

MICROFORUM INC.

**ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2001**

JULY 17, 2001

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SUITE 1200
TORONTO, ONTARIO
M3C 3E5**

**MICROFORUM INC.
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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.

ANNUAL INFORMATION FORM FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2001

ITEM 1 - THE COMPANY

General

Microforum Inc. (“Microforum” or the “Company”) provides software solutions and strategic consulting services for business. 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.

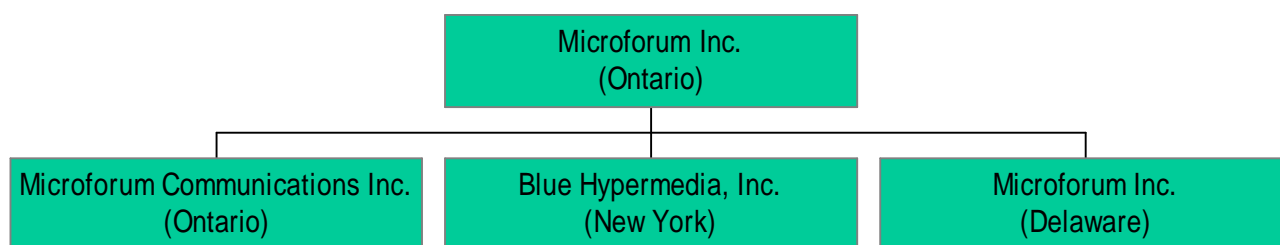
The Company's material subsidiaries, each of which is wholly-owned by the Company, consist of: (i) Microforum Communications Inc. (“Microforum Communications”), a company incorporated pursuant to the *Business Corporations Act* (Ontario); (ii) Blue Hypermedia, Inc. (“Blue”), a company incorporated pursuant to the laws of the State of New York; 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 150 Ferrand Drive, Suite 1200, Toronto, Ontario, M3C 3E5, telephone: (416) 467-4000, Internet site: www.microforum.com. The contents of the Company's web site are not incorporated by reference into this Annual Information Form.

Corporate Structure

The organizational structure of the Company's material subsidiaries are as follows:

Microforum has amended its governing documents as follows:

Organizational Structure



Articles of Amendment	Purpose
November 20, 1995	<p>To delete, in their entirety, the restrictions on the issuance, transfer and ownership of shares in the Company.</p> <p>To remove the "private company" restrictions.</p>
September 11, 1996	<p>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.</p> <p>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.</p> <p>To provide for the issuance of an unlimited number of Preference Shares, issuable in series.</p>
March 1, 2000	<p>To amalgamate the Company's wholly-owned material subsidiaries with either "Microforum Inc." or "Microforum Communications Inc." 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 <i>Business Corporations Act</i> (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 <i>Business Corporations Act</i> (Ontario) on March 1, 2000 and now carry on business as "Microforum Communications Inc.".</p>
September 1, 2000	<p>To continue the Company's wholly-owned subsidiary, Icom Alliance Incorporation ("Icom") from the <i>Business Corporations Act</i> (Nova Scotia) to the <i>Business Corporations Act</i> (Ontario) and on September 1, 2000 to subsequently amalgamate Icom pursuant to the <i>Business Corporations Act</i> (Ontario) on September 1, 2000 and now carry on business as "Microforum Inc.".</p>

Corporate Reorganization

In order to simplify the Company's corporate structure, all of the non-material subsidiaries of the Company are proposed to be amalgamated or wound up on August 1, 2001 in a series of transactions. As a result of these transactions, it is anticipated that 1177943 Ontario Ltd., 1421376 Ontario Inc., Team FD Inc. will be amalgamated effective March 1, 2002 pursuant to the *Business Corporations Act* (Ontario) and carry on business as "Microforum Communications Inc.". It is anticipated that 3704513 Canada Inc., 3732622 Canada Ltd. and Asplab Inc. will be wound-up effective August 1, 2001 pursuant to the *Business Corporations Act* (Canada).

ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Established in 1987, Microforum Inc. provides software solutions and strategic consulting services for business. Toronto-based Microforum has five services, which serve the unique business and technology requirements of their respective markets and customers.

In late June 2001, the Company was organized into five strategic business units and identified strategic business unit leaders. As a consequence, the Company will provide segmented reporting for the second quarter ended August 31, 2002. No segmented information was provided in the audited financial statements for the year ended February 28, 2001 and first quarter ended May 31, 2001. See Item 2 – General Development of the Business – Restructuring Initiatives and Outlook" and see "Item 4 – Selected Consolidated Financial Information – Factors Affecting Comparability".

CALMS Solutions

CALMS Solutions focuses on the sale and implementation of its CALMS? (Credit Adjudication & Lending Management System) solution, a proprietary web-enabled solution for automating an organization's credit origination process from application to credit scoring, from workflow management to funding. Microforum offers its CALMS solution to the financial services market, with a focus on the equipment leasing and captive financing segments.

Deployed Consulting Services

Deployed Consulting Services provides professional consulting services, including business analysis, systems design project management and technical architecture review.

Internet Solutions

Internet Solutions designs, develops and deploys customer centric Internet business solutions, including corporate intranets and extranets, business information management systems, on-line storefronts, custom web-based applications and the integration of enterprise back-end systems with web front-ends.

Enterprise Solutions

Enterprise Solution sells, implements and supports third-party enterprise resource management software, for small to medium sized enterprise clients.

Media Replication Services

Media Replication Services offering includes the production, duplication and distribution of media, which currently includes DVD, CD-ROM, diskette, videotape, business card-CD, and shape-CD.

