

MICROFORUM INC.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular is furnished in connection with the solicitation of proxies by the management of MICROFORUM INC. (the “Corporation”) for use at the Special Meeting of Shareholders (the “Meeting”) of the Corporation to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting. References in this management information circular to the Meeting include any adjournment or adjournments thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers of the Corporation. A shareholder desiring to appoint some other person, who need not be a shareholder, to represent him at the Meeting, may do so by inserting such person’s name in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the registered office of the Corporation or the Corporation's transfer agent indicated on the enclosed envelope not later than noon (Toronto time) on the business day preceding the day of the Meeting or any adjournment of the Meeting.

A Shareholder forwarding the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business then the space opposite the item is to be left blank. The shares represented by the proxy submitted by a Shareholder will be voted in accordance with the directions, if any, given in the proxy.

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the shareholder or by his attorney authorized in writing, and deposited either at the registered office of the Corporation or its transfer agent at any time up to and including the last business day preceding the date of the Meeting or with the Chairman of the Meeting on the day of the Meeting or in any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted in favour of each of the resolutions described below. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting.** At the time of printing of this management information circular, management knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

On December 16, 1998, 18,133,966 common shares of the Corporation were issued and outstanding. Each common share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting.

All holders of common shares of record as of the Record Date (as hereinafter defined) are entitled to receive notice of the Meeting are entitled either to attend and vote at the Meeting in person the respective common shares held by them or, provided a completed and executed proxy shall have been delivered to the registered office of the Corporation or its transfer agent within the time specified in the attached Notice of Meeting, to attend and vote thereat by proxy the respective common shares held by them.

The Corporation has fixed December 16, 1998 as the record date (the "Record Date") for the purpose of determining shareholders entitled to receive notice of the Meeting. In accordance with the provisions of the *Business Corporations Act* (Ontario), the Corporation will prepare a list of holders of shares at the close of business on the Record Date. Each holder of shares named in the list will be entitled to vote at the Meeting the shares shown opposite his name on the list except to the extent that (a) the shareholder has transferred any of his shares after the date on which the list was prepared, and (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns such shares and demands not later than 10 days before the Meeting that his name be included in the list before the Meeting, in which case the transferee is entitled to vote his shares at the Meeting.

To the knowledge of the directors and senior officers of the Corporation as at December 16, 1998, no person, firm or corporation owns or exercises control or direction over securities of the Corporation carrying more than 10% of the voting rights attached to any class of outstanding voting securities of the Corporation. Subject to receipt of shareholder and regulatory approval of the issuance of a total of 1,839,674 common shares to Howard Pearl upon the restructuring of the Pearl Note (as such term is described herein) (see "Particulars of Matters to be Acted Upon – 3. Approval of Restructuring of the Pearl Note"), the only person, firm or corporation which will beneficially own or exercise control or direction over securities of the Corporation carrying more

than 10% of the voting rights attached to any class of outstanding voting securities of the Corporation will be as follows:

Name and Municipality of Residence	Common Shares	Percentage of all Issued Voting Securities of the Corporation
Howard A. Pearl Toronto, Ontario	3,276,341	16.4%

As of the Record Date (and prior to the issuance of 1,839,674 common shares to Howard Pearl upon the restructuring of the Pearl Note (as such term is defined herein) as described under the heading "Particulars of Matters to be Acted Upon – 3. Approval of Restructuring of the Pearl Note"), the current directors and senior officers as a group owned beneficially, directly and indirectly, 1,568,738 common shares or 8.7% of the issued and outstanding shares of the Corporation.

STATEMENT OF EXECUTIVE COMPENSATION

Summary Compensation Table

The following table contains information about the compensation earned by the Corporation's Chief Executive Officer and each of the Corporation's other executive officers who served as executive officers as of February 28, 1998 and whose aggregate salary and bonus exceeded \$100,000 (collectively, the "Executive Officers") for the most recently completed fiscal year. Specific aspects of the compensation of the directors and Executive Officers are dealt with in further detail in subsequent tables.

Name and Principal Position	Year ended Feb. 28	Annual Compensation			Long-Term Compensation	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options Granted (#)	
Eric H. Winston ⁽²⁾ , President and Chief Executive Officer	1998	U.S. \$312,000	Nil	\$84,000	Nil	Nil
Frank Iadipaolo ⁽³⁾ , Chief Financial Officer	1998	\$112,000	Nil	\$6,600 (8)	66,667	Nil

G. William Butcher ⁽⁴⁾ , General Manager	1998	U.S. \$100,000	Nil	Nil	80,000	Nil
Claudio Baiocchi ⁽⁵⁾ , President and Chief Executive Officer	1997	\$98,750	\$10,000	\$7,212 (8)	Nil	Nil
Mario Baiocchi ⁽⁶⁾ , President and Chief Executive Officer	1997	\$84,583	Nil	\$7,130 (8)	Nil	Nil
Paul Weissman ⁽⁷⁾ , Vice-President, Operations and Chief Financial Officer	1997	\$99,450	\$10,000	\$7,212 (7)	Nil	Nil

Notes:

- (1) As the Corporation became a "reporting issuer" as defined by the *Securities Act* (Ontario) on September 12, 1996, the disclosure in the above chart is for the 1998 and 1997 fiscal years only.
- (2) On March 24, 1998, the shareholders of the Corporation approved of the agreement entered into by Mr. Winston and the board of directors on January 23, 1998 whereby Mr. Winston agreed to an approximate 54% reduction in the base salary paid by the Corporation from U.S. \$312,000 per annum (U.S. \$6,000 per week) to U.S. \$150,000 per annum in consideration for share compensation rights to acquire 259,505 common shares of the Corporation at a price of \$3.15 per share and the grant of options pursuant to the Corporation's Stock Option Plan (as hereinafter defined) to acquire up to 740,495 common shares of the Corporation at a price of \$3.15 per share, representing the closing market price on January 23, 1998 being the day preceding the date of grant. On July 15, 1998, the board of the directors of the Corporation approved of an increase in the salary paid to Mr. Winston from U.S. \$150,000 to U.S. \$225,000. See "Proposed Severance Arrangements – Former President and Chief Executive Officer" and see "Particulars of Matters to be Acted Upon – Approval of Severance Agreements with Former President and Chief Executive Officer".
- (3) Pursuant to an amended employment agreement entered into between Frank Iadipaolo and the Corporation on November 1, 1997, Mr. Iadipaolo received options to purchase an aggregate of 100,000 common shares at an exercise price of \$1.13, representing a premium of 25% to the existing market price on the date of grant, one-third of such options to vest on November 11, 1997 and the remaining two-thirds in equal amounts over a two year period commencing June 25, 1998. On January 5, 1998, Mr. Iadipaolo exercised options for a total of 33,333 common shares for consideration of \$37,666, representing \$1.13 per share. On March 24, 1998, the shareholders of the Corporation approved of the agreement entered into by Mr. Iadipaolo and the board of directors on January 23, 1998 whereby Mr. Iadipaolo agreed to an approximate 20% reduction in the base salary paid by the Corporation from Cdn. \$112,000 per annum to Cdn. \$90,000 per annum in consideration for the grant of options on January 23, 1998 pursuant to the Corporation's Stock Option Plan (as hereinafter defined) to acquire up to 142,000 common shares of the Corporation at a price of \$3.15 per share, representing the closing market price on the day preceding the date of grant. Subject to Mr. Iadipaolo's continued services to the Corporation, such options shall vest as follows: 47,333 options to purchase common shares to vest immediately, 47,333 options to purchase common shares to vest on January 23, 1999, being twelve months from the date of grant; 23,667 options to purchase common shares to vest at such time as the market price for the common shares is equal to or greater than \$10.00 per share; and 23,667 options to purchase common shares to vest on July 23, 1999, being eighteen months from the date of grant. On July 15, 1998, the board of the directors of the

