

MICROFORUM INC.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular (“Circular”) is furnished in connection with the solicitation of proxies by management of MICROFORUM INC. (the “Corporation”) for use at the annual and special meeting of shareholders of the Corporation (the “Meeting”) to be held at the time and place and for the purposes set forth in the accompanying notice of meeting (the “Notice of Meeting”). References in this Circular to the Meeting include any adjournment or adjournments thereof. It is expected that the solicitation will be primarily by mail, however 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 directors of the Corporation and will represent management at the Meeting. **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 office of the Corporation's transfer agent indicated on the enclosed envelope at least forty-eight (48) hours, excluding Saturdays, Sundays and holidays, preceding the Meeting or any adjournment thereof at which the proxy is to be used.**

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 (as defined below) 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 duly authorized in writing, and deposited either at the registered office of the Corporation or the office of 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 Common Shares will be voted in favour of passing 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 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

The authorized capital of the Corporation consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares ("Preference Shares") issuable in series. As at the date hereof, 43,270,551 Common Shares and no Preference Shares of the Corporation are issued and outstanding. Each Common Share entitles the holder thereof to one (1) vote in respect of each matter to be voted upon at the Meeting.

The Corporation has fixed June 27, 2001 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 such shareholder has transferred any of his Common Shares after the date on which the list was prepared, and the transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes ownership of the Common Shares and demands not later than ten (10) days before the Meeting to be included in the list of shareholders entitled to vote at the Meeting, in which case the transferee is entitled to vote such Common Shares at the Meeting.

As 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.

STATEMENT OF EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets out details of the compensation paid or payable by the Corporation by way of salary and bonus for services rendered during the Corporation's fiscal years ended February 28, 2001, February 29, 2000 and February 28, 1999 to the Corporation's Chief Executive Officer and each of the Corporation's other executive officers (as defined under applicable law) who served as executive officers as at February 28, 2001 and/or during the fiscal year ended February 28, 2001 and whose aggregate salary and bonus exceeded \$100,000 (collectively, the "Executive Officers"). Specific aspects of the compensation of the Executive Officers are dealt with in further detail in subsequent tables. All compensation figures are reported in Canadian dollars unless otherwise indicated:

Summary Compensation Table						
Name and Principal Position	Year ended Feb 28 or Feb 29	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) ⁽²⁾	Long-Term Compensation Securities Under Options Granted (#)	All Other Compensation (\$)
Owen Menzel ⁽¹⁾⁽¹¹⁾ Chief Financial Officer	2001	\$41,085	Nil	Nil	150,000	Nil
Michael Holland ⁽¹⁾⁽¹²⁾ Executive Vice President, Operations	2001	\$162,100	\$20,000	\$6,400	125,000	Nil
	2000	\$33,699	Nil	\$1,438	25,000	Nil
Jason D. Meretsky ⁽¹⁾ Vice President, Corporate Affairs, General Counsel & Secretary	2001	\$147,818	Nil	\$7,690	10,500	Nil
	2000	\$113,333	\$10,000	\$3,600	150,000	Nil
Frank Helwig ⁽¹⁾⁽¹³⁾ Vice President, Online Commerce	2001	\$147,292	Nil	Nil	500	Nil
	2000	\$154,038	\$5,000	Nil	71,000	Nil
Rick Segal ⁽³⁾⁽¹⁰⁾ President and Chief Executive Officer	2001	\$172,688	Nil	\$4,500	500,500	Nil
Howard A. Pearl ⁽⁴⁾ President and Chief Executive Officer	2001	\$350,000	Nil	\$13,880	Nil	Nil
	2000	\$600,000	Nil	\$13,880	500,000	Nil
	1999	\$471,781	Nil	\$13,880	220,000	Nil
Frank Iadipaolo ⁽⁵⁾ Chief Financial Officer	2001	\$134,792	Nil	\$99,492	500	Nil
	2000	\$156,600	\$10,000	\$10,000	300,000	Nil
	1999	\$125,000	Nil	\$6,600	109,666	Nil
Marco Argenti ⁽⁶⁾ Chief Technology Officer	2001	\$231,762	Nil	\$6,000	150,500	Nil
	2000	\$175,000	\$17,500	\$10,000	375,000	Nil
	1999	\$120,000	Nil	\$6,600	65,000	Nil

