

## **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 Annual and 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 Common 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 Common 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 favor 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 July 9, 1999, 33,770,082 common shares ("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 and 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 July 12, 1999 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 Common Shares at the close of business on the Record Date. Each holder of Common Shares named in the list will be entitled to vote at the Meeting the Common Shares shown opposite his name on the list except to the extent that (a) the shareholder has transferred any of his Common Shares after the date on which the list was prepared, and (b) the transferee of those Common 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 Common Shares at the Meeting.

At the date hereof, to the knowledge of the directors and senior officers of the Corporation, no person, firm or corporation beneficially 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 entitled to be voted at the meeting.

At the date hereof, the current directors and senior officers as a group own beneficially, directly and indirectly, 3,448,212 Common Shares or 10.2% of the issued and outstanding Common 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, 1999 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 (\$)(8)	Securities Under Options Granted (#)	
Howard A. Pearl (1) President and Chief Executive Officer	1999	\$600,000	Nil	Nil	220,000	Nil
Eric H. Winston (2) President and Chief Executive Officer	1999 1998	U.S. \$225,000 U.S.\$312,000	Nil Nil	\$84,000 \$84,000	Nil Nil	Nil Nil
Frank Iadipaolo (3) Chief Financial Officer	1999 1998	\$125,000 \$112,000	Nil Nil	\$6,600 \$6,600	318,333 66,667	Nil Nil
G. William Butcher (4) General Manager	1999 1998	U.S. \$50,000 U.S. \$100,000	Nil Nil	Nil Nil	80,000 80,000	Nil Nil
Marco Argenti (5) Vice-President, Internet Services	1999 1998	\$120,000 \$100,000	Nil Nil	\$6,600 \$6,600	70,000 55,000	Nil Nil
Claudio Baiocchi (6) President and Chief Executive Officer	1997	\$98,750	\$10,000	\$7,212	Nil	Nil
Paul Weissman (7) Vice-President, Operations and Chief Financial Officer	1997	\$99,450	\$10,000	\$7,212	Nil	Nil

Notes:

- (1) On November 11, 1998, Mr. Pearl was appointed as President and Chief Executive Officer of the Company and the board of directors increased his salary to \$600,000 per annum. See "Statement of Executive Compensation – Current Executive Compensation". Does not include options granted on April 20, 1999 to acquire up to 250,000 Common Shares at an exercise price of \$2.45 per share, subject to vesting.
- (2) On March 24, 1998, the shareholders of the Company 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 Company 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 at a price of \$3.15 per share and the grant of options pursuant to the Company's Stock Option Plan (as hereinafter defined) to acquire up to 740,495 Common Shares 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 Company approved of an increase in the salary paid to Mr. Winston from U.S. \$150,000 to U.S. \$225,000. On November 11, 1998, Mr. Winston resigned as President and Chief Executive Officer of the Company and entered into severance arrangements described under the heading "Executive Compensation – Severance Arrangements – Former President and Chief Executive Officer".

- (3) See "Statement of Executive Compensation – Current Executive Compensation". Does not include options granted on April 20, 1999 to acquire up to 150,000 Common Shares at an exercise price of \$2.45 per share, subject to vesting.
- (4) Pursuant to arrangements entered into between Mr. William Butcher and the Company on September 5, 1997, as amended on November 11, 1997, Mr. Butcher has received 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 closing 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 Company, relocated to the United States and became a consultant of the Company. 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) Does not include options granted on April 20, 1999 to acquire up to 125,000 Common Shares at an exercise price of \$2.45 per share, subject to vesting.
- (6) Claudio Baiocchi ceased serving as President and Chief Executive Officer of the Company on April 21, 1997.
- (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 Company, except in the case of Mr. Winston which includes living and travel expenses.

## Current Executive Compensation

In connection with the acquisition of PPL Marketing Services Inc., Marshall Fenn Communications Inc. and Poste Haste Systems Inc. by the Company on April 6, 1998, the Company entered into an employment agreement with Howard Pearl dated April 3, 1998 whereby Mr. Pearl assumed the positions of President of PPL Marketing Services Inc., Marshall Fenn Communications Inc. and Poste Haste Systems Inc., wholly-owned subsidiaries of the Company, received an annual salary of \$500,000 per annum for a period of three years plus options pursuant to the Company's Stock Option Plan (as hereinafter defined) to acquire up to 140,000 Common Shares of the Company 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 Company appointed Mr. Pearl as the Chief Executive Officer and President of the Company and increased his annual salary from \$500,000 to \$600,000. Pursuant to amendments entered into between the Company and Mr. Pearl on November 11, 1998, the term of Mr. Pearl's employment was extended for three (3) additional years commencing November 11, 1998 and concluding November 10, 2001 and thereafter, for successive one (1) year periods unless otherwise terminated. In the event of termination other than for cause or incapacity, Mr. Pearl shall be entitled to be paid the balance of his base salary owing up to a maximum of three (3) years and a minimum of two (2) years.

Pursuant to an amended employment agreement entered into between Frank Iadipaolo and the Company 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 which vest 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 Company 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 Company 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 Company's Stock Option Plan (as hereinafter defined) to acquire up to 142,000 Common Shares of the Company 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 Company, 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 directors of the Company approved of an increase in the salary paid to Mr. Iadipaolo from \$90,000 to \$125,000. On April 22, 1999, Mr. Iadipaolo exercised options for a total of 33,333 Common Shares for consideration of \$37,666. On April 29, 1999, Mr. Iadipaolo exercised options for a total of 118,334 Common Shares for consideration of \$372,752. By agreement dated December 29, 1998, in the event of termination, Mr. Iadipaolo will be entitled to receive a severance payment equal to one year of his existing base salary and all outstanding options granted to Mr. Iadipaolo shall immediately vest.