Corporation approved of an increase in the salary paid to Mr. Iadipaolo from \$112,000 to \$125,000.

- (4) Pursuant to arrangements entered into between Mr. William Butcher and the Corporation on September 5, 1997, as amended on November 11, 1997, Mr. Butcher is to receive an annual salary of U.S. \$100,000 plus options to purchase 20,000 common shares at an exercise price of \$1.25, representing the market price on the day preceding the date of grant, such options to vest on November 11, 1997, and further options to purchase 80,000 common shares at an exercise price of \$4.90, representing the market price on the day preceding the date of grant, 13,333 of such options to vest immediately and the remaining two-thirds to vest in equal amounts over a two year period commencing November 11, 1997. On December 22, 1997, Mr. Butcher exercised options for a total of 20,000 common shares for consideration of \$25,000, representing \$1.25 per share. Effective September 18, 1998, Mr. Butcher ceased to be an officer of the Corporation, relocated to the United States and became a consultant of the Corporation. As of November 15, 1998, Mr. Butcher's salary was reduced from U.S. \$100,000 per annum to U.S. \$50,000 per annum.
- (5) Claudio Baiocchi ceased serving as President and Chief Executive Officer of the Corporation on April 21, 1997.
- (6) Mario Baiocchi resigned as President and Chief Executive Officer of the Corporation on June 21, 1996.
- (7) Paul Weissman's ceased serving as Vice-President, Operations and Chief Financial Officer on January 13, 1997.
- (8) These figures represent a car allowance payable by the Corporation.
- (9) In connection with the acquisition of PPL Marketing Services Inc., Marshall Fenn Communications Inc. and Poste Haste Systems Inc. by the Corporation on April 6, 1998, Howard Pearl is to receive an annual salary of \$500,000 for a period of three years plus options to acquire 140,000 common shares, subject to vesting. On November 11, 1998, Mr. Pearl was appointed as President and Chief Executive Officer of the Corporation and the board of directors increased his salary to \$600,000 per annum. See "Proposed Compensation Arrangements – New President and Chief Financial Officer".

Indebtedness of Directors and Senior Officers of the Corporation

As of December 16, 1998 and pursuant to financial assistance approved by the shareholders of the Corporation on March 24, 1998, the following senior officers of the Corporation have received interest-free secured loans as follows: Eric H. Winston, the President and Chief Executive Officer of the Corporation, in the amount of \$1,668,002; Frank Iadipaolo, the Chief Financial Officer of the Corporation, in the amount of \$37,666; and G. William Butcher, the former General Manager of the Corporation, in the amount of \$25,000. Such loans are non-recourse to the holders and are secured by common shares acquired by the holder and are repayable on the earlier of such date that the holder disposes of certain shareholdings or ceases to act as an officer of the Corporation. See "Particulars of Matters to be Acted Upon – 2. Approval of Severance Arrangements with former President and Chief Financial Officer".

Composition and Report of the Compensation Committee

During the fiscal year ended February 28, 1998, the compensation committee (the "Compensation Committee") was comprised of John L. Albright, Chairman, David R. Peterson and Donald W. Paterson. By directors resolution dated April 6, 1998, J. Efrim Boritz was added to the Compensation Committee.

Compensation of Directors

For the fiscal year ended February 28, 1997, each of the non-management directors of the Corporation received an annual retainer of \$5,000 for services rendered to the board of directors (\$20,000 in the case of the Chairman of the Board) and a fee of \$500 for each meeting of the board of directors which they attend, either in person or by telephone conference. The Corporation has acquired a directors' and officers' insurance policy in the amount of \$5 million per occurrence containing industry standard exclusions and deductibles. The Corporation pays an annual premium of \$17,150 for this policy.

Effective January 24, 1998, each of the non-management directors other than David R. Peterson and John L. Albright shall be compensated for services rendered to the board of directors in the form of common shares (the "Retainer Shares") as follows:

<u>Name</u>	<u>Value of Retainer Shares</u>	<u>Number of Retainer Shares</u>
J. Efrim Boritz	\$11,000	3,500
Donald W. Paterson	<u>\$11,000</u>	<u>3,500</u>
Totals	\$22,000	7,000

The number of Retainer Shares will be computed by dividing the annual retainer of \$5,000 for services rendered to the board of directors (\$20,000 in the case of the Chairman of the Board) and a fee of \$500 for each meeting of the board of directors which they attend, in person or by telephone conference, based on 12 meetings per annum) divided by \$3.15, representing the closing market price on January 23, 1998. One-half of the total number of shares issued to each director under this arrangement is to be delivered on August 31, 1998 with the remaining balance to be delivered on January 31, 1999. In the event that a director resigns or otherwise leaves the board of directors of the Corporation during the year, only a pro-rata amount of the Retainer Shares shall be released to such director with the balance being surrendered to the Corporation for cancellation. This compensation arrangement has been approved by the board of directors for a one-year period to be renewed at the discretion of the board of directors on an annual basis.

Instead of receiving Retainer Shares, David R. Peterson and John L. Albright, directors of the Corporation, shall be entitled to receive an annual cash retainer of \$20,000 and \$5,000, respectively, for services rendered to the board of directors and a fee of \$500 for each meeting of the board of directors which they attend, in person or by telephone conference.

Stock Options

Pursuant to a resolution of the board of directors of the Corporation dated April 1, 1996, the Corporation established a Stock Option Plan (the "Stock Option Plan"), as amended by resolution of the board of directors dated June 25, 1997 and ratified by the shareholders on August 25, 1997 and as further amended by resolution the shareholders on March 24, 1998, to provide incentive compensation to its directors, officers, employees, consultants and service providers. The salient provisions of the Stock Option Plan, which comply with the requirements of The Toronto Stock Exchange (the "TSE") are set forth below.