Summary Compensation Table						
Name and Principal Position	Year ended Feb 28 or Feb 29	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) ⁽²⁾	Long-Term Compensation Securities Under Options Granted (#)	All Other Compensation (\$)
Jeffrey Halloran ⁽⁷⁾ Executive Vice President, Client Services	2001	\$124,034	Nil	\$60,500	500	Nil
	2000	\$10,685	Nil	Nil	25,000	Nil
Bruce Hodges ⁽⁸⁾ Vice President, eFinance	2001	\$126,660	\$150,000	Nil	70,500	Nil
	2000	\$146,712	\$5,000	Nil	65,300	Nil
Paul Scholz ⁽⁹⁾ Vice President, Wireless	2001	US\$122,885	Nil	Nil	119,000	Nil

Notes:

- (1) See "Statement of Executive Compensation - Employment and Severance Arrangements with Executive Officers".
- (2) These figures represent a car allowance and, in certain cases, ancillary expenses, payable by the Corporation.
- (3) Mr. Segal was appointed as Chief Operating Officer and President on June 28, 2000 and as Chief Executive Officer and a director of the Corporation on October 4, 2000 and resigned from all of these offices effective April 10, 2001. Accordingly, Mr. Segal's compensation for the Corporation's fiscal year ended February 28, 2001 is for the period commencing June 28, 2000 until February 28, 2001. On April 10, 2001, Mr. Segal entered into settlement arrangements with the Corporation. See "Statement of Executive Compensation - Employment and Severance Arrangements with Executive Officers".
- (4) Mr. Pearl resigned as Chief Executive Officer and a director of the Corporation effective October 4, 2000. On December 29, 2000, Mr. Pearl entered into a severance arrangement with the Corporation. Mr. Pearl commenced employment with the Corporation on April 6, 1998 and accordingly, his compensation for the Corporation's fiscal year ended February 28, 1999 is for the period commencing April 6, 1998 until February 28, 1999. See "Statement of Executive Compensation - Employment and Severance Arrangements with Executive Officers".
- (5) Mr. Iadipaolo resigned as Chief Financial Officer of the Corporation effective September 21, 2000. On October 12, 2000, Mr. Iadipaolo entered into a severance arrangement with the Corporation. See "Statement of Executive Compensation - Employment and Severance Arrangements with Executive Officers".
- (6) Mr. Argenti resigned as Chief Technology Officer of the Corporation effective February 23, 2001 and as a director of the Corporation effective April 23, 2001. No payments were made to Mr. Argenti by the Corporation in connection with his resignation.
- (7) Mr. Halloran resigned as Executive Vice President, Client Services effective December 14, 2000. Mr. Halloran commenced employment with the Corporation on February 2, 2000 and accordingly, his compensation for the Corporation's fiscal year ended February 29, 2000 is for the period commencing February 2, 2000 until February 29, 2000. See "Statement of Executive Compensation - Employment and Severance Arrangements with Executive Officers".
- (8) Mr. Hodges resigned as Vice President, eFinance of the Corporation effective January 4, 2001. Mr. Hodges commenced employment with the Corporation on March 8, 1999 and accordingly, his compensation for the Corporation's fiscal year ended February 29, 2000 is for the period commencing March 8, 1999 until February 29, 2000. See "Statement of Executive Compensation - Employment and Severance Arrangements with Executive Officers".
- (9) Mr. Scholz resigned as Vice President, Wireless of the Corporation effective April 30, 2001. Mr. Scholz commenced employment with the Corporation on May 10, 2000 and accordingly, his annual compensation for the Corporation's fiscal year ended February 28, 2001 is for the period commencing May 10, 2000 until February 28, 2001. See "Statement of Executive Compensation - Employment and Severance Arrangements with Executive Officers".
- (10) Following Mr. Segal's resignation, the Board of Directors established the Executive Office (as defined below) comprised of David F. Banks (Chairman), David R. Shaw and Steven Small to temporarily function in the role of Chief Executive Officer until the Board appoints a new Chief Executive Officer. See "Statement of Executive Compensation - Composition of the Compensation Committee and Report on Executive Compensation."
- (11) Mr. Menzel commenced employment with the Corporation on December 22, 2000 and accordingly, his compensation as indicated is for the period commencing December 22, 2000 until February 28, 2001. See "Statement of Executive Compensation - Employment and Severance Arrangements with Executive Officers".
- (12) Mr. Holland commenced employment with the Corporation on December 8, 1999 and accordingly, his compensation for the Corporation's fiscal year ended February 29, 2000 is for the period commencing December 8, 1999 until February 29, 2000. See "Statement of Executive Compensation - Employment and Severance Arrangements with Executive Officers".
- (13) Mr. Helwig resigned as Vice President, Online Commerce of the Corporation effective June 27, 2001. See "Statement of Executive Compensation - Employment and Severance Arrangements with Executive Officers".