Significant Developments

The following is a description of significant developments of the Company during the last three fiscal years:

Management Changes

Over the past fiscal year, the Company has undergone significant changes to its senior management personnel. On September 28, 2000, the Board of Directors appointed a special committee of independent directors (the "Special Committee") to examine certain matters including internal practices at the senior management level of the Company and certain allegations involving Howard Pearl, a former Chief Executive Officer and director of the Company, made by the Company's former Chief Financial Officer, Frank Iadipaolo, who resigned from such office on September 21, 2000. The Special Committee concluded that although there was nothing in its findings that would have a material impact on the Company's financial statements, it was recommended that Rick Segal be appointed President and Chief Executive Officer. On October 4, 2000, Rick Segal was appointed President and Chief Executive Officer of the Company replacing Howard Pearl who resigned as Chief Executive Officer on October 4, 2001. As a result of the subsequent resignation of Rick Segal as Chief Executive Officer of the Company on April 10, 2001, the Board of Directors of the Company established a committee consisting of three (3) members of the Board to continue the Company's realignment process pending the appointment of a new Chief Executive Officer of the Company (the "Executive Office"). In addition to the Executive Office, the following positions comprise the Leadership Team of the Company: Chief Financial Officer; Executive Vice-President, Operations and Client Services; Vice-President, Corporate Affairs, General Counsel and Secretary; Senior Director, Corporate Communications; and Senior Director, Human Resources. See "Item 2 – General Development of the Business – Restructuring Initiatives and Outlook" and "Item 7 – Directors and Officers".

Financing Transactions

Since fiscal 1999, the Company has completed four private placement financings for aggregate proceeds in excess of \$68 million to fund the Company's acquisition strategy, working capital needs and general corporate purposes.

- ?? 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 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 for gross proceeds of \$20,150,000. 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.
- ?? 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 for gross proceeds of \$43,444,000. 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.

Corporate Developments

(i) Acquisitions Completed in Fiscal 1999 and 2000

In fiscal 1999 and 2000, the Company completed a number of acquisitions described below. The acquisitions completed by the Company in fiscal 2001, being the latest year of operations, are described under the heading “Item 2 – General Development of the Business – Acquisitions and Divestitures”.

- ?? 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 marketing, advertising and fulfillment 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 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 February 21, 2000, the Company cancelled 14,228 of the Common Shares issued to the vendors of Software Guaranty as a result of a breach of representation and warranty in connection with the transaction.
- ?? 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 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 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.
- ?? 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 received an additional 797,872 shares upon realization of certain EBITDA thresholds and the delivery of specified technology product.

(ii) Other

- ?? 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 provided the opportunity for its shares to be solicited and traded by licensed broker-dealers in the United States. On May 2, 2001, Microforum filed a Form 15 providing notice of termination of the Company's reporting obligations under the Securities Exchange Act of 1934.

Acquisitions, Divestitures and Rationalization of Operations

Demand for technology services has decreased dramatically commencing in the second half of calendar 2000. Today, there are fewer customers and those customers have longer investment and purchase cycles. Similar to many other technology companies during 2000, Microforum's growth was driven by acquisition of market share in the field of Internet solutions. The Company made acquisitions and investments that have proven difficult to sustain in the current economic climate.

Since October 2001, Microforum has been implementing a series of initiatives to rationalize operations and position the Company as a leading developer of Internet software products and services for business. During this time, the Company has divested itself of certain non-core activities and money-losing businesses.

The Company completed the following acquisitions and divestitures during fiscal 2001:

Icom Alliance Incorporated

On May 19, 2000, the Company acquired all the issued and outstanding common shares of Icom, a company based in Halifax, Nova Scotia and incorporated pursuant to the *Business Corporations Act* (Nova Scotia), from an arm's-length party. The purchase price for the transaction was \$1,000,000, of which \$750,000 was paid by way of cash and \$250,000 was paid by way of issuance of 39,671 common shares of the Company, at an ascribed value of \$6.30 per share. As additional consideration, the Company agreed to issue up to 396,736 common shares of the Company, over 30 months, upon the

achievement of certain conditions. On January 21, 2001, the Company agreed to issue 396,736 common shares of the Company as settlement of the additional consideration provisions of the acquisition agreement, which shares were issued on March 7, 2001. In an effort to rationalize its business operations and reduce its cost structure, the Company is planning to divest itself of these operations.

Flashcast Communications, Corp.

On May 11, 2000, in an arm's-length transaction, the Company acquired intellectual property, personnel and assets from Flashcast Communications Corp. ("Flashcast"), a company based in Seattle, Washington. The Flashcast assets were acquired at a purchase price of US\$2,000,000 funded by a combination of US\$500,000 in cash and the issuance of 342,563 Common Shares at an ascribed price of \$6.51 per share. On April 3, 2001, the Company cancelled 91,416 of the Common Shares due to a breach of representation and warranty in connection with the transaction. In an effort to rationalize its business operation and reduce its cost structure, on April 30, 2001, the Company closed the Seattle office and moved its wireless technology capabilities to its Toronto head office.

Blue Hypermedia, Inc.

On July 19, 2000, the Company acquired all the issued and outstanding common shares of Blue Hypermedia, Inc., a company based in New York, New York and incorporated pursuant to the laws of the State of New York, from an arms-length party. The purchase price for the transaction was U.S. \$14,000,000, of which U.S.\$4,900,000 was paid by way of cash and U.S.\$9,100,000 was paid by way of issue of 1,770,160 common shares of the Company at an ascribed value of \$7.62 per share. As a result of the deterioration in the new economy marketplace, the New York office was closed on May 17, 2001.