### **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 Company on November 11, 1998 (the “Severance Agreement”), Mr. Winston resigned as the President and Chief Executive Officer on November 11, 1998 and as a director of the Company on December 2, 1998, being the date of closing of the special warrant financing, in consideration of a severance payment of U.S. \$225,000 payable in equal bi-monthly instalments 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 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, which rights were approved by the shareholders of the Company at a special meeting held on January 20, 1999. On January 28, 1999, Mr. Winston exercised such rights to acquire 250,000 Common Shares. Pursuant to the terms of the Severance Agreement, Mr. Winston tendered to the Company share certificates of the Company 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 Company 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.

The Severance Agreement also provides for the cancellation of promissory notes dated October 14, 1997, December 30, 1997, November 6, 1998 and November 11, 1998 between the Company and Mr. Winston in the aggregate principal amount of \$755,500 and the execution of a new consolidated promissory note dated as of November 11, 1998 in the principal amount of \$755,500 (the “Consolidated Note”). The Consolidated Note was secured by a pledge to the Company of 1,100,000 Common Shares beneficially owned by Mr. Winston (the “Pledged Shares”). As of April 26, 1999, the Consolidated Note was repaid in full. The non-recourse indebtedness in the aggregate amount of \$1,050,002.10 owing by Mr. Winston to the Company as a result of the exercise of options and share compensation rights to acquire 333,334 Common Shares on April 16, 1998 was cancelled as of April 21, 1999 and the 333,334 Common Shares currently held by the Company in support of such indebtedness were cancelled by the Company in accordance with the terms of the Severance Agreement. See “Statement of Executive Compensation - Indebtedness of Directors, Executive Officers and Senior Officers”.

### **Indebtedness of Directors and Senior Officers of the Corporation**

Pursuant to financial assistance approved by the shareholders of the Company on March 24, 1998, the following senior officers of the Company had received interest-free secured loans as follows: Eric H. Winston, the former President and Chief Executive Officer of the Company, in the amount of \$1,562,168; Frank Iadipaolo, the Chief Financial Officer of the Company, in the amount of \$37,666; and G. William Butcher, the former General Manager of the Company, in the amount of \$25,000. All of such loans have been repaid as at the following dates: April 21, 1999, April 29, 1999 and April 29, 1999, respectively.

## Composition and Report of the Compensation Committee

During the fiscal year ended February 28, 1999, the compensation committee (the "Compensation Committee") was comprised of J. Efrim Boritz, Chairman, Donald W. Paterson and David R. Peterson.

### Compensation of Directors

Subject to the approval of the shareholders at the Meeting, effective January 20, 1999, each of the non-management directors other than David R. Peterson, Chairman, François M. de Gaspé Beaubien and Dwight Crane will be compensated for services rendered to the board of directors in the form of Common Shares (the "Retainer Shares") as follows (See "Particulars of Matters to be Acted Upon – Compensation of Certain Non-Management Directors by the Issuance of Common Shares"):

<u>Name</u>	<u>Value of Retainer Shares</u>	<u>Number of Retainer Shares</u>
J. Efrim Boritz	\$10,000	4,348
Donald W. Paterson	\$10,000	4,348
Totals	\$20,000	8,696

The number of Retainer Shares is computed by dividing the annual retainer of \$10,000 for services rendered to the board of directors divided by \$2.35, representing the closing market price on January 19, 1999. One-half of the total number of Common Shares issued to each director under this arrangement is to be delivered on August 31, 1999 with the remaining balance to be delivered on January 31, 2000. Each of the directors shall be entitled to a cash fee of \$500 for each meeting of the board of directors they attend, in person or by conference call. In the event that a director resigns or otherwise leaves the board of directors of the Company 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 Company for cancellation. This compensation arrangement has been approved by the board of directors for a one-year period. Instead of receiving Retainer Shares, David R. Peterson, Chairman, François de Gaspé Beaubien and Dwight Crane will receive an annual cash retainer of \$10,000 (\$25,000, in the case of the Chairman) for services rendered to the board of directors and a fee of \$500 for each meeting of the board of directors which each attends, in person or by telephone conference.

At the Meeting, the shareholders of the Company will be asked to approve a share plan for certain non-management directors of the Company, a copy of which is attached as Schedule "A" (the "Outside Directors Share Plan") to be effective commencing January 1, 2000. See "Particulars of Matters to be Acted Upon – 6. Outside Directors Share Plan". The purpose of the Outside Directors Share Plan is to promote the interests of the Company by attracting and retaining qualified persons to serve on the board of directors by affording each outside director an opportunity to receive some or all remuneration in the form of Common Shares. An outside director who so elects will be issued Common Shares at their fair market value equal to the weighted average trading price of the Common Shares on The Toronto Stock Exchange (the "TSE"), or such stock exchange on which the Common Shares are listed and posted for trading, for the first twenty (20) consecutive trading days in January of each year. The Common Shares to be issued under the Outside Directors Share Plan shall be subject to pro-rata adjustment in the event that an outside director ceases to serve on the board of directors.

## **Directors' and Officers' Liability Insurance**

The Company has acquired a directors' and officers' insurance policy in the amount of \$5 million per occurrence containing industry standard exclusions and deductibles. The Company pays an annual premium of \$17,150 for this policy. No claims under the policy have been made to date. The Company has also purchased life insurance contracts for the following "key persons": Howard Pearl, the President and Chief Executive Officer of the Company, in the amount of \$1,000,000; Eric Snyder, Vice-President of Marketing of PPL, in the amount of \$250,000; Marco Argenti, Vice-President, Internet Services of the Company and President of Internet Frontier Inc., in the amount of \$500,000; and Frank Helwig, Chief Operating Officer of Internet Frontier Inc., a wholly-owned subsidiary of the Company, in the amount of \$250,000. The Corporation has not obtained any other "key person" insurance.