Employment and Severance Arrangements with Executive Officers

On December 22, 2000, Owen Menzel was appointed Chief Financial Officer of the Corporation and entered into an employment agreement with the Corporation effective as of such date for a one (1) year period upon the expiry of which his employment will be for an indefinite term. The agreement provides for an annual base salary in the amount of \$218,000, the reimbursement of reasonable expenses, and for the payment of a \$50,000 bonus at the end of such one (1) year period upon satisfaction of certain agreed upon objectives set or approved by the Board. In the event of termination without cause, Mr. Menzel shall be entitled to receive a payment equal to six (6) months of base salary for the first three years (or any shorter period) of his employment with the Corporation, and one (1) month for every year of employment or part thereof thereafter, to a maximum of one (1) year of base salary.

On December 8, 1999, Michael Holland was appointed Vice President, Commerce of the Corporation in connection with the Corporation's acquisition of Frameworks Communications Inc. from, among others, Holland, and entered into an employment agreement with the Corporation as of such date for a two (2) year period upon the expiry of which his employment will be for an indefinite term. The agreement provides for an annual base salary in the amount of \$150,000 during the initial two (2) year term, however on December 1, 2000, the Board of Directors resolved to increase his annual base salary commencing December 8, 2000 to \$190,000. In addition, the agreement provides that Mr. Holland is entitled to receive a company vehicle and the reimbursement of reasonable expenses. In the event of termination without cause, Mr. Holland, shall be entitled to receive a payment equal to one (1) year of base salary.

On August 18, 1999, Jason Meretsky was appointed Secretary of the Corporation. By agreement dated December 18, 1998, Mr. Meretsky was employed as Senior Manager, Business & Legal Affairs of the Corporation commencing January 31, 1999 for a one year period expiring January 31, 2000 at an annual base salary in the amount of \$110,000. On January 31, 2000, Mr. Meretsky was appointed Vice President, Corporate Affairs, General Counsel and Secretary of the Corporation and entered into a new employment agreement with the Corporation for an indefinite term. The agreement provides for an annual base salary of \$150,000, a monthly car allowance of \$650.00 and the reimbursement of reasonable expenses. In the event of termination without cause, Mr. Meretsky shall be entitled to receive a payment equal to one (1) year of base salary.

Rick Segal resigned as President and Chief Executive Officer and as a director of the Corporation on April 10, 2001. Pursuant to a settlement agreement dated April 10, 2001, Mr. Segal received a cash payment from the Corporation in the amount of \$213,750 on May 4, 2001. Mr. Segal is entitled to an additional cash payment in the amount of \$213,750, payable on November 4, 2001. In addition, all unexercised stock options granted to Mr. Segal immediately vested as of the date of the settlement agreement and are exercisable for a period of ninety (90) days from the date of the settlement agreement (the "Exercise Period"), subject to the extension of the Exercise Period at the discretion of the Board, for an aggregate period of up to one year from the date of the such agreement.