P2P3 Assets

On October 25, 2000, the Company acquired substantially all of the assets of P2P3 Systems Inc., The Unire Group Inc. and 1421376 Ontario Inc. (collectively, "P2P3 Assets") from an arms-length party. The purchase price for the transaction was \$200,000. As additional consideration, the Company issued 300,000 warrants to acquire, for no additional consideration, up to 300,000 Common Shares of the Company, at an exercise price of \$2.19 per share, subject to vesting. As a result of the Company's restructuring initiatives, the Toronto Stock Exchange has agreed to redeem the warrants and related options in exchange for the issuance by the Company of an aggregate of 225,000 Common Shares which shall include a contractual restriction on the transfer for a one year period. The Company is in the process of finalizing these arrangements with the vendors of P2P3 Assets.

Two Door Communications Inc.

On February 13, 2001, the Company completed the sale of the assets of its advertising business formerly operated as Two Door Communications, a company previously acquired by the Company on December 20, 1999. See "General Development of the Business - Significant Developments". The former principals of Two Door acquired certain of the assets and assumed certain of the liabilities relating to the business, including all severance obligations of the business, for a purchase price of \$143,196, consisting of a cash payment at closing of \$50,000 and the delivery of a secured promissory note in the amount of \$93,195.

The Company's revenues from these operations have been included in discontinued operations as disclosed in the financial statements.

Marshall Fenn Communications Inc.

On February 13, 2000, the Company completed the sale of the assets of its public relations and advertising business formerly operated as Marshall Fenn, a company previously acquired by the Company on April 6, 1998. See "General Development of the Business - Significant Developments. Certain its former principals of Marshall Fenn received a cash payment of \$161,508 on closing in exchange for the assumption of certain liabilities relating to the business formerly carried on by Marshall Fenn, including all severance obligations of the business. Additionally, the purchasers received an additional payment of \$37,000 on June 30, 2001 to defray potential severance obligations.

As a result of this disposition, the Company's future revenues will be significantly reduced. The Company's revenues from these operations have been included in discontinued operations as disclosed in the financial statements.

Proposed Sale of PPL Marketing

On December 1, 2000, the Company announced it is in discussions with existing senior management of PPL, a company previously acquired by the Company on April 6, 1998, to purchase this business as well as soliciting outside third-party offers. See "General Development of the Business - Significant Developments". On April 2, 2001, the Company entered into a non-binding letter of intent with a former senior manager of PPL to acquire the business. The Company expects to complete the transaction prior to August 30, 2001.

In the event that this disposition occurs, the Company's revenues will be significantly reduced. The Company's revenues from these operations have been included in discontinued operations as disclosed in the financial statements. .

Restructuring Initi atives and Outlook

The Company initiated plans in fiscal 2001 to discontinue certain of its operations and restructure its remaining operations to concentrate on the e-Business Solutions segment. The Board of Directors has approved a formal plan on November 22, 2001 to dispose of the Strategic Marketing and Advertising and Public Relations segments. The Company expects to dispose of the Strategic Marketing segment before the end of the third quarter of fiscal 2002. The dispositions of the Advertising and Public Relations segments to certain former principals were supported by independent fairness opinions obtained by the Company and were completed on February 13, 2001.

Microform's strategy to restore itself to financial break-even in the short-term is to retain only those groups that management believes are capable of becoming profitable in the near team. The Company will only invest in these businesses as required, and as is financially justified to sustain their growth. In late June 2001, the Company was organized into five strategic business units, including the identification of strategic business unit leaders, as follows:

- ?? The CALMS Solutions Group, which focuses on selling its proprietary CALMS software, is well received in the marketplace. Independent research prepared by Gartner Group for the Company indicates that the market for this software solution is significant. This segment offers relatively higher profit margins and is directed to financially strong customers.
- ?? The Deployed Consulting Services Group provides management and contract resources on short and long term contracts to provincial governments and other clients as required. This segment offers reasonable and stable profit margins.
- ?? The Enterprise Solutions Group is becoming recognized as a leading marketer, reseller and implementer of third party enterprise resource management software. Profit margins are consistent.

- ?? The Internet Services Group is closely being evaluated with a view to determining if it can generate sustained profitability in the future.
- ?? The Media Replication Services Group which specializes in the production, duplication and distribution of media, offers consistent profit margins.

The Company has been implementing a cost reduction program since the fourth quarter of fiscal 2001 that will result in annualized costs savings of approximately \$10 million. This program includes the closure of the Company's New York and Seattle operations, the planned closure of the Company's Halifax office, the offer for sub-let of certain of its Toronto premises and a reduction of the Company's workforce by more than 30 per cent of the 295 employees in the continuing operations. The Company will continue to tightly manage its cash and will identify further costs savings both at the corporate cost centre level as well as the marketing group level.

The Company faces numerous risk factors and uncertainties including: Future Capital Needs and Uncertainty of Capital Markets, Competition, Dependence on Key Customers, Market Acceptance, Development and Introduction of New Products and Product Delays, Rapid Technology Change, Government Regulation of the Internet, Need to Manage Growth and Expansion, Dependence upon Key Personnel, Dependence on Proprietary Technology, Limited Profitability, Integration of Acquisitions, and Fluctuation of Stock Price. See "Item 3 – Narrative Description of the Business – Risk Factors". In addition, at this time, the Company is faced with the general economic weakness in the North American marketplace in general and in the markets that it serves, in particular.

ITEM 3 - NARRATIVE DESCRIPTION OF THE BUSINESS

General

Microforum provides software solutions and strategic consulting services for business. These services are generally delivered in partnership with clients that identify and capitalize on technology-driven opportunities to improve and expand their businesses.

Success in this environment entails using 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.