## **Stock Options**

Pursuant to a resolution of the board of directors of the Company dated April 1, 1996, the Company 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 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. On January 20, 1999, the Stock Option Plan was further amended to increase the number of stock options that may be granted under the Stock Option Plan by 400,000 options from 3,000,000 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 3,400,000 Common Shares. After giving effect to the exercise of 942,301 options as of the date hereof, the balance of Common Shares reserved for issuance pursuant to the Stock Option Plan is 2,457,699. It is proposed that the shareholders consider increasing the number of Common Shares reserved for issuance under the Stock Option Plan by 3,100,000 options such that the maximum number of Common Shares reserved for issuance pursuant to stock options granted under the Stock Option Plan is 6,500,000. See "Particulars of Masters to be Acted Upon – 4. Amendment of Stock Option Plan – Increase of Number of Options Available". 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 optionee ceasing to be an employee, senior officer, director or consultant of the Company or any of its subsidiaries, as applicable, or upon the retirement, death or disability of the optionee. 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, subject to the requirements of policies of the TSE. 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 Company 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 Company accepts an offer to amalgamate, merge or consolidate with any other Company (other than a wholly-owned subsidiary) or in the event that holders of greater than 50% of the Company's Common Shares accept an offer made to all or substantially all of the holders of the Common Shares of the Company 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 Company, be automatically vested.

At the date hereof, options to employees, executive officers and directors of the Company to purchase up to an aggregate of 2,455,365 Common Shares were granted pursuant to Stock Option Plan.

### **Aggregate Options Exercised and Outstanding During Fiscal Year Ended February 28, 1999**

The following table provides detailed information regarding options exercised by the Executive Officers during the fiscal year ended February 28, 1999. In addition, details on outstanding and unexercised options held are provided:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at February 28, 1999		Value of Unexercised in-the-money Options at February 28, 1999	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Howard A. Pearl <sup>(1)</sup>	Nil	Nil	100,000	120,000	Nil	54,400
Eric H. Winston <sup>(2)</sup>	1,100,000	\$755,500	Nil	Nil	Nil	Nil
Frank Iadipaolo <sup>(3)</sup>	Nil	Nil	94,666	223,666	Nil	\$74,373
G. William Butcher <sup>(4)</sup>	Nil	Nil	49,999	40,001	Nil	Nil
Marco Argenti <sup>(5)</sup>	Nil	Nil	21,666	48,334	1,250	5,000

Notes:

- (1) Does not include options granted on April 20, 1999, to acquire up to 250,000 Common Shares at an exercise price of \$2.45 per share, subject to vesting. See "Statement of Executive Compensation – Summary Compensation Table".
- (2) 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 Common 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. On January 28, 1999, Mr. Winston was issued 250,000 Common Shares for consideration of \$137,500. See "Statement of Executive Compensation – Summary Compensation Table".

- (3) On January 5, 1998 and April 22, 1999, Mr. Iadipaolo exercised options for an aggregate total of 66,666 Common Shares for consideration of \$75,332.58, representing \$1.13 per share. On April 29, 1999, Mr. Iadipaolo exercised options for a total of 118,333 Common Shares for consideration of \$372,752. Does not include options granted on April 20, 1999 to acquire up to 150,000 Common Shares at an exercise price of \$2.45 per share, subject to vesting. See "Statement of Executive Compensation – Summary Compensation Table".
- (4) 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. On April 29, 1999, Mr. Butcher exercised options for a total of 46,666 Common Shares for consideration of \$228,663. See "Statement of Executive Compensation – Summary Compensation Table".
- (5) On April 22, 1999, Mr. Argenti exercised options for a total of 20,000 Common Shares for consideration of \$22,600 and on July 7, 1999 Mr. Argenti exercised options for a total of 10,000 Common Shares for consideration of \$11,300. Does not include options granted on April 20, 1999 to acquire up to 125,000 Common Shares at an exercise price of \$2.45 per share, subject to vesting.

### **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 towards 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 Common 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 not less than the then current trading price on the TSE.

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.

### **PARTICULARS OF MATTERS TO BE ACTED UPON**

#### **1. Appointment of Auditors**

Unless such authority is withheld, the persons named in the enclosed form of proxy intend to vote for the appointment of KPMG LLP, Chartered Accountants, as the auditors of the Corporation (the "New Auditors"), to hold office until the next annual meeting of shareholders, at a remuneration to be fixed by the directors.

The Corporation indicated to its former auditors, PricewaterhouseCoopers LLP, Chartered Accountants (the "Former Auditors") on July 7, 1999 that they will not be re-

appointed as auditors of the Corporation for the fiscal year ended February 28, 2000. The New Auditors were appointed auditors of the Corporation on July 7, 1999.

In accordance with National Policy No. 31, the Corporation issued a notice of change of auditors (the "Notice"), has received letters in reply to the Notice from the Former Auditors and the New Auditors (together, the "Replies") and the Notice and the Replies have been reviewed by the board of directors of the Corporation. A copy of the Notice and the Replies are attached hereto as Schedule "B" as the reporting package pursuant to National Policy No. 31.

## 2. Election of Directors

The articles of the Corporation provide for a minimum of one (1) and a maximum of ten (10) directors. The provisions of the *Business Corporations Act* (Ontario) require that a corporation which offers its securities to the public have a minimum of three (3) directors. **The board of directors has been set at six (6) persons and six (6) directors will be elected at the Meeting and unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below.** Management does not contemplate that any of the nominees will be unable to serve as a director but if that should occur for any reason prior to the Meeting or any adjournment thereof, it is intended that discretionary authority shall be exercised by the persons named in the enclosed form of proxy to vote the proxy for the election of any other person or persons in place of any nominee or nominees unable to serve. Each director elected will hold office until the close of business of the first annual meeting of shareholders of the Corporation following his election unless his office is earlier vacated in accordance with the Corporation's by-laws.

The statement as to the Common Shares of the Corporation beneficially owned or over which control or direction is exercised by the nominees for election as directors hereinafter named is in each instance based upon information furnished by the nominee.