Howard A. Pearl resigned as President and Chief Executive Officer and as a director of the Corporation on October 4, 2000. Pursuant to a severance agreement, as amended, dated December 29, 2000, no cash or other payments were made to Mr. Pearl in connection with his resignation and Mr. Pearl tendered to the Corporation share certificates of the Corporation representing 224,934 Common Shares registered in the name of, or for the benefit of, Mr. Pearl. Mr. Pearl also returned certain items of personal property to the Corporation. In addition, all outstanding stock options previously granted to Mr. Pearl were terminated.

Frank Iadipaolo resigned as Chief Financial Officer of the Corporation on September 21, 2000. Pursuant to a severance agreement dated October 12, 2000 negotiated between Mr. Iadipaolo and the Corporation, Mr. Iadipaolo is entitled to receive a cash payment equal to one year of base salary in the amount of \$225,000 payable in twenty-six (26) equal bi-weekly installments, covering the period beginning September 21, 2000 through to and including September 20, 2001. In addition, Mr. Iadipaolo received a cash payment in respect of twenty-six (26) days of accrued vacation pay owing as at September 21, 2000. All stock options previously held by Mr. Iadipaolo have been terminated or have otherwise expired.

Frank Helwig resigned as Vice President, Online Commerce of the Corporation on June 27, 2001. Pursuant to the terms of Mr. Helwig's employment agreement dated April 18, 2000, Mr. Helwig is entitled to receive a payment equal to one (1) year of base salary in the amount of \$165,000. All stock options vested in Mr. Helwig as at June 27, 2001 shall terminate and be cancelled by the Corporation unless exercised by Mr. Helwig before September 27, 2001. The terms of Mr. Helwig's severance arrangements may be renegotiated.

Paul Scholz resigned as Vice President, Wireless of the Corporation on April 30, 2001. Pursuant to the terms of Mr. Scholz's employment agreement dated May 1, 2000, Mr. Scholz is entitled to receive a cash payment equal to twelve (12) months of base salary in the amount of (U.S.)\$150,000, payable in twelve (12) equal monthly installments. All stock options vested in Mr. Scholz as at April 30, 2001 shall terminate and be cancelled by the Corporation unless exercised by Mr. Scholz before July 30, 2001.

Jeffrey Halloran resigned as Executive Vice President, Client Services of the Corporation on December 14, 2000. Pursuant to a severance agreement dated January 23, 2001, Mr. Halloran received a cash settlement payment from the Corporation in the amount of \$50,000 and a cash payment in respect of thirteen (13) days of accrued vacation pay owing as at December 14, 2000. All stock options previously held by Mr. Halloran have been terminated or otherwise expired.

Bruce Hodges resigned as Vice President, eFinance on January 4, 2001. Pursuant to the terms of Mr. Hodges' employment agreement, as amended, dated October 13, 2000, Mr. Hodges received within thirty (30) days from his date of resignation a cash payment from the Corporation in the amount of \$150,000. All stock options previously held by Mr. Hodges have been terminated or otherwise expired.

The Corporation has entered into an agreement with each current Executive Officer, subject to regulatory approval, which provides that the Executive Officer may deem his employment with the Corporation terminated within a prescribed period of time following a change of control of the Corporation that takes place within twelve (12) months from the date of execution of such agreement and shall be entitled to receive, in addition to any severance payable under the terms of any employment agreements, a lump sum payment equal to a multiple of such Executive Officer's "annual compensation" which includes base salary plus an additional payment of ten (10%) of base salary in lieu of benefit coverage and any target bonus. In addition, upon such deemed termination, any outstanding stock options granted to the Executive Officer, shall immediately vest and be exercisable for a period of twelve (12) months following the date of such Executive Officer's termination. In addition, the Executive Officer shall be entitled to payment for any outstanding and unused vacation pay, and for reimbursement of outstanding business expenses, if any. The multiple of annual compensation to be paid to each current Executive Officer, consisting of Owen Menzel, Michael Holland and Jason D. Meretsky, shall be three (3) times their annual compensation, respectively.