On March 24, 1998, the shareholders approved of a resolution to increase the number of stock options that may be granted under the Stock Option Plan by 2,145,000 options from 855,000 options in order to provide that the maximum number of common shares reserved for issuance pursuant to stock options granted under the Stock Option Plan is 3,000,000 common shares. After giving effect to the exercise of 606,921 options as of December 16, 1998, the balance of common shares reserved for issuance pursuant to the Stock Option Plan is 2,393,079. The option price of any shares cannot be less than the closing price of the shares on the day immediately preceding the date upon which the option is granted. Options granted under the Stock Option Plan may be exercised during a period not exceeding 10 years subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Corporation or any of its subsidiaries, as applicable, or upon the optionee retiring, becoming apparently disabled or dying. The options are non-transferable. The board of directors may from time to time amend or revise the terms of the Stock Option Plan or may terminate the Stock Option Plan at any time. The Stock Option Plan was amended on March 24, 1998 to authorize the Compensation Committee of the board of directors to provide financial assistance to certain senior officers by means of secured non-interest bearing loans, against the options and common shares upon exercise thereof, to allow such officers to exercise options and acquire common shares of the Corporation up to an aggregate limit of \$2,000,000. In addition, the Stock Option Plan was amended on March 24, 1998 to provide that if the Corporation accepts an offer to amalgamate, merge or consolidate with any other corporation (other than a wholly owned subsidiary) or in the event that holders of greater than 50% of the Corporation's common shares accept an offer made to all or substantially all of the holders of the common shares of the Corporation to purchase in excess of 50.1% of the current issued and outstanding common shares, then all of the then unvested options shall, without any further action on behalf of the Corporation, be automatically vested. See "Particulars of Matters to be Acted Upon - 1. Increase Number of Options Available".

As of December 16, 1998, options to employees, executive officers and directors of the Corporation to purchase up to an aggregate of 2,437,234 common shares were granted pursuant to the Stock Option Plan, subject to receipt of the requisite approval to expand of the Stock Option Plan and/or the cancellation of options in certain instances. See "Particulars of Matters to be Acted Upon - 4. Amendment of Stock Option Plan - Increase of Number of Options Available).

Options Granted Outside of Stock Option Plan

Pursuant to arrangements entered into between Eric H. Winston and the Corporation on May 8, 1997, such arrangements dated as of the effective commencement date of April 21, 1997, as amended on August 7, 1997, Mr. Winston received options and other share compensation arrangements entitling him to acquire up to 600,000 common shares for consideration equal to \$0.78 per share, representing the market price on the date of grant. On January 23, 1998, Mr. Winston received further share compensation arrangements entitling him to acquire up to 259,505 common shares for consideration equal to \$3.15, representing the closing market price on January 23, 1998. See "Particulars of Matters to be Acted Upon - 2. Approval of Severance Arrangements with Former President and Chief Executive Officer".

The Corporation granted to 1165953 Ontario Inc. carrying on business as The Investor Relations Group (“IRG”) non-assignable options to acquire up to 300,000 common shares at a price of \$3.60 per share, exercisable at any time on or before September 18, 1999. This grant of options was outside of the Stock Option Plan. In connection with the closing of a special warrant financing completed on December 2, 1998, IRG was also granted options to purchase up to 200,000 common shares in the capital of the Corporation, exercisable for a two year period expiring on November 30, 2000, at an exercise price of \$0.85 per share, subject to regulatory and shareholder approval. Such options are to vest in equal amounts of 50,000 common shares at such time that the average trading price on the TSE for 15 consecutive trading days is equal to or greater than \$1.00, \$1.50, \$2.00 and \$2.50, respectively. See “Particulars of Matters to be Acted Upon – 5. Approval of Grant of Options to Service Provider.

In connection with the completion of a special warrant financing on September 18, 1997, the Corporation granted Taurus Capital Markets Ltd. and Griffiths McBurney & Partners non-assignable options to acquire up to an aggregate of 800,000 common shares at a price of \$1.05 per share, exercisable at any time on or before December 17, 1999. This grant of options was outside the Stock Option Plan. As of January 14, 1998, Griffiths McBurney & Partners exercised options to acquire 200,000 common shares. On December 17, 1998, Griffiths McBurney & Partners exercised options to acquire 200,000 common shares. On February 26, 1998, Taurus Capital Markets Ltd. exercised options to acquire 100,000 common shares. On each of December 9 and 16, 1998, Taurus Capital Markets Ltd. exercised options to acquire 50,000 common shares. In connection with the completion of a special warrant financing on December 2, 1998, the Corporation granted Taurus Capital Markets Ltd. non-assignable options to acquire up to an aggregate of 280,000 units, each unit consisting of one common share in the capital of the Corporation and one-half of one non-transferable common share purchase warrant, at an exercise price of \$0.52, exercisable at any time on or before December 2, 2000. Each purchase warrant will entitle the holder thereof, upon exercise, subject to adjustment, to purchase one common share for a period of 12 months from the date the Corporation receives a receipt for the prospectus qualifying the distribution of the securities from the Ontario Securities Commission at a purchase price of \$0.52 per warrant.

As of December 16, 1998, the current directors and senior officers of the Corporation have exercised the following options within the previous twelve months:

Aggregated Options Exercised and Outstanding During Fiscal Year Ended February 28, 1998

The following table provides detailed information regarding options exercised by the Executive Officers during the fiscal year ended February 28, 1998. In addition, details on outstanding and unexercised options held are provided.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at February 28, 1998		Value of Unexercised in-the-money Options at February 28, 1998	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Eric H. Winston ⁽¹⁾	600,000	\$468,000	Nil	Nil	Nil	Nil

Frank Iadipaolo ⁽²⁾	33,333	\$37,666	Nil	66,667	Nil	\$164,668
G. William Butcher ⁽³⁾	20,000	\$25,000	Nil	80,000	Nil	Nil
Claudio Baiocchi ⁽⁴⁾	Nil	Nil	Nil	Nil	Nil	Nil
Mario Baiocchi ⁽⁵⁾	Nil	Nil	Nil	Nil	Nil	Nil
Paul Weissman ⁽⁶⁾	Nil	Nil	Nil	Nil	Nil	Nil

- (1) On October 14, 1997, Mr. Winston exercised options for a total of 285,250 common shares for consideration of \$222,495, representing \$0.78 per share, and was issued 164,750 common shares for consideration of \$128,505, representing \$0.78 per share and on December 30, 1997, Mr. Winston was issued an additional 150,000 shares for consideration of \$117,000, representing \$0.78 per share. On April 16, 1998, Mr. Winston exercised options for a total of 246,832 common shares for consideration of \$777,521, representing \$3.15 per share, and was issued 86,502 common shares for consideration of \$272,481 representing \$3.15 per share. On November 5, 1998, Mr. Winston exercised options to acquire a total of 250,000 common shares for consideration of \$150,000. See “Particulars of Matters to be Acted Upon – 2. Approval of Severance Arrangements with Former President and Chief Executive Officer”.
- (2) On January 5, 1998, Mr. Iadipaolo exercised options for a total of 33,333 common shares for consideration of \$37,666, representing \$1.13 per share. See “Summary of Compensation Table”.
- (3) On December 22, 1997, Mr. Butcher exercised options for a total of 20,000 common shares for consideration of \$25,000, representing \$1.25 per share. See “Summary of Compensation Table”.
- (4) Claudio Baiocchi ceased serving as President and Chief Executive Officer of the Corporation on April 21, 1997.
- (5) Mario Baiocchi resigned as President and Chief Executive Officer of the Corporation on June 21, 1996.
- (6) Paul Weissman's ceased serving as Vice-President, Operations and Chief Financial Officer on January 13, 1997.
- (7) Pursuant to an employment agreement entered into between Howard Pearl and the Corporation dated April 6, 1998, Mr. Pearl was granted options to acquire up to 140,000 common shares of the Corporation at an exercise price of \$3.50 per share. See “Summary of Compensation Table”.
- (8) The closing market price of the common shares of the Corporation on Friday, February 27, 1998 was \$3.60. See “Trading in Corporation’s Shares”.

