1998	1997	1996*
	(Canadian dollars in thousands, except per share data)				
Sales	\$47,806	\$29,149	\$5,230	\$5,910	\$12,315
Gross Profit	\$18,272	\$9,533	\$2,489	\$563	\$6,548
Net Income (Loss)	(\$2,591)	(\$2,850)	(\$8,011)	(\$10,529)	\$326
Earnings (Loss) per Share:					
Basic	(\$0.08)	(\$0.17)	(\$1.01)	(\$2.30)	\$0.09
Fully Diluted	-	-	-	-	\$0.09
Total Assets	\$93,374	\$18,616	\$7,876	\$9,997	\$10,941
Long-term debt	Nil	\$1,246	\$1,086	\$3,849	\$1,486

*Includes discontinued software publishing operations.

The following is a summary of certain of the financial information of the Company for each of the eight quarters ending February 29, 2000.

Quarterly Results of Operations 2000				
(unaudited)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Canadian dollars in thousands, except per share data)				
Net Sales	\$9,707	\$10,891	\$13,079	\$14,128
Net Profit (Loss)	(\$170)	(\$178)	\$99	(\$2,342)
Loss per Share:				
Basic	(\$0.01)	(\$0.01)	\$0.01	(\$0.07)
Fully Diluted	-	-	-	-

Quarterly Results of Operations 1999				
(unaudited)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Canadian dollars in thousands, except per share data)				
Net Sales	\$6,198	\$7,117	\$9,059	\$6,775
Net Profit (Loss)	(\$107)	(\$415)	(\$3,083)	(\$540)
Loss per Share:				
Basic	(\$0.01)	(\$0.03)	(\$0.18)	(\$0.03)
Fully Diluted	-	-	-	-

The Company has never paid cash dividends on its Common Shares or Preferred Shares (of which none are issued) and does not anticipate paying cash dividends in the foreseeable future, but intends to retain future earnings for reinvestment in its business. Any future determination to pay cash dividends will be at the discretion of the Board of Directors, subject to compliance with any contractual restrictions, and will depend upon the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deems relevant.

ITEM 5 - MANAGEMENT'S DISCUSSION AND ANALYSIS

The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operation" contained on pages 6 to 9 of the Company's 2000 Annual Report which was mailed out to shareholders of the Company on June 2, 2000 is hereby incorporated by reference. A copy of this document is available on the Company's web site and may also be obtained from the Company upon written request to the Secretary of the Company and has been filed and is available on SEDAR (www.sedar.com).

ITEM 6 - MARKET FOR SECURITIES

The Company's Common Shares are listed and posted for trading on The TSE under the symbol "MCF" and options on its Common Shares are quoted for trading on the Montreal Exchange.

ITEM 7 - DIRECTORS AND OFFICERS

Each director holds office until the close of business of the following annual meeting of shareholders of the Company following his election unless his office is earlier vacated in accordance with the Company's by-laws.

Management History

The following is a brief biography of each of the existing directors and officers of the Company (elected or appointed as the case may be on June 28, 2000) as well as a description of their respective principal occupations during the past five years:

Name and Position and/or office with Company	Present Principal Occupation	Year Became Director /Officer
MARCO ARGENTI Senior Vice-President, Strategic Development, Chief Technology Officer & Director	Senior Vice-President, Strategic Development & Chief Technology Officer of the Company	1998
FRANÇOIS M. DE GASPÉ BEAUBIEN ⁽²⁾ Director	Co-Chief Executive Officer Telemedia Corporation	1999
J. EFRIM BORITZ ⁽¹⁾⁽³⁾ Director	Professor, School of Accounting, University of Waterloo	1997
DWIGHT B. CRANE ⁽¹⁾ Director	Professor, Harvard Business School, Harvard University	1999
D. DAWSON LANE Vice-President, Enterprise Solutions	Vice-President, Enterprise Solutions of the Company	2000