Stock Options – Executive Officers

The following table sets out the particulars of options granted to the Executive Officers during the Corporation's fiscal year ended February 28, 2001 under the Stock Option Plan (as defined below):

Options Granted During Fiscal Year Ended February 28, 2001					
Name	Securities Under Options Granted (#)	% of Total Options Granted ⁽⁷⁾	Exercise Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Owen Menzel	150,000	4.63%	\$0.55	\$0.55	December 21, 2010
Michael Holland	500 125,000	3.86%	\$1.98 \$0.97	\$1.98 \$0.97	October 12, 2010 November 22, 2010
Jason D. Meretsky	500 10,000	0.33%	\$1.98 \$0.97	\$1.98 \$0.97	October 12, 2010 November 22, 2010
Frank Helwig	500	0.02%	\$1.98	\$1.98	October 12, 2010
Rick Segal ⁽¹⁾	150,000 500 350,000	15.44%	\$4.55 \$1.98 \$0.97	\$4.55 \$1.98 \$0.97	May 25, 2010 October 12, 2010 November 22, 2010
Howard A. Pearl	Nil	Nil	Nil	Nil	Nil
Frank Iadipaolo ⁽²⁾	500	0.02%	\$1.98	\$1.98	October 12, 2010
Marco Argenti ⁽³⁾	500 150,000	4.65%	\$1.98 \$0.97	\$1.98 \$0.97	October 12, 2010 November 22, 2010
Jeffrey Halloran ⁽⁴⁾	500	0.02%	\$1.98	\$1.98	October 12, 2010

Options Granted During Fiscal Year Ended February 28, 2001					
Name	Securities Under Options Granted (#)	% of Total Options Granted ⁽⁷⁾	Exercise Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Bruce Hodges ⁽⁵⁾	70,000	2.18%	\$5.00	\$5.00	May 4, 2010
	500		\$1.98	\$1.98	October 12, 2010
Paul Scholz ⁽⁶⁾	93,500	3.67%	\$5.00	\$5.00	April 7, 2010
	25,000		\$4.55	\$4.55	May 25, 2010
	500		\$1.98	\$1.98	October 12, 2010

Notes:

- (1) Rick Segal resigned as the President and Chief Executive Officer and as a director of the Corporation on April 10, 2000. See “Statement of Executive Compensation – Summary Compensation Table”, “Statement of Executive Compensation – Employment and Severance Arrangements with Executive Officers” and “Statement of Executive Compensation – Stock Options – Executive Officers – Aggregate Options Exercised and Exercisable during the Fiscal Year Ended February 28, 2001”.
- (2) Frank Iadipaolo resigned as the Chief Financial Officer of the Corporation on September 21, 2000. See “Statement of Executive Compensation – Stock Options – Executive Officers – Aggregate Options Exercised and Exercisable during the Fiscal Year Ended February 28, 2001”.
- (3) Marco Argenti resigned as a director of the Corporation effective April 23, 2001. See “Statement of Executive Compensation – Stock Options – Executive Officers – Aggregate Options Exercised and Exercisable during the Fiscal Year Ended February 28, 2001”.
- (4) Jeffrey Halloran resigned as the Executive Vice President, Client Services of the Corporation effective December 14, 2000. See “Statement of Executive Compensation – Stock Options – Executive Officers – Aggregate Options Exercised and Exercisable during the Fiscal Year Ended February 28, 2001”.
- (5) Bruce Hodges resigned as the Vice President, eFinance of the Corporation effective January 4, 2001. See “Statement of Executive Compensation – Stock Options – Executive Officers – Aggregate Options Exercised and Exercisable during the Fiscal Year Ended February 28, 2001”.
- (6) Paul Scholz resigned as the Vice President, Wireless of the Corporation effective April 30, 2001. See “Statement of Executive Compensation – Stock Options – Executive Officers – Aggregate Options Exercised and Exercisable during the Fiscal Year Ended February 28, 2001”.
- (7) During the Corporation’s fiscal year ended February 28, 2001, the Board granted options under the Stock Option Plan to acquire up to an aggregate of 3,242,599 Common Shares.