Proposed Management Compensation Arrangements – New President and Chief Financial Officer

In connection with the acquisition of PPL Marketing Services Inc., Marshall Fenn Communications Inc. and Poste Haste Systems Inc. by the Corporation on April 6, 1998, the Corporation entered into an employment agreement with Mr. Howard Pearl dated April 3, 1998 whereby Mr. Pearl is to assume the positions of President of PPL Marketing Services Inc., Marshall Fenn Communications Inc. and Poste Haste Systems Inc., wholly-owned subsidiaries of the Corporation, and to receive an annual salary of \$500,000 per annum for a period of three years plus options pursuant to the Corporation’s Stock Option Plan (as hereinafter defined) to acquire up to 140,000 common shares of the Corporation at a price of \$3.50 per share, representing the closing market price on March 9, 1998, being the day preceding the date of

grant. A total of 100,000 of the options vested immediately with the balance vesting in equal amounts over a three year period.

On November 11, 1998, the board of directors of the Corporation appointed Mr. Pearl as the Chief Executive Officer and President of the Corporation and increased his annual salary from \$500,000 to \$600,000. In connection with such appointment, Mr. Pearl agreed to restructure the provisions of the Pearl Note (as defined herein) as more particularly described under "Particulars of Matters to be Acted Upon – 3. Approval of Restructuring of Pearl Note".

Proposed Severance Arrangements – Former President and Chief Executive Officer

Pursuant to severance arrangements entered into between Eric H. Winston, the former President and Chief Executive Officer, and the Corporation on November 11, 1998 (the "Severance Agreement"), Mr. Winston agreed to resign as the President and Chief Executive Officer on November 11, 1998 and as a director of the Corporation on December 2, 1998, being the date of completion of a special warrant financing, in consideration of a severance payment of U.S. \$225,000 payable in equal bi-monthly installments of \$9,375 over a twelve (12) month period commencing on December 1, 1998 together with a further payment of U.S. \$18,750 on December 15, 1999 in respect of vacation pay owing. In addition, Mr. Winston on November 6, 1998, was granted share compensation rights to acquire up to 250,000 common shares at a price of \$0.55 per share, subject to regulatory approval (See "Particulars of Matters to be Acted Upon – 2. Approval of Severance Arrangements with Former President and Chief Executive Officer"), which rights Mr. Winston has agreed to exercise immediately following the receipt of the necessary regulatory approvals. Pursuant to the terms of the Severance Agreement, Mr. Winston shall tender to the Corporation share certificate(s) of the Corporation representing 333,334 common shares issued on April 16, 1998 registered in the name of Mr. Winston pursuant to previously exercised options and share compensation rights at an exercise price of \$3.15 per share. In addition, Mr. Winston agreed to surrender to the Corporation for cancellation a total of 493,663 unexercised options and a total of 173,003 unissued share compensation rights originally issued to Mr. Winston on January 23, 1998 at an exercise price and issuance price, respectively, of \$3.15 per share.

Report on Executive Compensation

It is the responsibility of the Compensation Committee to determine the level of compensation in respect of the Corporation's senior executives including the Executive Officers with a view to providing such executives with a competitive compensation package having regard to performance. Performance is defined to include achievement of the Corporation's strategic objectives of growth and the enhancement of shareholder value.

Compensation for executive officers is composed primarily of four components; namely, base salary, performance and discretionary bonuses and the granting of stock options. Performance bonuses are considered from time to time having regard to the above referenced objectives. The Compensation Committee believes that stock options encourage the Corporation's executive officers to own and hold shares in the Corporation and to tie their long-term interests directly to those of the shareholders. Under the terms of the Stock Option Plan, the Compensation Committee may designate employees, including executive officers, eligible to

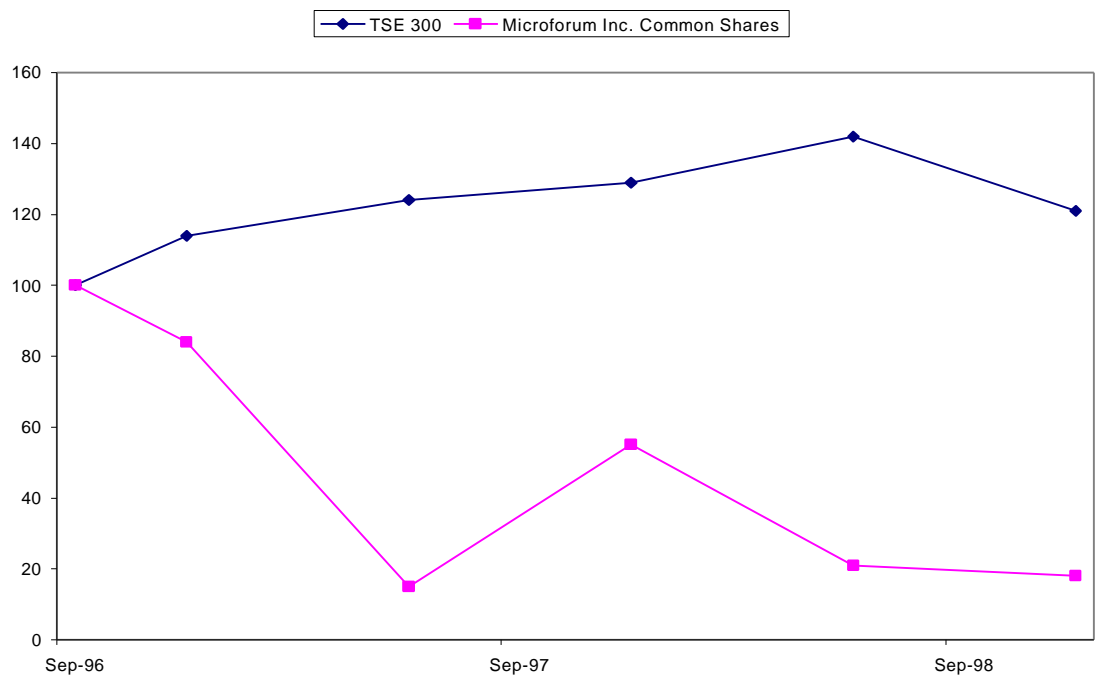
receive options to acquire such numbers of common shares as the Compensation Committee determines at the then current trading price on The Toronto Stock Exchange.