Historically, the Company delivered its services through the following operating groups: (i) e-Business Solutions, (ii) Strategic Marketing and (iii) Advertising and Public Relations. As a result of the sale of Marshall Fenn and Two Door on February 13, 2001, comprising the Advertising and Public Relations business segments, and the announcement of the planned divestiture of PPL Marketing on December 1, 2000, comprising the Strategic Marketing business segment, the Company operated in only one business segment, namely e-Business Solutions. Consequently, no segmented information was provided in the audited financial statements for the year ended February 28, 2001 and first quarter ended May 31, 2001. Unless otherwise noted, the information below relates to continuing operation of the Company. In late June 2001, the Company was organized into five strategic business units and identified strategic business unit leaders. As a consequence, the Company will provide segmented reporting for the second quarter ended August 31, 2002. See Item 2 – General Development of the Business – Restructuring Initiatives and Outlook" and see "Item 4 – Selected Consolidated Financial Information – Factors Affecting Comparability".

The Company

The Company has five service offerings which serve the unique business and technology requirements of their respective markets and customers.

CALMS Solutions

CALMS Solutions focuses on the sale and implementation of CALMS (Credit Adjudication & Lending Management System), a proprietary web-enabled solution for automating an organization's credit origination process from application to credit scoring, from workflow management to funding. Microforum offers its CALMS solution to the financial services market, with a focus on the equipment leasing and the captive finance segments. The barriers to entry in this market are expertise, customer relationships, and robust core technology. Management believes that CALMS is one of the most technologically advanced credit origination processing and decision tools available. This solution has been adopted by a number of significant North American clients. See "Item 3 – Narrative Description of the Business – Clients".

CALMS provides all the tools needed to quickly and cost-effectively make a credit decision (exposure, application, credit bureau details, credit score, etc.) combining workflow management with document handling tools to quickly and efficiently streamline our clients' internal credit processes. The process begins with a comprehensive, user-friendly leasing calculator to start the evaluation process. This migrates to the application phase. CALMS then takes a credit application, transmits it securely over the Internet, adjudicates the deal, instantly provides a credit decision and delivers remote customized documentation, which cannot be altered.

Credit origination software represents a mature but fragmented market, with a well-known group of providers. The Internet and other new delivery channels, such as mobile banking, have introduced some instability to this market, as financial institutions are looking for solutions for originating loans over these channels. Process efficiency is the biggest industry challenge followed by preserving quality service, reducing costs, and finding ways to ensure customer loyalty (such as providing customer choice). Revenue in CALMS Solutions includes licensing fees, scoping and custom fees, and support and maintenance revenues.

Deployed Consulting Services

Deployed Consulting Services provides professional consulting services to clients requiring expertise for their mission critical technology initiatives. Such initiatives include; business analysis, systems design project management and technical architecture review. The following core service areas are a representation of the areas in which Deployed Consulting Services is currently focused:

- ?? Data warehousing - business information management systems
- ?? Data modeling, architecture design, business analysis, metadata and business intelligence
- ?? Project management
- ?? Business and technical project management and leadership. Emphasis includes; milestone definition, contingency planning, creation of related documentation, best practices knowledge transfer, system support and implementation
- ?? System(s) integration
- ?? Technical analysis, architectural review, systems integration
- ?? Business process re-engineering
- ?? Process review from strategic to tactical, process modeling, workflow, ROI analysis, change management and business analysis

- ?? Support services – custom application development
- ?? Application training, custom development and testing, networking analysis, database support, legacy system support, infrastructure development and strategy development.

Enterprise Solutions

Enterprise Solution sells, implements and supports third-party enterprise resource management software, namely Navision?, for small to medium sized enterprise clients, whose revenues range from \$10 million to \$300 million per annum. Enterprise Solutions currently focuses on the Canadian market but has several U.S.-based customers.

Navision Software is one of the leading global suppliers of complete business solutions for mid-market businesses. To meet the specific needs in this market segment, Navision? solutions are designed to be cost effective, scalable and easy to implement and use. They are also focused on supporting the preferred platform for most mid-sized businesses, Microsoft Windows, including the recently introduced Windows 2000? server platform. Navision solutions also support several popular Unix-based server platforms. Navision Software's current product line, Navision®, includes fully-integrated applications covering financials, distribution, manufacturing, Web-store-front and catalogue solutions, project costing, time and billing, human resources and, in certain countries, payroll.

Internet Solutions

Internet Solutions designs, develops and deploys customer centric Internet business solutions. This sales group's primary focus is in business-to-business e-commerce applications; however, it also 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 Internet Solutions' 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 sales group is involved in developing on-line storefronts, corporate intranets and extranets, business information management systems, custom web-based applications and the integration of enterprise back-end systems with web front-ends.

Media Replication Services

Media Replication Services specializes in the production, duplication and distribution of media, which currently includes DVD, CD-ROM, diskette, videotape, business card-CD, and shape-CD. This sales group's core competency lies in overall project management and the integration of the various elements of a replication project. Media Replication Services has gained a reputation and developed a competitive advantage in the delivery of a single-source media solution.

Intellectual Property

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

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 Company has provided object-oriented, Internet-based lending software to some of North America's largest financial and business services companies. Geographically, the Company has concentrated its sales of this product within North America; however, is expanding its implementations to other regions. See “Item 3 – Narrative Description of the Business – Clients”.

Other Development Tools – Microforum ECS2000 is a packaged sell-side e-commerce application solution. Built using Microsoft Commercial Server 2000, Microforum ECS2000 includes multiple storefronts, catalogue management module and transaction module, content management module and some personalization features. Microforum ECSPress facilitates the production, management and storage of digital content for any organization. Microforum ECSPress is a robust content management tool that enables organizations to automate the management of online information. Microforum Personhelp is a text-based, platform independent communications tool that integrates with any web site in minutes to create cross-business opportunities. The Company does not intend to sell ECS2000, ECSPress and Personhelp as stand-alone products, but rather, will utilize this intellectual property to rapidly deploy customized solutions.