The following table sets forth the total number of Common Shares acquired during the Corporation’s fiscal year ended February 28, 2001 pursuant to the exercise of options held by Executive Officers under the Stock Option Plan and details on remaining options held as at February 28, 2001:

Aggregate Options Exercised and Exercisable during the Fiscal Year Ended February 28, 2001						
Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at February 28, 2001		Value of Unexercised in- the-Money Options at February 28, 2001	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Owen Menzel	Nil	Nil	Nil	150,000	Nil	\$52,500
Michael Holland	Nil	Nil	8,833	141,667	Nil	Nil
Jason D. Meretsky	Nil	Nil	153,833	73,334	Nil	Nil
Frank Helwig ⁽⁹⁾	Nil	Nil	31,666	51,834	\$600	\$600
Rick Segal ⁽²⁾	Nil	Nil	175,500	325,000	Nil	Nil

Aggregate Options Exercised and Exercisable during the Fiscal Year Ended February 28, 2001						
Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at February 28, 2001		Value of Unexercised in-the-Money Options at February 28, 2001	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
Howard A. Pearl ⁽³⁾	Nil	Nil	Nil	Nil	Nil	Nil
Frank Iadipaolo ⁽⁴⁾	74,889	\$69,600	Nil	Nil	Nil	Nil
Marco Argenti ⁽⁵⁾	Nil	Nil	240,499	325,001	Nil	Nil
Jeffrey Halloran ⁽⁶⁾	Nil	Nil	8,833	16,667	Nil	Nil
Bruce Hodges ⁽⁷⁾	Nil	Nil	22,267	113,533	Nil	Nil
Paul Scholz ⁽⁸⁾	Nil	Nil	500	118,500	Nil	Nil

Notes:

- (1) The closing market price of the Common Shares of the Corporation on the Toronto Stock Exchange on February 28, 2001 was \$0.90.
- (2) In connection with Mr. Segal's resignation as the President and Chief Executive Officer and as a director of the Corporation on April 10, 2001, all options held by Mr. Segal immediately vested and are exercisable until July 10, 2001 unless such expiry date is extended for a period of up to one year from his resignation date at the discretion of the Board. See "Statement of Executive Compensation – Employment and Severance Arrangements".
- (3) In connection with Mr. Pearl's resignation as the President and Chief Executive Officer and as a director of the Corporation on October 4, 2001, all options held by Mr. Pearl immediately terminated and were cancelled effective December 29, 2000. See "Statement of Executive Compensation – Employment and Severance Arrangements".
- (4) In connection with Mr. Iadipaolo's resignation as the Chief Financial Officer of the Corporation on September 21, 2000, all options held by Mr. Iadipaolo have terminated or otherwise expired and were cancelled effective December 21, 2000. See "Statement of Executive Compensation – Summary Compensation Table."
- (5) In connection with Mr. Argenti's resignation as a director of the Corporation effective April 23, 2001, all options which had vested in Mr. Argenti as at April 23, 2001 are exercisable for a period of one (1) year after which time they shall expire and be cancelled by the Corporation, and all options granted to Mr. Argenti which had not yet vested in Mr. Argenti at the effective date of his resignation from the Board immediately terminated and have been cancelled.
- (6) In connection with Mr. Halloran's resignation as the Executive Vice President, Client Services of the Corporation effective December 14, 2000, all options held by Mr. Halloran have terminated or otherwise expired and were cancelled effective ninety (90) days following his date of resignation.
- (7) In connection with Mr. Hodges' resignation as Vice President, eFinance of the Corporation effective January 4, 2001, all options held by Mr. Hodges have terminated or otherwise expired and were cancelled effective ninety (90) days following his date of resignation.
- (8) In connection with Mr. Scholz's resignation as the Vice President, Wireless of the Corporation effective April 30, 2001, all options which had vested in Mr. Scholz as at April 30, 2001 are exercisable for a period of ninety (90) days after which time they shall expire and be cancelled by the Corporation, and all options granted to Mr. Scholz which had not yet vested in Mr. Scholz at the effective date of his resignation immediately terminated and have been cancelled.
- (9) In connection with Mr. Helwig's resignation as the Vice President, Online Commerce of the Corporation effective June 27, 2001, all options which had vested in Mr. Helwig as at June 27, 2001 are exercisable for a period of ninety (90) days after which time they shall expire and be cancelled, subject to re-negotiation between the Corporation and Mr. Helwig and all necessary regulatory approvals. All options granted to Mr. Helwig which had not yet vested in Mr. Helwig at the effective date of his resignation immediately terminated and have been cancelled.