Name and Position and/or office with Company	Present Principal Occupation	Year Became Director /Officer
JEFF HALLORAN Vice-President, Knowledge Management	Vice-President, Knowledge Management of the Company	2000
FRANK HELWIG Vice-President, Online Commerce	Vice-President, Online Commerce of the Company	2000
BRUCE HODGES Vice-President, eFinancial Services	Vice-President, eFinancial Services of the Company	2000
MIKE HOLLAND Vice-President, eFinancial Services	Vice-President, eFinancial Services of the Company	2000
FRANK IADIPAULO Chief Financial Officer	Chief Financial Officer of the Company	1997
JASON MERETSKY Vice-President, Corporate Affairs, General Counsel & Secretary	Vice-President, Corporate Affairs, General Counsel & Secretary of the Company	1999
KEN NICKERSON ⁽³⁾ Director	Founder of Ibinary Corp (wireless technology firm)	1999
DONALD W. PATERSON ⁽¹⁾⁽²⁾⁽³⁾ Director	President, Cavandale Company (corporate consultant)	1996
HOWARD A. PEARL ⁽⁴⁾ Chief Executive Officer and Director	President and Chief Executive Officer of the Company	1998
JOHN PETERS Vice-President, Microforum Atlantic	Vice-President, Microforum Atlantic of the Company	2000
THE HON. DAVID R. PETERSON, P.C., Q.C. ⁽⁴⁾ Chairman of the Board	Senior Partner, Cassels Brock & Blackwell LLP (law firm)	1996
MIKE SANKEY Vice-President, Business Development	Vice-President, Business Development of the Company	2000
PAUL SCHOLZ Vice-President, Wireless Advanced Research	Vice-President, Wireless Advanced Research of the Company	2000
RICK SEGAL President & Chief Operating Officer	President & Chief Operating Officer of the Company	2000
STEVEN C. SMALL ⁽²⁾⁽³⁾⁽⁴⁾ Director	President and Chief Executive Officer of Capital Partners Corporation (merchant bank)	2000
ERIC SNYDER Vice-President, Automotive & Manufacturing Services	Vice-President, Automotive & Manufacturing Services of the Company	2000

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Acquisition Committee.
- (4) Member of the Nominating and Governance Committee.

As of July 14, 1999, the current directors and senior officers of the Company and its subsidiaries as a group owned beneficially, directly and indirectly, 4,271,498 Common Shares representing 10.6% of the issued and outstanding shares of the Company.

Management History

The following is a brief biography of each of the current directors and officers of the Company as well as a description of their respective principal occupations during the past five years:

Marco Argenti is the Senior Vice-President, Strategic Development, Chief Technology Officer and a director of the Company. Mr. Argenti joined the Company in 1996 when the Company acquired his software development company, Dreamware s.r.l. Mr. Argenti is a pioneer in the development of e-commerce business solutions including the iFrontECS™, having been recognized in his field by market leader Microsoft Company. Mr. Argenti has founded and operated several high technology companies and has utilized his extensive experience in Internet technologies to develop the strategies of iFront. Mr. Argenti is currently one of 50 persons worldwide appointed to Microsoft's Commerce Partner Advisory Board. Mr. Argenti is also a member of the Institute for Electrical & Electronic Engineers (IEEE) and is a guest lecturer at the University of Waterloo. Mr. Argenti holds a Masters degree in Computer Engineering from the University of Pisa, Italy.

François M. de Gaspé Beaubien is a director of the Company and was elected to the board of directors on May 27, 1999. Since January 1, 2000, Mr. de Gaspé Beaubien has been the Co-Chief Executive Officer of Telemedia Corporation. Prior to January 1, 2000 he was the President, Publishing Division and also held the position of Executive Vice President, Business Development of Telemedia Communications Inc. since 1998, where he was responsible for the North American publication of various magazines which include Canadian Living, Coup de pouce, TV Guide, Style at Home, Homemakers and Sympatico Net Life. Prior to joining Telemedia Communications Inc., Mr. de Gaspé Beaubien was President of Québec's leading publishing company, Les Éditions Télémedia (July 1994-December 1995), Group Publisher of Telemedia Communications (U.S.A.) Inc., (1992-1994), Vice-President, Operations of Telemedia Communications (U.S.A.) Inc. (1990-1991), and Vice-President, Operations of New England Monthly Magazine (1989-1990). Mr. de Gaspé Beaubien holds a Masters of Business Administration from the Harvard Business School and a Bachelor of Arts (Honours) from Haverford College.

J. Efrim Boritz is a director of the Company and was elected to the board of directors in 1997. Since 1983, Dr. Boritz has been a professor at the School of Accounting at the University of Waterloo. Dr. Boritz is a Chartered Accountant, Certified Information Systems Auditor and holds a Doctorate degree from the University of Minnesota and a Bachelor of Arts and a Masters of Business Administration from York University.