Name and Position and/or office with Corporation	Present Principal Occupation	Year Became Director	Number of Shares owned Directly or Indirectly or Over which Control or Discretion is Exercised
The Hon. David R. Peterson, P.C. Q.C. <sup>(1)(2)</sup> Chairman of the Board	Senior Partner, Cassels Brock & Blackwell (law firm)	1996	Nil (3)
J. Efrim Boritz <sup>(1)(2)</sup> Director	Professor, School of Accounting, University of Waterloo	1997	3,500 (4)
Dwight Crane Director	Professor, Harvard Business School, Harvard University	1999	800 (5)
François M. de Gaspé Beaubien Director	President, Publishing Division, Telemedia Communications Inc.	1999	32,000 (6)
Donald W. Paterson <sup>(1)(2)</sup> Director	President, Cavandale Corporation (corporate consultant)	1996	3,500 (7)
Howard Pearl Director, President and Chief Executive Officer	President and Chief Executive Officer of the Corporation	1998	3,276,341 (8)

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Holds options to acquire up to 35,000 Common Shares at an exercise price of \$6.50 per share, 60,000 Common Shares at a price of \$1.25 per share and 45,000 Common Shares at an exercise price of \$3.15, subject to vesting. See "Stock Options".
- (4) Holds options to acquire up to 20,000 Common Shares at an exercise price of \$1.25 per share and 30,000 Common Shares at a price \$3.15 per share, subject to vesting. See "Stock Options". Mr. Boritz is also entitled to receive a total of 4,348 Common Shares in equal amounts on August 31, 1999 and January 31, 2000 for services rendered. See "Compensation of Directors".
- (5) Holds options to acquire up to 30,000 Common Shares at an exercise price of \$5.80, subject to vesting.
- (6) Holds options to acquire up to 30,000 Common Shares at an exercise price of \$5.80, subject to vesting.
- (7) Holds options to acquire up to 20,000 Common Shares at an exercise price of \$6.50 per share, 40,000 Common Shares at an exercise price of \$1.25 per share and 30,000 Common Shares at an exercise price of \$3.15 per share, subject to vesting. See "Stock Options". Mr. Paterson is also entitled to receive a total of 4,348 Common Shares in equal amounts on August 31, 1999 and January 31, 2000 for services rendered. See "Compensation of Directors".
- (8) Represents Common Shares, subject to escrow, which were received directly and indirectly upon the sale of Mr. Pearl's ownership position in PPL Marketing Services Inc., Marshall Fenn Communications Inc. and Poste Haste Systems Inc. on April 6, 1998. In addition, Mr. Pearl holds options to acquire up to 140,000 Common Shares at an exercise price of \$3.50 per share, 80,000 Common Shares at an exercise price of \$0.60 per share and 250,000 at an exercise price of \$2.45 per share, subject to vesting. See "Statement of Executive Compensation – Summary Compensation Table".

### **3. 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. 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) 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.

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

1. the private placement must be substantially with parties at arms-length to 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%;
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:

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

The TSE retains the discretion to decide whether a particular placement is “substantially” 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. 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) prior to giving effect to such transactions.

The 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 recommend 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 that would result in the issuance or possible issuance of Common Shares exceeding the 25% Rule without specific shareholder approval.

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 out 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 Common Shares that exceeds 25% and not greater than 50% of the Corporation’s total issued and outstanding Common Shares (on a non-diluted basis), subject to the restrictions described in the Management Information Circular of the Corporation dated July 9, 1999, 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.”

#### **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 3,100,000 Options from 3,400,000 Common Shares to 6,500,000 Common Shares, representing 19.2% of the issued and outstanding Common Shares of the Corporation on a non-diluted basis. At the date hereof, a total of 942,301 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 Common 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 Common 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. At a special meeting of shareholders of the Corporation on January 20, 1999, Section 4.1 of the Stock Option Plan was further amended to provide the board of directors of the Corporation with the ability to grant options to purchase an aggregate of up to 3,400,000 Common Shares (previously 3,000,000 options were available pursuant to the Stock Option Plan).

#### 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 thereby 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 Common Shares beneficially owned by insiders of the Corporation or their associates. To the best of the Corporation's information, at the date hereof, insiders and their affiliates own 3,448,212 Common Shares of the Corporation, representing 10.2% of the issued and outstanding Common Shares of the Corporation. Accordingly, such insiders and their associates will abstain, and the 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 6,500,000 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 6,500,000 Common Shares 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. Compensation of Certain Non-Management Directors by the Issuance of Common Shares**

### Background

Subject to regulatory and shareholder approval, effective as of January 20, 1999, certain non-management directors (the “Named Directors”) shall be compensated for services rendered to the board of directors in the form of Common Shares (the “Retainer Shares”) as follows:

<b><u>Name</u></b>	<b><u>Value of Retainer Shares</u></b>	<b><u>Number of Retained Shares</u></b>
J. Efrim Boritz	\$10,000	4,348
Donald W. Paterson	<u>\$10,000</u>	<u>4,348</u>
Totals	\$20,000	8,696

The number of Retainer Shares is computed by dividing the annual retainer of \$10,000 for services rendered to the board of directors divided by \$2.35, representing the closing market price on January 19, 1999. Each of the directors shall be entitled to a cash fee of \$500 for each meeting of the board of directors they attend, in person or by telephone conference. One-half of the total number of Common Shares issued to each director under this arrangement is to be delivered on August 31, 1999 with the remaining balance to be delivered on January 31, 2000. In the event that a director resigns or otherwise leaves the board of directors of the Company 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 Company for cancellation. This compensation arrangement has been approved by the board of directors for a one-year period. Instead of receiving Retainer Shares, David R. Peterson, Chairman, François de Gaspé Beaubien and Dwight Crane will receive an annual cash retainer of \$10,000 (in the case of the Chairman \$25,000) for services rendered to the board of directors and a fee of \$500 for each meeting of the board of directors which each director attends, in person or by telephone conference.