Composition of the Compensation Committee and Report on Executive Compensation

During the fiscal year ended February 28, 2001, the compensation committee (the "Compensation Committee") was comprised of François M. de Gaspé Beaubien, Chairman, Donald Paterson and Steven Small. As at the date of this Circular, Dr. Small is both a member of the Compensation Committee and the Executive Office.

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 fair and competitive compensation package having regard to performance. Performance is defined to include both individual performance and

achievement of the Corporation's strategic objectives of growth and the enhancement of shareholder value.

In order to achieve the aforementioned objectives, there are three key components of the Corporation's compensation policy: base salary, performance bonuses and the granting of stock options. The grant of performance bonuses is considered from time to time having regard to the above-referenced objectives and is intended to establish a link between executive compensation and the Corporation's operating performance. Stock options are granted to encourage the Corporation's senior executive to own and hold Common Shares of 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 Executive Officers eligible to receive options to acquire Common Shares at not less than 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 paid by industry competitors.

On May 30, 2001, the Board of Directors approved the adoption of a long term cash incentive plan (the "Cash Incentive Plan") to remain in effect for a three (3) year term (the "Term"), unless extended by the Board pursuant to the terms thereof. In furtherance of the Corporation's compensation objectives, the Cash Incentive Plan is available to members of senior management of the Corporation who are designated by the Board from time to time for so long as such persons remain in the employ of the Corporation. Upon being designated as a participant, such management employee shall be allocated a percentage of the funds payable under the Cash Incentive Plan (the "Award Pool") which shall be paid out to all participants contemporaneously within ninety (90) days following the expiration of the Term. The Award Pool has been set at a minimum of \$3 million and a maximum of \$7.5 million and is subject to adjustment prior to payout in accordance with the price of the Common Shares if such price exceeds \$5.00 per Common Share or specified thresholds for any seven (7) day trading period during the sixty (60) day trading period prior to the end of the Term. In the event of a change of control of the Corporation, or in the event of a liquidation, dissolution or reorganization of the Corporation, and the absence of any successor entity's express assumption of the Corporation's obligations under the Cash Incentive Plan, the Board will provide immediately prior thereto for a payment thereunder of \$3 million or such greater amount not to exceed \$7.5 million as is deemed equitable by the Board, in its sole discretion, given the price of the Common Shares at the time and the period of time remaining under the Term.

Compensation of the Chief Executive Officer

The compensation of the Corporation's Chief Executive Officer is based upon the same criteria used to determine the compensation payable to the other senior executives including the Executive Officers. During the Corporation's fiscal year ended February 28, 2001, the office of Chief Executive Officer was filled by Howard A. Pearl from March 1, 2000 to October 4, 2000 and by Rick Segal from October 4, 2000 for the duration of the fiscal year. Mr. Segal resigned as Chief Executive Officer on April 10, 2001. See "Statement of Executive Compensation – Summary Compensation Table" and "Statement of Executive Compensation – Employment and

Severance Arrangements with Executive Officers”. While in office, Messrs. Pearl and Segal were paid a base salary pursuant to the terms of their respective employment agreements. Mr. Segal was granted stock options pursuant to the Stock Option Plan to purchase up to an aggregate of 500,500 Common Shares. Although eligible to receive stock options pursuant to the terms of his employment agreement, Mr. Pearl was not granted any stock options during fiscal 2001. See “Statement of Executive Compensation – Stock Options – Executive Officers”. Neither Mr. Pearl nor Mr. Segal received a performance bonus during fiscal 2001.