Dwight B. Crane is a director of the Company and was elected to the board of directors on July 5, 1999. Since 1969, Dr. Crane has been a member of the Faculty of Finance at the Harvard Business School where he had been active in the financial institutions field for many years and has published works on a wide range of management and strategic issues. Dr. Crane has held several administrative positions at the Harvard Business School including Chairman of Finance Faculty (1978-1980), Director of Research (1984-1989), Senior Associate Dean of Faculty Development (1990-1993), Senior Associate Dean and Director of Research (1995-1997) and Senior Associate Dean of Faculty Development (1998-1999). Dr. Crane has been a consultant to a number of financial institutions and companies and is also a member of the board of directors of the Smith Barney Appreciation Fund and other mutual fund companies sponsored by Salomon Smith Barney. In 1995, Dr. Crane was appointed to the Financial Services Advisory Committee for the Commonwealth of Massachusetts. Prior to joining the Harvard Business School, Dr. Crane was an economist and Director of Operations Research at Mellon Bank in Pittsburgh. Dr. Crane is a graduate of the Massachusetts Institute of Technology and attended the University of Michigan for his Masters of Business Administration. He received his Ph.D. in economics from Carnegie Mellon University.

D. Dawson Lane is Vice-President, Enterprise Solutions of the Company. Mr. Lane joined the Company in August 1999 when the company he founded in 1990, Q-Inter Applications Inc., was acquired by the Company. He has founded and operated several high technology companies and has extensive experience in Internet and Enterprise Resource Planning technologies. Mr. Lane is currently responsible for Microforum's Enterprise Solutions team. Mr. Lane is the past President of the Association of Microsoft Solution Providers and member of the Convergent Engineering Institute of San Mateo, California. Mr. Lane has participated on advisory boards for software vendors such as Navision, Solomon Software, Open Systems and Microsoft. Mr. Lane holds Bachelor of Economics Degree from the University of Calgary.

Jeff Halloran is the Vice-President, Knowledge Management of the Company. Prior to joining Microforum in March 2000, he was the founder and CEO of Relational Solutions (since 1989). This firm specialized in Information Management providing solutions in the form of Strategic Information Planning, Business Process Re-Engineering, and improving businesses through the use of today's enabling technologies. Relational Solutions' international client base was generally comprised of members of the Fortune 500. Prior to establishing Relational Solutions, Mr. Halloran was responsible for assisting Oracle Corporation in establishing its Canadian Consulting practice (1986-1989).

Frank Helwig is the Vice-President, Online Commerce of the Company. Mr. Helwig joined Microforum in April 1996. Prior to joining the Company, he ran his own software localization and consulting business from 1995 to 1996, after leaving a teaching position at York University. Mr. Helwig holds a Masters degree from Friedrich Alexander University in Erlangen, Germany

Bruce Hodges is Vice-President, e-Financial Services of the Company. Mr. Hodges joined Microforum in 1999 and was formerly Vice-President of Sales and Marketing for e-business solutions at Software Guaranty Inc. (1998-1999), a company acquired by Microforum. Prior to joining Microforum, Mr. Hodges worked in the financial services industry gaining valuable experience with the Toronto Dominion Bank, the Royal Bank of Canada, and Canada Trust (1990-1998). Mr. Hodges holds both a Bachelor of Commerce degree and Masters of Business Administration degree with a focus on financial service from Wilfrid Laurier University. Mr. Hodges currently teaches an e-commerce course to MBA students at Wilfrid Laurier University. Mr. Hodges is a regular speaker at financial services conferences and has published articles related to e-financial offerings in industry trade magazines. Mr. Hodges has also published research with the Canadian Banker's Association.

Mike Holland is the Vice-President, e-Financial Services of the Company. Mr. Holland joined Microforum in December 1999 and prior to that was the founder and President of Frameworks (1989-1999), a company acquired by the Microforum in 1999. Mr. Holland brings extensive experience in business, communications and technology to Microforum arising from his past involvement with Frameworks (which was owned by McGill Publishing from 1995-1997). and following his successful career as an executive in various companies specializing in serving the corporate communications sector.

Frank Iadipaolo is the Chief Financial Officer of the Company. Mr. Iadipaolo joined the Company in February 1997 and assumed responsibility for financial and treasury related planning, reporting and control functions. Mr. Iadipaolo is a Chartered Accountant with senior management experience gained in the financial services sectors as well as with major corporations having significant international sales and distribution activities. Mr. Iadipaolo acted as General Manager of a consulting and benefits administration service organization (1995-1996). He has also successfully provided consulting services to facilitate the orderly expansion or commencement of operations for companies in the software, environmental remediation and applied technology sectors.