In establishing the levels of base salary, the award of stock options and performance bonuses the Compensation Committee takes into consideration individual performance, responsibilities, length of service and levels of compensation provided by industry competitors.

PERFORMANCE GRAPH

The following graph shows the yearly percentage change in the cumulative shareholder return on the common shares, which shares are listed on the TSE, compared to the cumulative total return of the TSE 300 Index for the past three fiscal years assuming \$100 investments on September 12, 1996, being the date the Corporation became a public entity.

THREE YEAR CUMULATIVE TOTAL RETURN ON \$100 INVESTMENT SEPTEMBER 12, 1996 TO DECEMBER 16, 1998



	September 12, 1996	December 31, 1996	June 30, 1997	December 31, 1997	June 30, 1998	December 16, 1998
TSE 300	100	114	124	129	142	121
Microforum Inc. Common Shares	100	84	15	55	21	18

TRADING IN CORPORATION'S SHARES

The shares of the Corporation have traded on the TSE since September 12, 1996. Set forth below is a summary of the volume of trading and price range for the Corporation's shares for the period September 12, 1996 to December 16, 1998:

	<u>High</u>	<u>Low</u>	<u>Volume</u>
<u>1996</u>			
September (12-30)	\$7.00	\$6.25	191,620
4 th Quarter	6.40	4.50	173,650
<u>1997</u>			
1 st Quarter	\$5.50	\$1.85	85,151
2 nd Quarter	1.80	0.25	600,800
3 rd Quarter	4.30	1.00	3,683,231
4 th Quarter	5.20	3.00	2,333,074
<u>1998</u>			
1 st Quarter	4.00	2.50	4,176,451
2 nd Quarter	3.30	1.10	2,898,862
July	1.50	1.21	865,133
August	1.30	0.70	487,501
September	0.74	0.50	435,389
October	0.60	0.43	757,750
November	0.92	0.52	4,507,075
December (1-16)	1.47	1.02	7,173,119

For the period September 12, 1996 to December 16, 1998, the TSE 300 composite index was 5191.61 and 6283.83, respectively, representing an annualized return of 8.4%.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Future Financings

Background

The policies of the TSE provide that the aggregate number of shares of a listed company which are issued or made subject to issuance by way of one or more private placements during any particular six month period must not exceed 25% of the total number of common shares issued and outstanding (on a diluted basis) prior to giving effect to such private placements (the

"25% Rule"). The application of the 25% Rule may restrict the Corporation's ability to raise funds by the private placement of its securities. The management of the Corporation anticipates that they may seek the approval of the board of directors of the Corporation regarding one or more private placements during any six month period provided that the number of common shares to be issued in aggregate will not exceed 50% of the number of common shares of the Corporation which are outstanding (on a non-diluted basis), representing a maximum of 9,066,983 common shares, prior to giving effect to such transactions.

The TSE has advised that it will accept advance approval by the shareholders of the Corporation in anticipation of private placements that may exceed the 25% Rule, provided such private placements are completed within 12 months of the date such advance shareholder approval is given. By giving the advance approval, shareholders would only be satisfying the shareholder approval requirement of the TSE Rules.

Each private placement would still remain subject to regulatory approval, including the approval of the TSE. Any private placement proposed by the Corporation will be subject to the following additional restrictions:

1. a majority of such private places must be at arms-length to the Corporation and must not materially affect control of the Corporation;
2. the private placement cannot result in a change of control of the Corporation or result in dilution to the Corporation in excess of 50% of the number of common shares of the Corporation which are outstanding (calculated on a non-diluted basis), representing a maximum of 9,066,983 common shares, prior to giving affect to such transactions;
3. the private placement must be completed within a 12 month period following the date the advance shareholder approval is given; and
4. the private placement must comply with the private placement pricing rules of the TSE, which currently require that the price per security must not be lower than the closing market price of the security on the TSE on the trading day prior to the date notice of the private placement is given to the TSE less the applicable discount as follows:

Market Price	Maximum Discount Therefrom
\$0.50 or less	25%
\$0.51 to \$2.00	20%
Above \$2.00	15%

The TSE retains the discretion to decide whether a majority of the places in a particular private placement is with parties at arms-length or will effect a "change of control" in which case specific shareholder approval may be required.

Purpose and Board of Directors' Recommendations

As a result of the anticipated growth prospects for the Corporation, management anticipates that the Corporation may enter into additional private placements (the "Future Financings") in the next 12 months that will exceed the 25% Rule. The management of the Corporation anticipates that they may seek the approval of the board of directors of the Corporation regarding one or more private placements during any six month period provided that the number of common shares to be issued in aggregate will not exceed 50% of the number of common shares of the Corporation which are outstanding (on a non-diluted basis), representing a maximum of 9,066,983 common shares, prior to giving effect to such transactions.

The board of directors of the Corporation believe that the passing of an ordinary resolution approving the Future Financings (the "Future Financings Resolution") is in the best interests of the Corporation and recommends that shareholders vote in favour of the resolution. In the event that the Future Financings Resolution is not passed, the TSE will not approve any private placements by the Corporation for a period of 6 months expiring on June 2, 1999 without first seeking shareholder approval as the special warrant financing completed on December 2, 1998 will result in the issuance of shares exceeding the 25% Rule. Such a restriction would impede the Corporation's capital raising ability and strategic growth plans.

The board of directors recommends that shareholders vote in favour of the foregoing resolution as they believe it to be in the best interests of the Corporation. **Unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the approval of the foregoing matters.**

Future Financings Resolution

The Future Financings Resolution is an ordinary resolution. As such, the affirmative votes of not less than a majority of the shareholders represented at the Meeting, in person, or by proxy, are required in order for the Future Financings Resolution to be considered approved by the shareholders. Accordingly, the shareholders of the Corporation will be asked to approve the ordinary resolution set forth below.

"BE IT RESOLVED, AS AN ORDINARY RESOLUTION, WITH OR WITHOUT AMENDMENT:

1. That the issuance by the Corporation in one or more private placements of such number of securities that would result in the Corporation making issuable during the next twelve months an amount of shares that exceeds 25% and not greater than 50% of the Corporation's total issued and outstanding common shares (on a non-diluted basis), representing a maximum of 9,066,983 common shares, prior to giving effect to such transactions, but excluding for greater certainty, the issuance of up to 7,062,000 common shares (inclusive of compensation options and penalty shares) in connection with a private placement of special warrants for gross proceeds of \$2,000,000 completed on December 2, 1998, subject to the additional restrictions described in the Management Proxy Circular of the Corporation dated December 16, 1998, is hereby approved.