Clients

The following represents certain of the Company's key clients in its five sales groups:

CALMS	<ul style="list-style-type: none"> ?? Ford Credit (Latin America) (CALMS implementation) ?? CNH Inc. (CALMS implementation) ?? Fair Isaac & Co. (CALMS implementation) ?? First National Bank of Omaha (CALMS implementation) ?? Newcourt Credit Group (now Tyco Group) (financial services implementation) ?? Financial Pacific Corporation (CALMS implementation) ?? Federated Financial Reserve Corporation (CALMS implementation)
Deployed Consultant Services	<ul style="list-style-type: none"> ?? Management Board Secretariat (Ontario) ?? Ministry of Education (Ontario) ?? Ministry of Labour (Ontario) ?? Ministry of Consumer and Business Services (Ontario)
Enterprise Solutions	<ul style="list-style-type: none"> ?? Inventus (ERP system integration) ?? Vistek (ERP system integration) ?? Pavestone Plus (ERP system integration) ?? Rock of Ages (ERP system integration) ?? Remco Memorials (ERP system integration) ?? Mount Pleasant Group (ERP system integration) ?? Pickseed Canada Inc. (ERP system integration) ?? World Heart Corporation (ERP system integration)

Internet Solutions	?? Ford Motor Company of Canada (Inford dealer communication Extranet solution)
	?? Sony Music of Canada (on-line B2E music store)
	?? Microsoft Corporation (multiple consulting engagements)
	?? Wasteclick (waste industry portal)
	?? Clearwater Foods (seafood portal)
Media Replication Services	?? McGraw-Hill Ryerson
	?? Manulife U.S. and Canada
	?? Carswell Publishing

Sales and Marketing

CALMS Solutions

Management believes that focused sales efforts in the financial services market of the CALMS solution, together with additional technical capabilities and sales depth, 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.

Deployed Consulting Services

Deployed Consulting Services will continue to exploit its relationships within the provincial government. Management believes that in the future, the Company's vendor of record and utilization of the provincial and federal government open bidding system will remain key differentiators in maintaining and growing this business. The Company intends to continue to hire senior consultants and develop strategic partnerships with other technology suppliers in an effort to expand its business.

Enterprise Solutions

As an authorized reseller, Navision? promotes Microforum through their national marketing initiatives, which includes advertising, web, trade shows, direct mail and special events. Enterprise Solutions intends to increasingly focus on vertical markets in order to create efficiencies and repeatable implementation skills. In addition to the vertical strategy, this sales group is developing relationships with various accounting firms who do not have their own software consulting divisions.

Internet Solutions

Internet Solutions intends to strengthen and deepen its relationship with Microsoft in an effort to attract additional sales leads and to keep abreast of new technologies. This sales group will primarily focus on companies located in Ontario in the automotive, retail, financial services or government industries. Emphasis will be placed on securing clients with strong financial history.

Media Replication Services

Media Replication Services will continue to leverage its relationships in the industry to grow its revenues. Management believes that by up-selling additional services, together with the current differential between the Canadian and the U.S. dollar, this sales group should be able to increase its revenues.

Revenues from Continuing Operations for the years ended February 28, 2001 and February 29, 2000

For the year ended February 28, 2001, the Company's generated audited revenue of \$27,706,648 from continuing operations, all of which was generated in North America. Similarly, for the year ended February 29, 2000, all of the Company's audited revenue was generated in North America. The tables and paragraphs below provide a breakdown of the Company's revenues from sales from continuing operations by service offering for the years ended February 28, 2001 and February 29, 2000. See Item 2 – General Development of the Business – Restructuring Initiatives and Outlook.” and see “Item 4 – Selected Consolidated Financial Information – Factors Affecting Comparability”.

	February 28, 2001		February 29, 2000		Change	
	\$000	%	\$000	%	\$000	%
CALMS Solutions	1,689	6%	1,216	8%	473	39%
Deployed Consulting Services	6,062	23%	781	5%	5,281	676%
Enterprise Solutions	3,904	15%	2,264	14%	1,640	72%
Internet Solutions	11,038	41%	7,590	48%	3,448	45%
Media Replication Services	4,014	15%	4,089	25%	(75)	(2%)
	<u>26,707</u>	<u>100%</u>	<u>15,940</u>	<u>100%</u>	<u>10,767</u>	<u>68%</u>

Recognized revenues from CALMS Solutions were \$1.7 million, an increase of \$0.5 million in fiscal 2001 as compared to fiscal 2000. Deferred revenues on the balance sheet at February 28, 2001 includes \$3.3 million (2000 - \$0) relating to CALMS projects that were at various stages of completion as at February 28, 2001. These revenues are excluded from recognized revenue, as the Company's revenue recognition policy does not recognize income until such time as the projects are complete. The increase in both recognized and deferred revenues is attributable to increasing customer demand for this solution.

Deployed Consulting Services revenues were derived from the operations of Relational Solutions Inc., acquired on December 1, 1999. The increase of \$5.3 million for fiscal 2001 compared to fiscal 2000 is the combined result of 12 months of revenues in fiscal 2001 compared with 3 months in fiscal 2000 and an increase in revenues from existing and new clients, primarily in the public sector.

Enterprise Solutions revenues were derived from the acquisition of Q-Inter Applications Inc. on June 1, 1999. The increase of \$1.6 million compared to fiscal 2000 is the combined result of 12 months of revenues in fiscal 2001 compared with 9 months in fiscal 2000 and an increase in revenues from increased client implementations of Navision? software in the marketplace.

Internet Solutions revenues are comprised of consulting, licensing and customization services, increased approximately \$3.4 million for fiscal 2001 as compared with fiscal 2000. Approximately \$2.8 million of this increase was attributable to revenues generated by the operations of Blue Hypermedia, Inc., which was acquired by the Company on June 30, 2000, and the remainder was based on organic growth in the then surging new economy marketplace in the first half of the fiscal year. Revenues of this business fell dramatically from September 2000 through to February 28, 2001 with the significant contraction of the new economy marketplace.