Jason D. Meretsky is the Vice-President, Corporate Affairs, General Counsel and Secretary of the Company. Mr. Meretsky joined the Company in February 1999 and assumed responsibility for legal compliance, corporate governance, mergers and acquisitions and is a senior member of the management team. Prior to joining the Company, Mr. Meretsky practiced corporate and securities law with Cassels Brock & Blackwell LLP (1996-1999) as well as Gowling, Strathy & Henderson (1994-1996). Mr. Meretsky holds a Masters of Business Administration degree from the Schulich School of Business at York University and a Bachelor of Laws degree from Osgoode Hall

Law School. Mr. Meretsky was called to the bar in 1996 and is a member of the Law Society of Upper Canada.

Ken Nickerson is a director of the Company and was elected to the board of directors in 1999. Since January 2000, Mr. Nickerson is a founder of Ibinary Corp., a private wireless technology firm. Mr. Nickerson previously acted as General Manager of the Microsoft Network (MSN) in Canada, a wholly-owned subsidiary of Microsoft Corporation, and was responsible for all e-commerce and consumer activities in Canada (1991-1999). Prior to joining Microsoft in 1991, Mr. Nickerson worked in software engineering for several banking and insurance concerns and was the Vice President of Technology for a major Canadian communications company. Mr. Nickerson is a member of the Institute of Electrical & Electronic Engineers (IEEE) and the Association of Computer Machinery (ACM).

Donald W. Paterson is a director of the Company and was elected to the board of directors in 1996. Since 1989, Mr. Paterson has been the President and founder of Cavandale Corporation, a strategic corporate consulting firm that specializes in providing corporate consulting to emerging growth companies largely in the technology sector. Prior thereto, Mr. Paterson was a director and Vice-President at Wood Gundy Inc., a major Canadian investment dealer where he was principally involved in the identification and financing of emerging growth companies.

Howard A. Pearl is the Chief Executive Officer of the Company. Mr. Pearl initially joined the Company's management team on April 3, 1998 as the President of PPL, Marshall Fenn and Poste Haste, wholly owned subsidiaries of the Company, and assumed the President and Chief Executive Officer positions on November 11, 1998. Prior to joining the Company, Mr. Pearl established a number of growing successful business ventures in the communications and marketing fields. Mr. Pearl acquired a controlling interest in PPL in May 1993, Marshall Fenn in December 1995 and Poste Haste in July 1997. Mr. Pearl has been a guest lecturer at the Institute of Dynamic Business Management in Geneva, and is graduate of the OPM Program at Harvard Business School.

John Peters is the Vice-President, Microforum Atlantic of the Company. Dr. Peters joined Microforum in May 2000 as a result of the acquisition of Icom Alliance Inc. Dr. Peters has assumed responsibility for growing Microforum Atlantic office into an e-business centre of excellence, serving Microforum clients in all markets, as well as providing a focal point for the Company's research and development initiatives. Formerly President of Icom Alliance Inc. (1997-2000) and EOR Information Technologies Limited (1985-1997), Dr. Peters has experience in successfully building high technology teams, delivering technology services and managing research and development. Dr. Peters has a PhD in Geophysics from the University of Liverpool, England, and has spent most of his professional career in the design and execution of advanced technology projects

The Honourable David R. Peterson is the Chairman of the board of directors of the Company and was elected to the board of directors in 1996. Since 1991, Mr. Peterson has

been the Chairman of the law firm of Cassels Brock & Blackwell LLP in Toronto, Ontario. Prior to joining Cassels Brock & Blackwell LLP, Mr. Peterson served as the Premier of the Province of Ontario. Mr. Peterson has been named as a respondent in an enforcement proceeding initiated by the Ontario Securities Commission in connection with YBM Magnex International, Inc., which company Mr. Peterson served as a director of from 1996 until 1998.

Mike Sankey is the Vice-President, Business Development of the Company. Mr. Sankey joined Microforum in July 1996 and is responsible for integrated business development throughout the organization. In his prior role, Mr. Sankey led the successful development of Microforum's Strategic Marketing Division (July 1996-May 2000). Mr. Sankey has provided consulting and business management services to the automotive industry in North America and held marketing positions in the European Foodservice manufacturing industry (1988-1996).