2. That the directors and officers of the Corporation are hereby authorized to perform such further acts and execute such additional documentation for and on behalf of the Corporation in order to give effect to the foregoing resolution."

2. Approval of Severance Arrangements with Former President and Chief Executive Officer

Background

Pursuant to severance arrangements entered into between Eric H. Winston and the Corporation on November 11, 1998 (the "Severance Agreement"), Mr. Winston agreed to resign as the President and Chief Executive Officer on November 11, 1998 and as a director of the Corporation on December 2, 1998, being the date of completion of a special warrant financing, in consideration of a severance payment of U.S. \$225,000 payable in equal bi-monthly installments of U.S. \$9,375 over a twelve (12) month period commencing on December 1, 1998 together with a further payment of U.S. \$18,750 on December 15, 1999 in respect of previous vacation pay owing. In addition, Mr. Winston was issued share compensation rights on November 6, 1998, allowing him, subject to regulatory approval, to acquire up to 250,000 common shares at a price of \$0.55 per share, being the closing market price on the day preceding the date the board of directors approved the issuance of such rights. Mr. Winston has agreed to exercise his share compensation rights and acquire such shares concurrently with the grant of such rights. The Corporation has agreed to provide Mr. Winston with an interest-free loan to assist in such purchase which will be secured by such shares and will be non-recourse to him. Pursuant to the terms of the Severance Agreement, Mr. Winston agreed to tender to the Corporation 333,334 common shares of the Corporation issued on April 16, 1998 registered in the name of Mr. Winston pursuant to previously exercised options and share compensation rights at an exercise price of \$3.15 per share. In addition, Mr. Winston hereby agrees to surrender for cancellation a total of 493,663 unexercised options and a total of 173,003 unexercised share compensation rights issued by the Corporation to Mr. Winston on January 23, 1998 at an exercise price and issuance price, respectively, of \$3.15 per share. Mr. Winston agreed to consolidate certain promissory notes previously issued by him to the Corporation on October 14, 1997, December 30, 1997, November 6, 1998 and November 8, 1998 in the aggregate principal amount of \$755,500 (the "Consolidated Note") and agreed to pledge a total of 1,100,000 common shares of the Corporation (the "Pledged Shares") (inclusive of the 250,000 common shares issuable upon the exercise of the share compensation rights referred to above) as security for the Consolidated Note. The Consolidated Note shall be non-recourse and non-interest bearing and shall be for a term which expires on the earlier of no later than two years and the date that the Pledged Shares are sold.

Purpose of Share Compensation Rights and Board of Directors' Recommendations

Mr. Winston's share compensation rights to acquire up to 250,000 common shares in the capital of the Corporation at a price of \$0.55 per share do not form part of the Corporation's Stock Option Plan. Pursuant to the requirements of Section 609 of the TSE's Company Manual, the TSE has deemed it necessary that the shareholders of the Corporation (other than Mr. Winston and his associates and affiliates) approve the foregoing arrangements by simple majority.

This is due to the fact that, although efforts were undertaken by the Corporation to negotiate the Severance Agreement on an arms-length basis, Mr. Winston was the President and Chief Executive Officer of the Corporation at the time the Severance Agreement was settled.

The board of directors of the Corporation has concluded that the proposed issuance of 250,000 common shares at an exercise price of \$0.55, being the closing market price on the day preceding the date the board of directors approved such issuance, is in the best interests of the Corporation and its shareholders. The board of directors is of the view that the Settlement Agreement is fair and equitable from the standpoint of both Mr. Winston and the Corporation. Accordingly, the board of directors of the Corporation recommend that the shareholders entitled to vote on this resolution vote in favour of such amendment. **Unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the approval of the foregoing matters.**

Resolution to Approve Share Compensation Rights with Former President and Chief Executive Officer

Mr. Winston and his affiliates own 1,183,334 common shares of the Corporation (inclusive of the 333,334 common shares issued on April 16, 1998 to be tendered in connection with the Severance Agreement), representing 6.5% of the issued and outstanding common shares of the Corporation. At the Meeting, shareholders will be asked to approve, with or without amendment, the resolution set out below, which resolution must be approved by a majority of the votes cast at the meeting other than votes attaching to securities beneficially owned by Mr. Winston or his associates:

"BE IT HEREBY RESOLVED, AS AN ORDINARY RESOLUTION WITH OR WITHOUT AMENDMENT:

- (1) That the share compensation arrangements granted by the Corporation on November 6, 1998 and described in the Management Information Circular dated December 16, 1998 pursuant to which the Corporation agreed to issue to Mr. Eric H. Winston, the former President and Chief Executive Officer of the Corporation, an aggregate of 250,000 common shares of the Corporation at an issue price of \$0.55 per share as part of the Severance Agreement entered into between Mr. Winston and the Corporation, be hereby approved, without amendment.
- (2) That the directors and officers of the Corporation are hereby authorized to perform such further acts and execute such additional documentation for and on behalf of the Corporation in order to give effect to the foregoing resolution."

3. Approval of Restructuring of Pearl Note

Background

In connection with the acquisition on April 6, 1998 by the Corporation of 100% of the shares of the companies comprising the PPL Group, the Corporation issued to Mr. Pearl

consideration in the amount of 1,627,000 common shares and a non-interest bearing promissory note in the principal amount of \$502,000 which was due October 2, 1998 (the "Pearl Note"). As security for the unpaid portion of the Pearl Note, the Corporation granted Mr. Pearl a pledge in respect of the shares (the "Pledged Collateral") of PPL Marketing Services Inc. ("PPL") and a pledge agreement was entered into between Mr. Pearl and the Corporation on April 3, 1998 (the "Pledge Agreement"). The Pledge Agreement provides, among other things, that Mr. Pearl shall be entitled to realize on the Pledged Collateral and regain his ownership in the shares of PPL which were previously sold to the Corporation in the event the Corporation failed to pay the outstanding principal of the Pearl Note on or before the maturity date. Due to market conditions, the Corporation was forced to abandon its financing plans scheduled for May-June 1998. Accordingly, the Corporation experienced certain liquidity difficulties and was not able to pay the scheduled payment on the Pearl Note on October 2, 1998. Subsequent to such date, Mr. Pearl refrained from exercising his right to realize on the shares of PPL or any other of his rights under the Pearl Note, subject to the reorganization described below being approved by the directors of the Corporation.

As consideration for Mr. Pearl's forbearance on realizing on the security of PPL, on November 6, 1998 the board of directors agreed, subject to regulatory approval, that: (i) Mr. Pearl may convert \$250,000 of the principal amount outstanding under the Pearl Note at a price of \$0.736 per common share, being the closing market price on November 17, 1998, being the day preceding the date that formal notice of such arrangements were provided to the TSE; and (ii) that the Pearl Note be extended until March 31, 2000 during which period the outstanding balance may not be repaid, redeemed or converted nor the terms thereof amended. As additional consideration, the board of directors agreed to issue to Mr. Pearl a total of 1,500,000 common shares in the capital of the Corporation at a prescribed value of \$0.736 per common share, being the closing market on November 17, 1998, being the day preceding the date that formal notice of such arrangements were provided to the TSE. On November 11, 1998, the board of directors of the Corporation appointed Mr. Pearl as the Chief Executive Officer and President of the Corporation.