For the year ended February 28, 2001, the Company earned a significant portion of its revenue from discontinued operations from three (2000 ? three) customers. As at February 28, 2001, approximately 72% (2000 ? 53%) of the accounts receivable balance from discontinued operations and 87% (2000 ? 77%) of revenue from discontinued operations for the year then ended were derived from these customers. See “Item 3 - Narrative Description of the Business – Risk Factors”.

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.

CALMS Solutions– In the leasing segment, which includes captive financing, the Company’s key competitors offering a front-end, online credit origination and document management system, include: CapitalStream Inc., E-Credit, LiveCapital, AMS (through its NetCredit solution) and eFinance.

Deployed Consulting Services - There are numerous mid-size to multi-national organizations who serve the same market as the Company’s Deployed Consulting Services. Each supports different areas of expertise, resource strength and focus. The following is a representation of competitors: Ajilon Canada, EDS, Dedaelian a division of Telus, IBM and DMR.

Enterprise Solutions - There are two competitive fronts that Enterprise Solutions competes with: (1) competitive products and, (2) competitive value-added resellers (VARs). Competitive products include companies such as Great Plains, Epicor, Accpac, Sage, Envoy, Vantive, Aurumand others who make software that competes with the Company’s core Navision? suite of products. Great Plains is the number one competitor to Navision? due to its dominant position in the North American market. Competitive VARs include other authorized resellers of our core offerings such as CSB, FutureLink, PYA. There are only 23 Navision Solution Centres in Canada and the Company is currently the second largest.

Internet Solutions– The main competitors in Ontario are Burntsand, Daedalian a division of Telus, Cyperplex Inc., Nurun Inc., T4G, Blast Radius, Personus.com, Organic Inc., and OnX.com Inc.

Media Replication Services - Key competitors include Americ Disc, Duplium, Saturn Solutions and Software Logistics.

Facilities

Effective September 1, 2000, the Company consolidated 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 83,335 square feet of office space located at 150 Ferrand Drive in Toronto, Ontario. PPL will continue to operate from 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: a 10-year lease expiring September 30, 2010 for 11,876 square feet of office space in Halifax, Nova Scotia; and a 5-year lease expiring May 31, 2003 for approximately 7,000 square feet of office space in New York, New York.

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. The Company intends to sublet up to 33,326 square feet of its leased premises at 150 Ferrand Drive in Toronto, Ontario, the entire leased premises in New York, New York and, to the extent a third party sale cannot be consummated, the leased premises in Halifax, Nova Scotia. The Company has retained a real estate firm to assist with subletting these premises. Management believes that following this subletting, the space at its head office at 150 Ferrand Drive will be adequate to support its present operations.

Human Resources

As of July 17, 2001, Microforum employs approximately 319 persons, of which 79 persons are employed at PPL and 38 persons are employed in Halifax. Following the proposed sale of PPL and sale or shut-down of the Halifax office, the Company will employ approximately 202 persons. A breakdown of these 202 persons include: 30 in Corporate Services, which includes executive, finance, marketing, legal, facilities, human resources and information technology; 73 in CALMS; 39 in Internet Solutions; 15 in Deployed Consulting Services; 31 in Enterprise Solutions; and 14 in Media Replication Services. These figures represent a substantial reduction in overhead from a total of approximately 380 persons employed by the Company as of February 28, 2001.

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 consultants, programmers and technicians, many 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. The ability of certain employees to acquire an equity position in the Company through the Company's stock option plan, share purchase plan and restricted share plan, to the extent that the former two plans are approved by the shareholders at the annual meeting scheduled on August 2, 2001 (the "Shareholders' Meeting") and as described in the Management Information Circular dated June 27, 2001 circulated in connection with the Shareholders' Meeting, serves or shall serve, as a valuable inducement to attract and retain personnel. In addition, the Company has implemented a long-term cash incentive plan for certain senior management subject to the satisfaction by the Company of specified share price thresholds, the terms of which are described in the Management Information Circular dated June 27, 2001 circulated in connection with the Shareholders' Meeting.

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 services is highly competitive. Increased competition may result in significant price competition, reduced profit margins and/or a reduction in sell-through of the Company's services. The Company believes that the principal competitive factors in the market for Internet 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 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

While the Company has previously announced its intention to sell PPL, the loss of its key client, Ford Motor Company of Canada ("Ford"), could have an adverse impact on the Company's PPL business and results of operations and may impede the Company's ability to sell PPL. Although the Company believes that due to the duration and strength of its relationship with Ford, 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 is premised on consumers adopting technological solutions as a means of interacting with their constituents and improving their operations. The lack of acceptance of e-business may have an adverse impact on the revenues generated by the Company. 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.

Rapid Technology Change

The manner in which business is conducted on the Internet 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. 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-business 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. 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. 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.

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 CALMS, and other proprietary code and 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 software solutions applications and strategic consultancy services 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. 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.

Integration of Acquisitions

The Company completed several significant acquisitions in fiscal 2001 and 2000. Integrating these acquisitions has presented financial, operational and managerial challenges. In the current economic climate, many of these acquisitions have proven difficult to sustain and have been discontinued or sold. See “Item 2- General Development of the Business – Acquisitions, Divestitures and Rationalization of the Business”. Management has been required to devote significant time and attention to the integration of operations, technology and personnel, which has in the past adversely affected the Company's ability to service clients and secure new clients.

Fluctuation of Stock Price

The market price of the Company's Common Shares is highly volatile. 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 certain risk factors identified under the heading “Item 3 – Narrative Description of the Business – Risk Factors” as well as 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 4 - SELECTED CONSOLIDATED FINANCIAL INFORMATION

All consolidated financial information is in Canadian dollars.