### Purpose of Compensation of Certain Non-Management Directors By the Issuance of Common Shares and Board of Directors’ Recommendations

The issuance of the Retainer Shares as compensation to certain of the non-management directors enables the Corporation to attract and retain directors of the highest calibre, align the

directors interests with those of the shareholders of the Corporation and, at the same time, does not place a financial burden on the Corporation due to the payment of directors fees for services rendered as certain non-management directors will receive Common Shares in lieu of cash payments. See “Compensation of Directors”.

The board of directors of the Corporation has concluded that the proposed compensation arrangement for certain non-management directors for directorship services rendered to the Corporation is in the best interests of the Corporation and the shareholders of the Corporation as it aligns the economic interests of such directors with those of the shareholders. Accordingly, the board of directors of the Corporation recommends that the shareholders entitled to vote on this Retainer Share compensation arrangement for non-management directors, 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.**

In order to be effective, the resolution to approve the foregoing matters must be approved by a majority of the votes cast at the Meeting other than the Named Directors.

Resolution to Approve Compensation of Certain Non-Management Directors by the Issuance of Common Shares

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

- (1) That the compensation arrangements described in the Management Information Circular dated July 9, 1999 pursuant to which certain non-management directors are entitled to receive compensation for services rendered in the form of Common Shares to be issued by dividing the annual retainer of \$10,000 for services rendered to the board of directors divided by \$2.35, representing the closing market price on January 19, 1999. One-half of the total number of Retainer Shares issued to each director under this arrangement is to be delivered on August 31, 1999 with the remaining balance to be delivered on January 31, 2000. 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.
- (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.”

## **6. Outside Directors Share Plan**

Subject to shareholder and regulatory approval, the board of directors of the Corporation has adopted a share plan (the “Outside Director Share Plan”) for directors who are neither employees nor officers of the Corporation or any of its subsidiaries (the “Outside Directors”) which will provide for the compensation of services rendered to the board of directors in the form of Common Shares, at the election of an Outside Director. A copy of the

Outside Director Share Plan is attached as Schedule “A”. The terms of the Outside Directors Share Plan provide that each Outside Director shall be entitled to elect to receive some or all of his or her remuneration, including annual fee and attendance fee (the “Annual Fee”), in the form of Common Shares of the Corporation. An Outside Director who so elects will be issued Common Shares in lieu of the cash payment to which he or she would have been entitled at their fair market value based on the weighed average trading price in Canadian dollars of the Common Shares on the TSE for the first twenty (20) consecutive trading days in January of each year (the “Share Price”), and shall receive the number of Common Shares that is determined by dividing that portion of such Outside Director’s Annual Fee elected to be received in Common Shares by the Share Price (as calculated by the board of directors). A cash payment shall be made in lieu of the issuance of fractional shares.

The Corporation shall reserve, set aside for issuance and make available to the board of directors for the granting of Common Shares to Outside Directors, up to an aggregate of 250,000 Common Shares, subject to adjustment from time to time in accordance with regulatory and shareholder approval.

If approved, the Outside Directors Share Plan will be implemented on a prospective basis as of January 2000.

#### Purpose of Outside Directors Share Plan and Board of Directors Recommendation

The issuance of Common Shares as compensation to the Outside Directors enables the Corporation to attract and retain directors of the highest calibre, align the directors interests with those of the Corporation’s shareholders and, at the same time, does not place a financial burden on the Corporation as certain non-management directors will receive Common Shares in lieu of cash payments. See “Compensation of Directors”.

The directors of the Corporation believe that the passing of a special resolution approving the Outside Directors Share Plan (the “Outside Directors Share Plan Resolution”) is in the best interests of the Corporation and recommends that shareholders vote in favour of the resolution in order to have Common Shares available to the Corporation to compensate the Outside Directors, for their services on the board of directors of the Corporation. To the best of the Corporation’s information, as at the date hereof, Outside Directors beneficially own approximately 39,000 Common Shares, in the aggregate. In the event that the Outside Directors Share Plan Resolution is not passed, the TSE will not approve any issuance of Common Shares as compensation to the Outside Directors without specific shareholder approval.

#### Outside Directors Share Plan Resolution

The Outside Directors Share Plan Resolution is a special resolution. As such, the affirmative votes of not less than 66 2/3% of the votes cast at the Meeting of shareholders other than votes attaching to securities beneficiary owned by the Outside Directors or their associates, are required in order for the Share Plan Resolution to be considered approved by the shareholders. Accordingly, such shareholders of the Corporation will be asked to approve the special resolution set out below.

**“BE IT HEREBY RESOLVED, AS A SPECIAL RESOLUTION, WITH OR WITHOUT AMENDMENT:**

1. That the Outside Directors Share Plan described in the Management Information Circular dated July 9, 1999, a copy of which is attached hereto as Schedule “A”, pursuant to which non-management and non-employee directors are entitled to receive compensation for services rendered in the form of Common Shares of the Corporation be and the same is hereby approved.
2. That the Outside Directors Share Plan be administered by the Board of Directors of the Compensation Committee thereof.
3. That any one director or officer of the Corporation is 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.”

## **FINANCIAL STATEMENTS**

A copy of the Corporation’s financial statements and the auditors’ report for the year ended February 28, 1999 are included with this Management Information Circular and will be presented at the Meeting.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

### **Corporate Governance**

The TSE has adopted guidelines for effective corporate governance substantially as proposed by the TSE Committee on Corporate Governance in Canada. The guidelines address the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the recruitment, effectiveness and education of board members. To implement these guidelines, the TSE now requires that each listed company disclose its approach to corporate governance with reference to the proposed guidelines.

A description of the Corporation’s corporate governance practices is set out below, including a discussion of the principal matters relating to corporate governance practices discussed in the TSE report.