Purpose of Restructuring of Pearl Note and Board of Directors' Recommendations

Pursuant to the requirements of Section 609 of the TSE's Company Manual, the TSE has deemed it necessary that the shareholders of the Corporation (other than Mr. Pearl and his associates and affiliates) approve the foregoing arrangements by simple majority. This is due to the fact that, although efforts were undertaken by the Corporation to negotiate these arrangements on an arms-length basis, Mr. Pearl is currently the President and Chief Executive Officer of the Corporation and, at the time such arrangements were entered into, Mr. Pearl was a director and officer of the Corporation.

The board of directors of the Corporation has concluded that the conversion of \$250,000 of the principal amount of the Pearl Note at a price of \$0.736 per common share and the proposed issuance of 1,500,000 common shares at a prescribed value of \$0.736 per common share, being the closing market price on November 17, 1998, being the day preceding the date that formal notice of such arrangements were provided to the TSE, is in the best interests of the Corporation and its shareholders. PPL represents a significant and integral aspect of the Corporation's operations. As a result, the board of directors acknowledged that significant

efforts should be undertaken in order to restructure the Pearl Note and thereby preserve the Corporation's ownership rights to PPL. The board of directors is of the view that in connection with the restructuring of the Pearl Note they have acted in the best interests of the shareholders of the Corporation and that the proposed arrangements are fair and equitable from the standpoint of both Mr. Pearl and the Corporation. Accordingly, the board of directors of the Corporation recommend that the shareholders entitled to vote on this resolution vote in favour of such amendment. **Unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the approval of the foregoing matters.**

Resolution to Approve Restructuring of Pearl Note

Mr. Pearl and his affiliates own 1,436,667 common shares of the Corporation, representing 7.9% of the issued and outstanding common shares of the Corporation. At the Meeting, shareholders will be asked to approve, with or without amendment, the resolution set out below, which resolution must be approved by a majority of the votes cast at the meeting other than votes attaching to securities beneficially owned by Mr. Pearl or his associates.

"BE IT HEREBY RESOLVED, AS AN ORDINARY RESOLUTION WITH OR WITHOUT AMENDMENT:

- (1) That the restructuring arrangements described in the Management Information Circular dated December 18, 1998 pursuant to which the Corporation agreed to convert \$250,000 of the principal amount of the Pearl Note at a price of \$0.736 per common share, being the closing market price on November 17, 1998, being the day preceding the date that formal notice of such arrangements were provided to the TSE and that the Pearl Note may not be redeemed or converted nor the terms thereof amended until after March 31, 2000, be hereby approved without amendment.
- (2) That the restructuring arrangements described in the Management Information Circular dated December 16, 1998 pursuant to which the Corporation agreed to issue to Mr. Pearl a total of 1,500,000 common shares in the capital of the Corporation at a prescribed value of \$0.736 per common share, being the closing market price on November 17, 1998, being the day preceding the date that formal notice of such arrangements were provided to the TSE, be hereby approved, without amendment.
- (3) That the directors and officers of the Corporation are hereby authorized to perform such further acts and execute such additional documentation for and on behalf of the Corporation in order to give effect to the foregoing resolution."

4. Amendment of Stock Option Plan - Increase of Number of Options Available

The Corporation proposes, subject to regulatory approval, to increase the number of stock options that may be granted under the Stock Option Plan by 400,000 Options from 3,000,000 common shares to 3,400,000 common shares, representing 19.1% of the issued and outstanding common shares of the Corporation on a non-diluted basis and not including those common shares

issuable upon exercise of special warrants on December 2, 1998. As of December 16, 1998, a total of 606,921 options have been exercised pursuant to the Stock Option Plan.

Background

At an annual meeting of the shareholders of the Corporation held on June 12, 1995, the shareholders of the Corporation ratified the Stock Option Plan. Section 4.1 of the Stock Option Plan was amended at a special meeting of shareholders of the Corporation on March 24, 1998 to provide the Stock Option Committee with the ability to grant options to purchase an aggregate of up to 3,000,000 common shares (previously 855,000 options were available pursuant to the Stock Option Plan). At an annual meeting on August 25, 1997 shareholders of the Corporation ratified an amendment to the Stock Option Plan to permit the following: (i) the number of shares reserved for issuance pursuant to stock options granted to insiders of the Corporation may exceed 10% of the outstanding issue (ii) the issuance of shares to insiders may exceed 10% of the outstanding issue within a one-year period or (iii) the issuance to any one insider or such insider's associates may exceed 5 percent within a one-year period. To date options exercisable for an aggregate of 2,437,234 common shares have been granted under the terms of the Stock Option Plan, subject to receipt of the requisite approval to expand the Stock Option Plan and/or the cancellation of options in certain instances. See "Statement of Executive Compensation - Stock Options".

Purpose of Stock Option Plan and Board of Directors' Recommendations

The Stock Option Plan is intended to benefit the Corporation as it aligns the optionees interests with those of the shareholders of the Corporation. It enables the Corporation to attract and retain personnel of the highest calibre on a cost-effective basis by offering an opportunity for them to participate with shareholders in any increase in value of the common shares resulting from their efforts and contribute to the Corporation's success. The board of directors of the Corporation has concluded that the proposed amendment to the Stock Option Plan is in the best interests of the shareholders of the Corporation. Accordingly, the board of directors of the Corporation recommend that the shareholders entitled to vote on this amendment to the Stock Option Plan vote in favour of such amendment. **Unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the approval of the foregoing matters.**

Stock Option Plan Amendment Resolution to Increase Number of Options Available

The rules of the TSE require that any material change to the Stock Option Plan be approved by the affirmative vote of a majority of the votes cast at the Meeting, other than votes attaching to shares beneficially owned by insiders of the Corporation or their associates. To the best of the Corporation's information, as of the date hereof insiders and their affiliates own 1,568,738 common shares of the Corporation, representing 8.7% of the issued and outstanding common shares of the Corporation. Accordingly, such insiders and their associates will abstain, and remaining shareholders of the Corporation will be asked to pass the ordinary resolution set out below.