	<u>Years ended February 28 (or 29)</u>		
	2001	2000	1999 *
	(Canadian dollars in thousands, except per share data)		
Sales	\$26,707	\$15,940	\$29,149
Gross Profit	\$8,368	\$9,939	\$9,533
Income (Loss) from Continuing Operations before amortization and writedown of capital assets, write-down of investments, amortization and impairment of goodwill and income taxes	(\$17,669)	\$132	(\$1,183)
Loss from Continuing Operations	(\$53,853)	(\$2,237)	(\$3,780)

Basic Loss per Share:			
- From Continuing Operations before amortization and goodwill	(\$0.57)	(\$0.02)	(\$0.21)
- From Continuing Operations	(\$1.31)	(\$0.07)	(\$0.23)
- From Discontinued Operations	(\$0.48)	(\$0.01)	\$0.06
- Basic earnings (loss) for year	(\$1.79)	(\$0.08)	(\$0.17)
Total Assets	\$47,889	\$93,374	\$18,616
Long-term debt	\$683	\$ -	\$1,246

* Includes discontinued operations including the Company's former Strategic Marketing and Advertising and Public Relations segments. See "Item 4 – Selected Consolidated Financial Information – Factors Affecting Comparability".

The following is a summary of certain of the financial information of the Company for each of the eight quarters ending February 28, 2001.

<u>Quarterly Results of Operations 2001</u>				
	(unaudited)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Canadian dollars in thousands, except per share data)			
Sales	\$6,995	\$10,149	\$7,116	\$2,447
Loss from Continuing Operations	(\$314)	(\$3,862)	(\$33,479)	(\$16,198)
Loss from Discontinued Operations	(\$1,234)	(\$4,766)	(\$13,724)	\$Nil *
Net Loss for the Period	(\$1,548)	(\$8,628)	(\$47,203)	(\$16,198)
Loss per Share:				
Basic	(\$0.04)	(\$0.21)	(\$1.16)	(\$0.39)
Fully Diluted	-	-	-	-

* No losses were included in the fourth quarter as all anticipated losses, as a result of discontinued operations, were accrued in the third quarter in accordance with Generally Accepted Accounting Principles.

<u>Quarterly Results of Operations 2000</u>				
(unaudited)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Canadian dollars in thousands, except per share data)				
Sales	\$3,247	\$3,172	\$3,542	\$5,979
Loss from Continuing Operations	(\$219)	(\$155)	(\$417)	(\$1,466)
Loss from Discontinued Operations	(\$49)	(\$23)	(\$516)	(\$896)
Net Profit (Loss)	(\$170)	(\$178)	\$99	(\$2,342)
Loss per Share:				
Basic	(\$0.01)	(\$0.01)	-	(\$0.07)
Fully Diluted	-	-	-	-

Factors Affecting Comparability

The Company initiated plans in fiscal 2001 to discontinue certain of its operations and restructure its remaining operations. The Board of Directors approved a formal plan on November 22, 2001 to dispose of the Strategic Marketing and Advertising and Public Relations segments. The disposition of the Strategic Marketing segment is expected to be complete before the end of the third quarter of fiscal 2002. The disposition of the Advertising and Public Relations segment was completed on February 13, 2001. The results from discontinued operations have been reported separately in the financial statements. The financial information contained above for fiscal 2001 and fiscal 2000 reflect the continued and discontinued operations. It was not practicable to separate the results of continued and discontinued operations for fiscal 1999. See "Item 2 – General Developments of the Business - Restructuring Initiatives and Outlook" and see "Item 4 – Selected Consolidated Financial Information – Factors Affecting Comparability".

Reference is made to Item 5 of this Annual Information Form entitled "Management's Discussion and Analysis of Financial Condition and Operating Results".

Dividend Policy

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
OF FINANCIAL CONDITION AND OPERATING RESULTS**

The section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operation" contained on pages 5 to 8 of the Company's 2001 Annual Report which was mailed out to shareholders of the Company on July 3, 2001 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 Toronto Stock Exchange 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.

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 27, 2001, being the date of the Management Information Circular in connection with the Shareholders' Meeting) as well as a description of their respective principal occupations during the past five years:

The following table sets forth certain information pertaining to the nominees for election as directors at the Shareholders' Meeting:

Name and Municipality of Residence	Year Became Director / Officer	Position with the Company	Present Principal Occupation or Employment	Shares Owned
DAVID F. BANKS ⁽³⁾ Toronto, Ontario	2001	Chairman of the Board of Directors Member of the Executive Office of the Company	Member of Executive Office of the Company	250,000
FRANÇOIS M. DE GASPÉ BEAUBIEN ⁽²⁾ Montreal, Quebec	1999	Director	Co-Chief Executive Officer, Telemedia Corporation	38,916
J. EFRIM BORITZ ⁽¹⁾ Toronto, Ontario	1997	Director	Professor, School of Accounting, University of Waterloo	38,764
MICHAEL HOLLAND Pickering, Ontario	2000	Executive Vice-President, Operations and Client Services	Executive Vice-President, Operations and Client Services of the Company	226,244

Name and Municipality of Residence	Year Became Director / Officer	Position with the Company	Present Principal Occupation or Employment	Shares Owned
OWEN MENZEL Toronto, Ontario	2000	Chief Financial Officer	Chief Financial Officer of the Company	45,000
JASON D. MERETSKY Toronto, Ontario	2001	Vice-President, Corporate Affairs, General Counsel & Secretary	Vice-President, Corporate Affairs, General Counsel & Secretary of the Company	56,500
DONALD W. PATERSON ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	1996	Director	President, Cavandale Corporation (corporate consultant)	8,764
DAVID R. SHAW ⁽²⁾ Toronto, Ontario	2001	Director Member of Executive Office of the Company	Member of Executive Office of the Company	16,500
STEVEN C. SMALL ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	2000	Vice-Chairman of the Board of Directors Member of Executive Office of the Company	President and Chief Executive Officer of Capital Partners Corporation (merchant bank)	8,000

Notes:

- (1) Current member of the Audit Committee.
(2) Current member of the Compensation Committee.
(3) Current member of the Nomination and Corporate Governance Committee.