Paul Scholz is the Vice-President for Wireless Advanced Research and directs the Company's Advanced Research Laboratory in Seattle. Mr. Scholz joined Microforum in May 2000, as part of the purchase of CEPort™, a proprietary XML-based mobile content technology. Mr. Scholz is the principal architect of the Company's wireless solutions. Prior to joining Microforum, Mr. Scholz was President and CEO of flashCast Communications Corporation (1996-2000) where he led a team of world-class web developers in advanced product development for DirectX Multimedia, Windows Media, and Windows CE divisions of Microsoft Corporation. He consulted for various U.S. defense corporations from Baltimore to the Bay area for fifteen years before starting FlashCast and served as a Systems Engineering and Technical Assistance contractor at the Defense Advanced Research Projects Agency (Office of the Secretary of Defense, 1988-1990). Mr. Scholz is a graduate of the U.S. Army Officer Candidate School and served six years on active duty (1975-1981).

Rick Segal is the President and Chief Operating Officer of the Company. Mr. Segal joined the Company in July 2000 from Chapters Online Inc. (TSE:COL), a leading Canadian e-commerce company, where he held the position of President and Chief Operating Officer (1997-2000). Widely known in the industry, Mr. Segal brings over twenty years of technical and strategic experience. Prior to joining Chapters Online, Mr. Segal was a partner with TMS Consulting, an international consulting firm where he managed the international division's Internet development and consulting services. Mr. Segal worked at Microsoft Corporation in Redmond, Washington from 1991 until 1997. His most recent position at Microsoft was the Director of Technical Services for the Internet Customer Unit, where he managed a group of 40 technical specialists. He led the first generation development of such notable websites as MarthaStewart.com and Barnes&Noble.com, among others. As the Director of Educational Initiatives for Microsoft, Mr. Segal created regional and national educational software and web site programs. He is also the author of four books on Network Management and Windows software development. Mr. Segal is an internationally recognized speaker.

Steven Small is the Founder, President and CEO of Capital Partners Corporation, a merchant banking business established in 1997. Prior to that Dr. Small has over 15 years of experience in the venture capital and investment sector and has been a founding shareholder of several businesses including the Newcourt Credit Group (which merged with the CIT Group Inc in late 1999). In addition to his merchant banking career Dr. Small is Founder and senior managing partner of a large Dental Anaesthesiology practice. He obtained his Doctorate of Dental Surgery and a Degree in Anaesthesiology from the University of Toronto in 1972 where he also served as Associate Professor of Anaesthesia from 1972 to 1997.

Eric Snyder is the Vice-President, Automotive and Manufacturing Services of the Company. Mr. Snyder joined Microforum in March 1992, and is responsible for the development and delivery of complete, end-to-end marketing and e-business solutions for the Company's automotive and manufacturing clients. After attending McMaster University, Mr. Snyder joined Ford of Canada and held a number of management positions within its Sales and Marketing Divisions. Mr. Snyder left Ford in 1976 to pursue a career in the retail automotive field, which included senior management positions with a number of large automotive retailers, as well as owning and operating his own dealership in Vancouver.

ITEM 8 – RISK FACTORS

The business of the Company is subject to a number of risk factors, including those risk factors set forth below:

Future Capital Needs and Uncertainty of Additional Financing

The Company may need to raise additional funds in the future in order to take advantage of its growth opportunities. These opportunities may require a more rapid expansion or acquisitions of complementary businesses or technologies, the development of new products and other responses to competitive pressures. There can be no assurance that additional financing will be available on terms favourable to the Company, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of strategic opportunities, develop new products and services or otherwise respond to competitive pressures.

Competition

The market for the Company's e-Business services is highly competitive and may be intensified as additional market entrants develop in-house capabilities for multimedia production and turn-key software solutions for on-line retail environments. Increased competition may result in significant price competition, reduced profit margins and/or a reduction in sell-through of the Company's products. The Company believes that the principal competitive factors in the market for e-commerce products and services include: (i) functionality; (ii) performance and reliability of technology and methodology; (iii) depth

and experience; (iv) availability and productivity of personnel; and (v) price. There can be no assurance that the Company will have the resources required to respond effectively to market or technological changes or to compete successfully with current or future competitors or that competitive pressures faced by the Company will not materially and adversely affect its business, operating results and/or financial position. Many of the Company's competitors have longer operating histories, larger client bases, longer relationships with clients, greater brand or name recognition and significantly greater financial, technical, marketing and public relations resources than the Company.