"BE IT RESOLVED, AS AN ORDINARY RESOLUTION, WITH OR WITHOUT AMENDMENT:

- (1) Subject to regulatory approval, the Corporation is hereby authorized to grant stock options pursuant and subject to the terms and conditions of the Stock Option Plan entitling the option holders to purchase up to 3,400,000 common shares; and
- (2) Subject to regulatory approval, Section 4.1 of the Stock Option Plan be deleted in its entirety, and replaced with the following:

Common Shares Subject to the Stock Option Plan - Options may be granted in respect of authorized and unissued Shares, provided that the aggregate number of common shares reserved for issuance upon exercise of all options granted under the Stock Option Plan, subject to any adjustment of such number pursuant to the provisions of Article 8 of the Stock Option Plan, shall not exceed 3,400,000 or such greater number of common shares as may be determined by the board of directors and approved by any relevant stock exchange or other regulatory authority and, if required, by the shareholders of the Corporation, from time to time. Common shares reserved for issuance under the Stock Option Plan in respect of which options have been granted but not exercised shall be available for options to be granted subsequent to the expiry and/or termination of the original options in respect of such common shares. No fractional common shares may be purchased or issued under the Stock Option Plan.

- (3) The board of directors of the Corporation be authorized to perform such further acts and execute such further documents as may be required to give effect to the foregoing".

5. Issuance of Options and Conversion of Indebtedness to Service Provider

In consideration for a reduction of the monthly cash fee in respect of investor relations services payable by the Corporation to 1165953 Ontario Inc. carrying on business as The Investor Relations Group ("IRG") from \$15,000 per month to \$7,500 per month for the subsequent 12 month period, on November 30, 1998, the board of directors of the Corporation agreed, subject to regulatory authority, to grant IRG non-assignable options to acquire up to 200,000 common shares in the capital of the Corporation, exercisable for a two year period expiring on November 30, 2000, at an exercise price of \$0.85 per share, representing the closing market price on the day preceding the date of grant. Such options are granted outside of the Corporation's Stock Option Plan. Such options are to vest in equal amounts of 50,000 common shares at such time that the average trading price on the TSE for 15 consecutive trading days is equal to or greater than \$1.00, \$1.50, \$2.00 and \$2.50, respectively. In addition, on November 30, 1998, the board of directors agreed to convert a total of \$50,000 of indebtedness owing by the Corporation to IRG for a total of 58,823 common shares in the capital of the Corporation at an effective conversion price of \$0.85 per common share, representing the closing market price on the day preceding the date that the directors of the Corporation approved of such conversion.

Purpose of Issuance of Options and Conversion of Indebtedness to Service Provider and Board of Directors' Recommendations

The proposed grant of options to IRG to acquire up to 200,000 common shares in the capital of the Corporation at a price of \$0.85 per share do not form part of the Corporation's Stock Option Plan. Pursuant to the requirements of Section 609 of the TSE's Company Manual, the TSE has deemed it necessary that the shareholders of the Corporation approve the foregoing arrangements by simple majority.

The board of directors of the Corporation has concluded that the proposed issuance of options to IRG to acquire up to 200,000 common shares at an exercise price of \$0.85, subject to vesting as described above, and the issuance of 58,823 common shares upon conversion of \$50,000 of indebtedness owed to IRG by the Corporation, subject to regulatory approval, is in the best interest of the Corporation and its shareholders. The board of directors is of the view that these arrangements reduce any cash obligations owing by the Corporation and align the interests of IRG with the Corporation. Accordingly, the board of directors of the Corporation recommend that the shareholders entitled to vote on this resolution vote in favour of such amendment. **Unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the approval of the foregoing matters.**

Resolution to Approve Issuance of Options and Conversion of Indebtedness to Service Provider

At the Meeting, shareholders will be asked to approve, with or without amendment, the resolution set out below, which resolution must be approved by a majority of the votes cast at the Meeting.

"BE IT HEREBY RESOLVED, AS AN ORDINARY RESOLUTION WITH OR WITHOUT AMENDMENT:

- (1) That the issuance of options to a service provider as described in the Management Information Circular dated December 16, 1998 pursuant to which the Corporation agreed to issue to IRG options to acquire up to 200,000 common shares in the capital of the Corporation at an issue price of \$0.85 per share, subject to vesting in equal amounts of 50,000 common shares at such time that the average trading price on the TSE for 15 consecutive trading days is equal to or greater than \$1.00, \$1.50, \$2.00 and \$2.50, respectively, be hereby approved without amendment.
- (2) That the conversion of indebtedness to a service provider as described in the Management Information Circular dated December 16, 1998 pursuant to which the Corporation agreed to convert a total of \$50,000 of indebtedness owing by the Corporation to IRG for a total of 58,823 common shares in the capital of the Corporation at an effective conversion price of \$0.85 per common share, representing the closing market price on the day preceding the date that the directors of the Corporation approved of such conversion, be hereby approved without amendment.

- (3) That the directors and officers of the Corporation are hereby authorized to perform such further acts and execute such additional documentation for and on behalf of the Corporation in order to give effect to the foregoing resolution."

6. Change of Municipal Address of Corporation

The Corporation has proposed, subject to shareholder approval, to authorize the board of directors to change the municipality in which its registered office is located from 1 Woodborough Avenue, Toronto, Ontario, M6M 5A1 to 6050 Tomken Road, Mississauga, Ontario, L5T 1X8. Section 14(4) of the *Business Corporations Act* (Ontario) provides that a corporation may by special resolution passed by a two-thirds majority of its shareholders change the municipality or geographic township in which its registered office is located to another place in Ontario.

Purpose of Change of Municipal Address of Corporation and Board of Directors' Recommendations

As a result of the purchase of the PPL Group of Companies on April 6, 1998 and the recent consolidation of the Corporation's operations, which includes the vacation of the Woodborough Avenue premises, the board of directors considers it advisable to move the registered office to Tomken Road in Mississauga, Ontario. The board of directors of the Corporation has concluded that the proposed change of municipal address of the Corporation is in the best interests of the Corporation and the shareholders of the Corporation. Accordingly, the board of directors of the Corporation recommend that the shareholders entitled to vote on this change of municipal address of the Corporation vote in favour of such amendment. **Unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the approval of the foregoing matters.**

Resolution for Change of Municipal Address of Corporation

Section 14(4) of the *Business Corporations Act* (Ontario) provides that a corporation may change the municipality or geographic township in which its registered office is located to another place in Ontario by the affirmative vote of a two-thirds of the votes cast at the Meeting. Accordingly, the remaining shareholders of the Corporation will be asked to pass the special resolution as set out below.

"BE IT RESOLVED, AS A SPECIAL RESOLUTION, WITH OR WITHOUT AMENDMENT:

- (1) The Corporation hereby authorizes the board of directors to change the municipality in which its registered office is located from 1 Woodborough Avenue, Toronto, Ontario, M6M 5A1 to 6050 Tomken Road, Mississauga, Ontario, L5T 1X8.
- (2) The board of directors of the Corporation be authorized to perform such further acts and execute such further documents as may be required to give effect to the foregoing."

GENERAL

Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of the Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the proxy.

DIRECTORS' APPROVAL

The contents of this management information circular and the sending thereof have been approved by the board of directors of the Corporation. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

BY ORDER OF THE BOARD OF DIRECTORS

By: (Signed) David R. Peterson, P.C., Q.C.
Chairman of the Board

Toronto, Ontario
December 16, 1998