### **Corporate Mandate**

The Corporation is a total response, Internet-based commerce and communications company providing a broad range of e-commerce, creative and data base marketing services to a list of recognized North American-based clients. The board of directors of the Corporation together with its officers and employees are committed to fulfilling its corporate mandate, which may be summarized as follows:

1. To enhance shareholder value;
2. To increase the market share of each of its products; and

3. To maintain its high quality standards.

The *Business Corporations Act* (Ontario) indicates that each director and officer of a corporation governed by it, in exercising his or her powers and discharging his or her duties, shall act honestly and in good faith with a view to the best interests of the corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In fulfilling its mandate, the board of directors of the Corporation develops and implements strategic planning decisions, oversees corporate performance and provides management to meet the Corporation's mandate, including:

- (a) appointing and monitoring officers;
- (b) overseeing financial programs and policies;
- (c) participating in strategic planning with respect to strategic plans proposed and developed by management;
- (d) approving communications with shareholders;
- (e) approving changes in the by-laws of the Corporation;
- (f) approving other specific matters such as the acquisition and disposal of capital assets, executive compensation and employee benefits;
- (g) directly and through its Audit Committee, assessing the integrity of the Corporation's internal control and management information systems.

Although the board of directors supervises, directs and oversees the business and affairs of the Corporation, it delegates the day-to-day management to the Corporation's officers, while reserving the ability to intervene in management decisions and to exercise final judgment on any matter.

In order to carry out the foregoing responsibilities, the board of directors meets from time to time and not less than on a quarterly basis.

### **Composition of the Board**

Consistent with the streamlined approach to the management and operations of the Corporation, as set out above, the board of directors of the Corporation consists of six individuals, one of whom is an officer of the Corporation and five of whom (including the Chairman of the Board) are independent of management of the Corporation.

### **Board Committees**

The two committees of the board of directors are the Audit Committee and the Compensation Committee. The Audit Committee and the Compensation Committee are each composed of three individuals who are all independent of management.

### **Decisions Requiring Prior Board Approval**

There are no formal guidelines indicating the decisions requiring board of director approval. However, management of the Corporation is aware of the need to obtain board of director approval for significant corporate or business transactions outside of the normal course of business. Less significant activities which can be addressed by management are often reported to the board of directors, with whom the management has a good working

relationship. The size of the board of directors of the Corporation is such that board of directors meetings can be called on relatively short notice, when required.

The board of directors expressly assumes responsibility for developing the Corporation's policies with respect to governance issues and is responsible for the compliance with such governance guidelines. The Corporation has not developed position descriptions for the board of directors and Chief Executive Officer. Any responsibility which is not delegated to management or a committee of the board of directors remains with the board of directors.

### **Recruitment of Directors**

There are no formal procedures in place for recruiting new directors or to address other performance enhancing measures. The size of the board, the nature of the business conducted by the Corporation and the familiarity of all board members with the business are such that the directors believe that a less formal approach is adequate.

### **Shareholder Feedback and Concerns**

The Corporation is dedicated to the maintenance of good shareholder relations and attempts to deal with any expressed concerns of shareholders in an effective and timely manner. In particular, the Corporation takes special efforts to ensure that all legal and stock exchange requirements are addressed in a timely and effective manner. The Corporation has to date experienced few concerns or complaints expressed to it by shareholders, but shall continue to attempt to deal with the same effectively, and in an informal manner. The Corporation maintains a corporate website ([www.microforum.com](http://www.microforum.com)) which provides shareholders with up to date investor information as well as an ability to provide feedback to the Corporation's management.

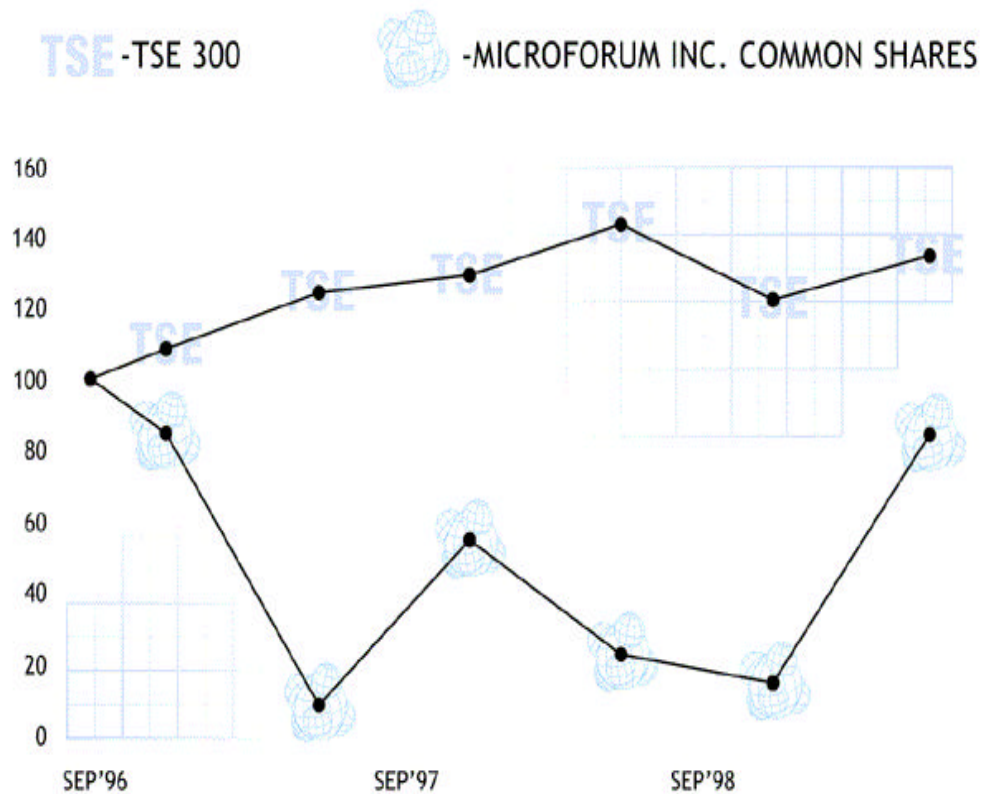
### **Board Expectations of Management**

The board of directors expects management to operate the business in accordance with the mandate referred to above. The results of the management activities are reviewed on a continuous basis by the board of directors.