Additionally, there are relatively few barriers preventing competitors from entering the multimedia services and Internet development markets. The Company does not have any patented technology for these markets that precludes or inhibits competitors. Existing or future competitors may develop or offer services that are comparable or superior to the Company's at a lower price, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence on Key Customers

For the year ended February 29, 2000, the Company earned a significant portion of its revenue from three (1999 – two) customers, namely Ford, CasinoRama and Rapp Collins (a division of Omnicom Inc.). As at February 29, 2000, approximately 35% (1999 – 51%) of the accounts receivable balance and 56% (1999 – 55%) of revenues for the period then ended were derived from these customers. While the Company has a diverse and expanding client list, the loss of these customers could have an adverse impact on the Company's business and results of operations. Although the Company believes that due to the duration and strength of its relationship with these clients, existing contracts will continue to operate throughout their entire term and will be extended in the ordinary course, there can be no assurance that extensions will be exercised or contracts will be renewed at their scheduled expiration.

Market Acceptance, Development and Introduction of New Products and Product Delays

The Company's success in the e-Business segment is premised on consumers adopting technological solutions as a means of communicating with their constituents. The Company's experience to date suggests that technological solutions offered by the Company will be embraced as an effective communications tool, although there can be no assurance that the Company will continue to maintain its leadership position in system development, graphics design, marketing and multimedia services.

E-commerce on the Internet is in its infancy stage. There is no assurance that this medium of commerce will receive widespread acceptance by the general public. The lack of acceptance of e-commerce may have an adverse impact on the revenues generated by the Company by developing such Internet sites. The use and acceptance of the Internet may not increase for a number of reasons, including: actual or perceived lack of security of

information, such as credit card numbers; high cost or lack of availability of access; congestion of traffic or other usage delays on the Internet; inconsistent quality of service or the lack of availability of cost-effective, high-speed service; possible outages due to damage to the Internet; governmental regulation; uncertainty regarding intellectual property ownership; and lack of high-speed modems and other communications equipment.

Revenues from e-Business currently represent an expanding percentage of the Company's overall revenue base. Although management is of the view that this segment of the Company's operations will experience significant future growth, there can be no assurance that such growth will occur.

Adoption of Wireless Technology

The Company's success in its wireless technology initiatives is premised on consumers adopting non-PC-based solutions as a means of communicating with their constituents and transacting over the Internet. The Company's experience to date suggests that the wireless technological solutions offered by the Company will be embraced as an effective communication medium, although there can be no assurance that the Company will continue to maintain its leadership position in this medium. The lack of acceptance of wireless technology may have an adverse impact on the revenues generated by the Company by developing such technology.

Rapid Technology Change

E-commerce is undergoing rapid changes, including development of industry standards, increases in Internet processing speeds, development of secured operating platforms and changes in consumer requirements and preferences. The Company's success is dependent upon, among other things, its ability to achieve and maintain technological and quality leadership by anticipating and developing new technologies in order to ensure that it will remain competitive from the perspective of both product performance and price. Similarly, the Company must ensure its iFrontECS™, CALMS™, CEPort™, TMS™ and KnowledgeFrame™ solutions are secure. There can be no assurance that the Company will respond effectively to market or technological changes or compete successfully in the future. If the Company is unable to meet the challenge of a rapidly changing Internet development and e-commerce industry in a timely manner, this inability could have a material adverse effect on the Company's results of operations.

Government Regulation of the Internet

Both Canada and the United States, at the federal, provincial or state and local government levels, and the European Union have recently passed or are proposing legislation relating to the Internet. Because these laws are still being implemented, it is uncertain how the Company's business will be affected, both directly and indirectly to the extent that such legislation affects the Company's customers and potential customers. In addition, Canadian, U.S. and foreign governmental bodies are considering, and may consider in the future, other legislative proposals that would regulate the Internet and there can be no assurance that such future legislation will not adversely affect the Company's business, results of operations or financial condition.

Need to Manage Growth and Expansion

The growth and expansion of the Company's business and its product lines have placed, and are expected to continue to place, a significant strain on the Company's management, operational and financial resources. A key part of the Company's strategy is to grow, both by hiring more personnel and by acquiring companies, which may continue to strain the Company's resources. To manage future growth, management must continue to improve the Company's operational and financial systems, procedures and controls, and expand, train, retain and manage employees. If the Company's systems, procedures and controls are inadequate to support its operations, expansion would be halted, and the Company could lose the opportunity to gain significant market share. Any inability to manage growth effectively could have a material adverse effect on the Company's business, results of operations and financial condition.