As of July 17, 2001, the current directors and senior officers of the Company and its subsidiaries as a group owned beneficially, directly and indirectly, 686,686 Common Shares representing 1.59% 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:

David F. Banks is the Chairman of the Board of Directors of the Company and was appointed to the Board on February 18, 2001. He is also a member of the Executive Office established by the Board on April 10, 2001. From 1999 to 2001, Mr. Banks served as Chairman of Georgian Capital Partners, a Canadian money management firm. From 1998 until 1999, Mr. Banks was the Executive Chairman of Newcourt Credit Group. Mr. Banks also held the position of Chief Executive Officer and director of AT&T Capital from 1997 to 1998, Chief Executive of Penna holdings plc and Finance Director of General Atlantic Group Ltd. in the U.K. from 1991 to 1996, Group President of Continental Grain from 1985 to 1990, and Founder and President of Carlyle Banks & Company from 1984 to 1985. Mr. Banks was Senior Vice President of the Chase Manhattan Bank from 1969 to 1984. Mr. Banks obtained an LL.D.B from Kenyon College and a Juris Doctor from the University of Florida law school.

François M. de Gaspé Beaubien is a director of the Company and was first appointed 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 Telemédia Corporation. Prior to January 1, 2000, Mr. de Gaspé Beaubien was the President, Publishing Divisions since 1995. Prior to joining Telemédia Communications Inc., Mr. de

Gaspé Beaubien was President of Les Éditions Télémedia (July 1994-December 1995), Group Publisher of Telemédia Communications (U.S.A.) Inc., (1992-1994), Vice-President, Operations of Telemédia 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 with distinction 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 obtained his Doctorate of Philosophy 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.

Michael Holland is the Executive Vice-President in charge of Client Services and Operations of the Company. In December 1999, following the acquisition of Frameworks Communications, the company he founded, Mr. Holland joined Microforum as Vice President of the Company's commerce division. He established Frameworks in 1989 following his successful career as an executive in various companies serving the corporate communications sector. Mr. Holland brings more than 15 years of proven experience in technology and business communications to Microforum. As one of the earliest experts in the production of integrated and interactive programming, Mr. Holland played a key role in the evolution of online Intranets and integrated database applications that form the technical foundation for business today.

Owen Menzel is the Chief Financial Officer of the Company. Mr. Menzel joined the Company in December 2000 and is responsible for the development of corporate financial strategies, plans and policies as well as the delivery of these services. In addition, Mr. Menzel oversees investor relations, financial reporting and control, and internal audit. Mr. Menzel has over 30 years of management experience, including 15 years as a partner with Ernst & Young LLP, human resource and administration responsibilities at Alliance Communications Corporation and chief financial officer responsibilities at financial services firm C.M. Oliver Inc. (now Datawest Solutions Inc.) and CamVec Corporation (now AMJ Campbell Inc.). Mr. Menzel is a Certified Public Accountant as well as a Chartered Accountant and holds a Bachelor of Commerce degree from Trinity College, University of Toronto. He is a member of both the Ontario Institute of Chartered Accountants and the American Institute of Certified Public Accountants (AICPA) and is a former director of Junior Achievement of Metro Toronto and York Region.

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, corporate development matters including execution of mergers and acquisitions and certain restructuring matters. 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.

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 services 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.

David R. Shaw is a director of the Company and was appointed to the Board of Directors on April 10, 2001. He is also a member of the Executive Office established by the Board on April 10, 2001. From 1976 to 1999, Mr. Shaw held progressively senior positions with PepsiCola Canada Inc., culminating with the position of Chief Executive Officer of Pepsicola Canada beverages from 1996 to 1999. During 2000, Mr. Shaw was a partner at Dorset Partners. Mr. Shaw is also a director of Maxxcom Inc. and chair of the North York General Hospital Foundation. He is a graduate of Queen's University.

Steven Small is the Vice-Chairman of the Board of Directors and was first appointed to the Board on June 28, 2000. He is also a member of the Executive Office established by the Board on April 10, 2001. Dr. 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 Doctor of Dental Surgery and a degree in dental anaesthesiology from the University of Toronto in 1972 where he also served as Associate Professor of Dental Anaesthesia from 1972 to 1997.

ITEM 8 - ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, as appropriate, is contained in the management information circular dated June 27, 2001 prepared in connection with the annual and special meeting of shareholders of the Company scheduled on August 2, 2001. Additional financial information is provided in the Company's comparative financial statements for the fiscal year ended February 28, 2001 which are included at pages 10 through 27 of the Company's 2001 annual report. A copy of such document may be obtained, upon request, from the Secretary of the Company, 150 Ferrand Drive, Suite 1200, Toronto, Ontario M3C 3E5, (416) 467-4000 (tel), (416) 467-9094 (fax) or info@microforum.com.

The Company will also provide to any person upon request to the Secretary of the Company:

- (a) when securities of the Company are in the course of a distribution pursuant to a short form prospectus or when a preliminary short form prospectus has been filed in respect of a distribution of the Company's securities:

- (i) one copy of the Company's most recent annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference therein;
 - (ii) 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;
 - (iii) one copy of the Company's information circular in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate; and
 - (iv) one copy of any other documents that are incorporated by reference in the preliminary short form prospectus or short form prospectus and are not required to be provided under clauses (i), (ii) or (iii).
- (b) at any other time, one copy of any of the documents referred to in clauses (i), (ii) or (iii) provided that the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a securityholder of the Company.