## 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 on 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 JUNE 30, 1999



	SEPT 12, 1996	DEC 31, 1996	JUNE 30, 1997	DEC 31, 1997	JUNE 30, 1998	DEC 31, 1998	JUNE 30, 1999
TSE 300	100	114	124	129	142	121	135
Microforum Inc. Common Shares	100	85	15	55	21	18	83

**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**

(signed) David R. Peterson, P.C., Q.C.  
Chairman of the Board

Toronto, Ontario  
July 9, 1999

**SCHEDULE "A"****MICROFORUM INC.****OUTSIDE DIRECTORS' SHARE PLAN****July 1999**

Microforum Inc. (the "Company") hereby adopts the following share plan (the "Share Plan") for the Outside Directors (as hereinafter defined), in the manner described below. All shares granted shall be automatically subject to the terms of the Share Plan.

**1. DEFINITIONS**

As used herein, the following terms shall have the following meanings:

- (a) "Board" means the board of directors of the Company as constituted from time-to-time;
- (b) "The Exchange" means The Toronto Stock Exchange or such stock exchange on which Shares are listed and posted for trading, as selected by the Board;
- (c) "Rules" means the rules of The Exchange, as amended from time-to-time;
- (d) "Outside Director" means a director of the Company who is neither an employee nor an officer of the Company or any of its Subsidiaries (collectively referred to as the "Outside Directors");
- (e) "Shares" means the common shares in the capital of the Company as such shares are subdivided, consolidated, reclassified or changed, from time-to-time; and
- (f) "Subsidiaries" means Internet Frontier Inc., PPL Marketing Services Inc., Marshall Fenn Communications Inc. and Poste Haste Systems Inc. and such other corporation, a majority of the outstanding voting shares of which is from time to time owned, directly or indirectly, by the Company or by one or more subsidiaries of the Company and, as used in this definition, "voting shares" means shares of a class or classes ordinarily entitled to vote for the election of the majority of the directors of a corporation irrespective of whether or not shares or other classes shall have or might have the right to vote for directors by reason of the happening of any contingency.

**2. PURPOSE OF THE PLAN**

The purpose of the Share Plan is to promote the interests of the Company by attracting and retaining qualified persons to serve on the Board by affording each Outside Director an opportunity to receive some or all of his or her remuneration for serving as a director of the Company, in the form of Shares.

**3. IMPLEMENTATION**

The Share Plan will be implemented in accordance with the terms hereof and will be structured to comply with the Rules.

**4. ADMINISTRATION**

The Share Plan will be administered by the Board or, in the Board's discretion, by a committee (the "Committee") appointed by the Board and consisting of not less than three (3) members of the Board. The Board or the Committee, as the case may be, is authorized in its sole discretion, where consistent with the general purpose and intent of the Share Plan and subject to the specific provisions of the Share Plan:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Share Plan;

(b) to interpret and construe the Share Plan and to determine all questions arising out of the Share Plan. Any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes; and

(c) to prescribe the form of instruments to be used in conjunction with the Share Plan. No member of the Board or of the Committee, as the case may be, will be liable for any action or determination taken or made in good faith with respect to the Share Plan or any Shares granted thereunder. Any determination approved by a majority of the Board or of the Committee, as the case may be, will be deemed to be a determination of that matter under the Share Plan.

#### **5. NUMBER OF SHARES DEDICATED TO THE PLAN**

The Company shall reserve, set aside for issuance and make available to the Board or Committee for the granting of Shares to Outside Directors, up to an aggregate of 250,000 Shares, subject to adjustment from time-to-time provided that such adjustment receives the necessary approvals in accordance with the Rules. All Shares issued pursuant to the Share Plan shall be issued as fully-paid and non-assessable shares of the Company.

#### **6. ISSUANCE OF SHARES**

Each Outside Director shall be entitled to elect to receive some or all of his or her remuneration for serving as director of the Company (the "Annual Fee") in the form of Shares. Such an election must be made in writing and delivered to the Company at least thirty (30) days before the date on which the Annual Fee is paid by the Company (such Annual Fee currently being paid bi-annually on January 31 and August 31 of each year). An Outside Director who so elects shall be issued Shares at their fair market value (as determined below) in lieu of the cash payment to which he or she would have been entitled as his or her annual fee. The Shares to be issued hereunder shall be subject to pro-rata adjustment in the event that an Outside Director ceases to serve on the Board.

#### **7. CALCULATION OF SHARE PRICE**

The fair market value of the Shares shall be equal to the weighted average trading price in Canadian dollars of the Shares on The Exchange for the first twenty (20) consecutive trading days in January of each year (the "Share Price"). Each Outside Director shall receive the number of Shares that is determined by dividing that portion of the Outside Director's Annual Fee which the Outside Director elects to receive in the form of Shares by the Share Price (as calculated by the Board or Committee). A cash payment shall be made in lieu of the issuance of fractional shares.

#### **8. AMENDMENT OR DISCONTINUANCE OF SHARE PLAN**

The Board may amend the Share Plan at any time subject to compliance with the applicable Rules.

#### **9. GOVERNING LAW**

The Share Plan is established under the laws of the Province of Ontario and the laws of Canada applicable therein, and the rights of all parties and the construction and effect of each and every provision of the Share Plan shall be in accordance therewith.

#### **10. COMPLIANCE WITH APPLICABLE LAW, ETC.**

The Board or the Committee shall not exercise any authority herein conferred unless the provisions of the Share Plan, as may be amended from time-to-time, have received all necessary approvals required by or from those administrative bodies with jurisdiction over the Share Plan, including without limitation, approval from The Exchange and the shareholders of the Company.