Dependence upon Key Personnel

The current success of the Company is due, in large part, to the skills, dedication and experience of its management team. The business of the Company is labour intensive and the Company's success depends in part on identifying, hiring, training and retaining professionals. If a significant number of the Company's current employees or any of its senior managers or key project managers cannot be retained, the Company may be unable to compete, retain existing projects or bid for new or similar projects of similar scope and sales. Even if the Company retains its current employees, it must continually recruit talented professionals in furtherance of the growth of the Company. There is currently a shortage of qualified personnel in Internet development and programming which market shortage is likely to continue. The Company competes intensively for qualified personnel and if qualified professionals cannot be attracted, motivated and retained, the business and results of operations of the Company could be materially adversely affected.

Mr. Pearl was convicted of a felony in 1983 in the state of California relating to importation of a narcotic drug. Mr. Pearl was offered early release in 1984 and was granted early termination of his parole in 1995. This matter was disclosed to the board of directors of the Company prior to the acquisition by the Company of PPL, Marshall Fenn

and Poste Haste in April, 1998. The board of directors of the Company is of the view that this offence, which occurred over 17 years ago, has no present bearing on Mr. Pearl's ability to manage the business and affairs of the Company. The particulars of this offence have been disclosed to The TSE, to staff of the Ontario Securities Commission and to staff at the Securities and Exchange Commission in Washington, D.C. These matters have also been reported in the Canadian financial press. In addition, particulars concerning this offence have been disclosed to the Company's key clients, financial advisors and bankers. Mr. Pearl's criminal record may inhibit the Company's ability to secure and retain business in certain government regulated areas, such as casino operations, but to date the Company has not been inhibited from obtaining any such business.

Dependence on Proprietary Technology

The Company relies on a combination of copyright and trade secret laws and contractual provisions to establish and protect its rights in its iFrontECS™, CALMS™, CEPort™, TMS™ and KnowledgeFrame™ software and proprietary technology. The Company generally enters into non-disclosure agreements with employees and customers and historically has restricted access to its software products' source codes. The Company regards its source codes as proprietary information, and attempts to protect the source code versions of its products as trade secrets and as unpublished copyrighted works. In a few cases, the Company has provided copies of source codes for certain products to customers and strategic partners, for the purpose of special customization for identified projects. In these cases, the Company relies on non-disclosure and other contractual provisions to protect its proprietary rights. Despite the Company's precautions, it may be possible for unauthorized parties to copy or otherwise reverse engineer portions of the Company's products or otherwise obtain and use information that the Company regards as proprietary.

Existing copyright and trade secret laws offer only limited protection, and the laws of certain countries in which the Company's products are used do not protect the Company's products and intellectual property rights to the same extent as the laws of Canada and the United States. Certain provisions of the license and strategic alliance agreements entered into by the Company, including provisions protecting against unauthorized use, transfer and disclosure, may be unenforceable under the laws of certain jurisdictions, and the Company is required to negotiate limits on these provisions from time to time.

There can be no assurance that the steps taken by the Company to protect its proprietary rights will be adequate to deter misappropriation of its technology or independent development by others of technologies that are substantially equivalent or superior to the Company's technology. As the number of competitors providing e-commerce products increases, it is more likely that substantially similar tools and methodologies will be used in providing such services. Any misappropriation of the Company's technology or development of competitive technologies could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company could incur substantial costs in protecting and enforcing its intellectual property rights. Moreover, from time to time, third parties may assert patent, trademark, copyright and other intellectual property rights to technologies that are important to the Company. There can be no assurance that the assertion of such claims will not result in litigation or that the Company would prevail in such litigation or be able to obtain a license for the use of any infringed intellectual property from a third party or, if such a license is required, that it would be available on terms acceptable to the Company. Furthermore, litigation, regardless of its outcome, could result in substantial cost to the Company and divert management's attention and resources from the Company's operations. Any infringement claim or litigation against the Company could, therefore, materially adversely affect the Company's business, results of operations and financial condition.

Limited Profitability

The Company has reported net losses and losses from continuing operations in each of the last three fiscal years. Although the Company anticipates improvement in cash generated from operations, there can be no assurance that cash flow from operations in future periods will not be further impacted. In the future, the Company may not generate sufficient sales to pay all of its operating and other expenses. Accordingly, the Company may continue to report losses for the foreseeable future and the size of such losses may be larger than anticipated. If the Company fails to generate sufficient cash from operations to pay these expenses, management will need to identify other sources of funds. The Company may not be able to borrow money or issue more shares to satisfy its cash requirements. In the event that the Company is able to complete such transactions, such transactions may not be on terms that are favourable or commercially reasonable from the Company's perspective.