If any provision of the Share Plan or any agreement entered into pursuant to the Share Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange having authority over the Company or the Share Plan, such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

**11. NO REPRESENTATION OR WARRANTY**

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Share Plan.

**12. AUTHORITY**

The Board or the Committee is authorized to interpret the Share Plan from time-to-time and to adopt, amend and rescind rules and regulations for carrying out the Share Plan. The interpretation and construction of any provision of the Share Plan by the Board or the Committee, as the case may be, shall be final and conclusive. The directors and/or officers of the Company are authorized to sign and execute all instruments and documents and to do all things necessary or desirable for carrying the Share Plan into effect and to carry out the provisions of the Share Plan.

**13. ENUREMENT**

The Share Plan shall enure to the benefit of and be binding upon the Company, its successors and assigns. The interest hereunder of each Outside Director shall not be transferable or assignable by the Outside Director in any manner whatsoever and, during his or her lifetime shall only be vested in the Outside Director, but enure to the benefit of and be binding upon the legal personal representative of the Outside Director.

**14. NOTICE**

Any notice, direction, payment or other communication required, permitted or contemplated by the Share Plan shall be in writing and shall be given by delivery or telecopier to: the Company at its head office at: 6050 Tomken Road, Mississauga, Ontario, L5T 1X8, Attention: Chief Financial Officer, (fax number: (905) 670-0844); with a copy to Cassels Brock & Blackwell at its office located at 40 King Street West, Suite 2100, Toronto, Ontario, M5H 3C2, Attention: Lawrence D. Wilder (fax number: (416) 360-8877); and to the Outside Director at his or her address as shown on the books and records of the Company.

Any party may at any time by notice given as aforesaid, change his, her or its address for purposes of any such communication.

**15. EFFECTIVE DATE**

This Share Plan shall be implemented on a prospective basis and therefore deemed effective as of January 1, 2000.

**SCHEDULE "B"**

**CONFIRMATION**

**TO:** THE SHAREHOLDERS OF MICROFORUM INC.

**AND TO:** Ontario Securities Commission  
Quebec Securities Commission  
Alberta Securities Commission  
British Columbia Securities Commission  
Saskatchewan Securities Commission  
The Manitoba Securities Commission  
Office of the Administrator  
Securities Division, Department of Justice

The undersigned, being the President and Chief Executive Officer of Microforum Inc. (the "Corporation"), hereby confirms that the notice of change of auditors and the letters of each of the former auditors and the successor auditors of the Corporation have been reviewed by the board of directors of the Corporation.

DATED this 8th day of July, 1999.

**MICROFORUM INC.**

*"Howard A. Pearl"*

\_\_\_\_\_  
Howard A. Pearl  
President and Chief Executive Officer

## **Notice of Change of Auditor**

Effective July 7, 1999, PricewaterhouseCoopers LLP, Chartered Accountants, were informed that they would not be re-appointed as auditors of the Corporation. On the recommendation of the Audit Committee, the Board of Directors approved a proposal to engage the accounting firm of KPMG LLP, Chartered Accountants as auditors for the Corporation for 2000. The Corporation will ask that the shareholders of the Corporation ratify the appointment of KPMG LLP at the next annual and special meeting of the shareholders of the Corporation, to be held on August 16, 1999.

During PricewaterhouseCooper LLP's appointment from 1994 to 1999, there were no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, auditing scope or procedure, or any reportable events.

PricewaterhouseCoopers LLP did not have any reservation in their auditor's reports for the financial statements of the Corporation for its last five fiscal years or for any period subsequent thereto, for which an audit report was issued and preceding the date of resignation of PricewaterhouseCoopers LLP.

The Corporation has requested PricewaterhouseCoopers LLP and KPMG LLP to each furnish a letter addressed to the securities administrators in each province in which the Corporation is a reporting issuer stating whether or not they agree with the information contained in this notice. A copy of each such letter to the securities administrators will be filed with this notice.

It is the Corporation's opinion that there have been no reportable events within the five most recently completed fiscal years or for any period subsequent thereto for which an audit report was issued.

**DATED** as of this 7th day of July, 1999.

**MICROFORUM INC.**

*"Howard A. Pearl"*

Howard A. Pearl

President and Chief Executive Officer

**Private and Confidential**

Ontario Securities Commission  
Quebec Securities Commission  
Alberta Securities Commission  
British Columbia Securities Commission  
Saskatchewan Securities Commission  
The Manitoba Securities Commission  
Office of the Administrator  
Securities Division, Department of Justice

July 7, 1999

Dear Sirs/Mesdames:

**RE: MICROFORUM INC. (the "Corporation")  
Notice Pursuant to National Policy No. 31 in connection with a change of  
Auditors of a Reporting Issuer**

We hereby confirm our agreement with the information contained in the Notice sent to us by the above-noted company dated July 7, 1999. This confirmation is based on our knowledge of the information at this date.

Yours very truly,

(signed) **PricewaterhouseCoopers LLP**  
Chartered Accountants

kpmg

KPMG LLP  
Chartered Accountants  
Yonge Corporate Centre  
4120 Yonge Street, Suite 500 Telephone (416) 228-7000  
Toronto, ON M2P 2B8 Telefax (416) 228-7123  
CANADA www.kpmg.ca

Ontario Securities Commission  
Commission des valeurs mobilières du Québec  
Alberta Securities Commission  
British Columbia Securities Commission  
Saskatchewan Securities Commission  
Manitoba Securities Commission  
Minister of Justice, New Brunswick  
Securities Commission of Newfoundland

July 7, 1999

Ladies and Gentlemen:

**Re: Microforum Inc.**

We have read the Notice of Change of Auditors dated July 7, 1999 (the "Notice").

We report that, based on our knowledge of the information at this time, we are in agreement with the statements contained in the Notice.

Yours very truly,

(signed) **KPMG LLP**

Chartered Accountants