Year 2000

The Year 2000 issue affects computer systems and software products that have date sensitive programs that may not properly recognize the Year 2000. The Company believes that it has identified and resolved all Year 2000 issues that could materially adversely affect its business, financial condition or results of operations. However, it may not be possible to determine with complete certainty that all Year 2000 problems have been identified or corrected. As a result, the Company could be at risk of experiencing a significant number of operational inconveniences and ineffectiveness that may divert management's time and attention from its ordinary business activities. The Company would also be at risk of experiencing a lesser number of serious systems failures that may require significant efforts by the Company to prevent or alleviate material business disruptions. In addition, in the event that the Company has not accurately identified or corrected all such Year 2000 problems, the costs of achieving Year 2000 compliance could be material to the Company.

Integration of Acquisitions

The Company has recently completed several significant acquisitions. Integrating these acquisitions presents financial, operational and managerial challenges. To the extent management must devote significant time and attention to the integration of operations, technology and personnel, the Company's ability to service clients and secure new clients may suffer, and the Company's business could be materially and adversely affected.

A key element of the Company's business strategy is to acquire companies and take advantage of other growth opportunities that will complement and expand operations on acceptable terms. These opportunities may also require more rapid expansion or acquisitions of complementary businesses or technologies, the development of new products and other responses to competitive pressures. The Company may not be able to identify or complete future acquisitions or realize the anticipated results of future acquisitions. Some of the risks that the Company may encounter in implementing its acquisitions growth strategy include: expenses and difficulties in identifying potential targets and the costs associated with incomplete acquisitions; expenses, delays and difficulties of integrating the acquired company into the Company's existing organization; diversion of management's attention; expenses of amortizing the acquired company's intangible assets; impact on the Company's financial condition due to the timing of the acquisition; and expense of any undisclosed or potential legal liabilities of the acquired company.

In addition, financing may not be available on terms favourable to the Company or at all. If adequate funds are not available or are not available on acceptable terms, the Company may not be able to take advantage of strategic opportunities, develop new products and services or otherwise respond to competitive pressures. If realized, any of these risks could have a material adverse effect on the Company's business, results of operations and financial condition.

Fluctuation of Stock Price

The market price of the Company's Common Shares is highly volatile. Although in recent months investors have shown great interest in technology companies focused on the Internet, many publications indicate that the stock of these companies trade at overly inflated prices. Whether or not the Company's Common Shares trade at any particular price, if investor interest in these stocks declines, the price for the Common Shares could drop suddenly and significantly, even if operating results are positive. In addition, trading volumes of Internet-related stocks have been volatile in recent months. If the trading volume of the Company's Common Shares experiences significant changes, the price of the Common Shares could be adversely affected.

The price of the Common Shares could also be significantly affected by factors such as: actual or anticipated fluctuations in operating results; announcements of technological innovations, new products or new contracts by the Company or its

competitors; developments with respect to patents, copyrights or proprietary rights, conditions and trends in the industry; changes in financial estimates by securities analysts; general market conditions; and other factors, many of which are beyond the Company's control. The Company's operating results in one or more future quarters may be below the expectations of securities analysts and investors. In such event, the trading price of the Common Shares would likely decline, perhaps substantially.

ITEM 9 - ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and options to purchase securities, is contained in the management information circular prepared in connection with the annual and special meeting of shareholders of the Company held on June 28, 2000. Additional financial information is provided in the Company's comparative financial statements for the fiscal year ended February 29, 2000 which are included at pages 10 through 26 of the Company's 2000 annual report. Copies of the following documents may be obtained, upon request, from the Secretary of the Company, 6050 Tomken Road, Mississauga, Ontario L5T 1X8, (905) 670-7000 (tel), (905) 670-0844 (fax) or info@microforum.com.

- a) one copy of this Annual Information Form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form;
- b) one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year; and
- c) one copy of the management information circular of the Company in respect of its annual and special meeting of shareholders held on June 28, 2000.

When the securities of the Company are in the course of a distribution pursuant to a prospectus or a preliminary prospectus has been filed by the Company in respect of a distribution of securities, the foregoing documents will be provided free of charge. At all other times, the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.