Following Mr. Segal’s resignation on April 10, 2001, the Board of Directors of the Corporation established a committee consisting of three (3) members of the Board to continue the Corporation’s realignment process pending the appointment of a new Chief Executive Officer of the Corporation (the “Executive Office”). The Executive Office is comprised of David F. Banks, David R. Shaw and Dr. Small. As at the date of this Circular, Messrs. Banks and Shaw and Dr. Small have not received any additional compensation for serving as members of the Executive Office. See “Statement of Executive Compensation – Compensation of Directors.”

Report submitted by the Compensation Committee of the Board of Directors:

(Signed) François M. de Gaspé Beaubien, Chairman
(Signed) Donald W. Paterson
(Signed) Steven Small
(Signed) David Shaw

Compensation of Directors

During the fiscal year ended February 28, 2001, each of the non-management directors received an annual retainer of \$10,000 for services rendered to the Board (\$25,000 in the case of David R. Peterson, Chairman of the Board). Management directors did not receive any compensation for services rendered to the Board in addition to that payable to them as Executive Officers. See “Statement of Executive Compensation – Summary Compensation Table”. Each of François M. de Gaspé Beaubien, J. Efrim Boritz, Dwight B. Crane, Ken Nickerson, Donald W. Paterson and Mr. Peterson received their annual retainer in the form of Common Shares (“Retainer Shares”), pursuant to the Corporation’s outside directors’ share plan (the “Outside Directors Share Plan”) approved by the Corporation’s, shareholders at the annual and special meeting of shareholders held on August 16, 1999, as follows:

<u>Name</u>	<u>Value of Retainer Shares</u>	<u>Number of Retainer Shares</u>
François M. de Gaspé Beaubien	\$10,000	916
J. Efrim Boritz	\$10,000	916
Dwight Crane	\$10,000	916
Ken Nickerson	\$10,000	916
Donald W. Paterson	\$10,000	916
David R. Peterson ⁽¹⁾	\$12,500	1,144
Totals	\$62,500	5,734

Notes:

- (1) In connection with Mr. Peterson's resignation as Chairman of the Board and as director, he agreed to relinquish to the Corporation his entitlement to receive 1,144 Retainer Shares payable as of January 31, 2001. See details of Mr. Peterson's settlement arrangements with the Corporation as set forth below.

In accordance with the terms of the Outside Directors' Share Plan, the number of Retainer Shares was computed by dividing the annual retainer of \$10,000 for services rendered to the Board of Directors (\$25,000 in the case of David Peterson acting as Chairman of the Board) divided by \$10.92, representing the weighted average trading price of the Common Shares on the Toronto Stock Exchange for the first twenty (20) consecutive trading day of January 2000. One-half of the Retainer Shares issued to each director for services rendered during fiscal 2001 were delivered on August 31, 2000 with the balance delivered on January 31, 2001. Instead of receiving Retainer Shares, Steven Small received his annual retainer in cash and the amount of such retainer was increased to \$75,000 upon his appointment as Vice Chairman of the Board on October 4, 2000. Each non-management director also received a fee of \$500 for each meeting of the Board or sub-committee attended, in person or by telephone conference.

Additionally, for the fiscal year 2001, each of J. Efrim Boritz, Chairman of the Audit Committee, François M. de Gaspé Beaubien, Chairman of the Compensation Committee, Ken Nickerson, Chairman of the Acquisitions and Divestitures Committee and David R. Peterson, Chairman of the Nomination and Corporate Governance Committee received a \$2,000 cash honourarium.

On February 18, 2001, David R. Peterson resigned from the Corporation's Board of Directors. As an honourarium for past services rendered to the Corporation as Chairman of the Board and in recognition of his valuable leadership to the Board, Mr. Peterson received a cash payment of \$25,000. In addition, the exercise period for all stock options held by Mr. Peterson as at May 30, 2001 (being options to purchase up to 25,000 Common Shares at an exercise price of \$1.03 per Common Share, options to purchase up to 60,000 Common Shares at an exercise price of \$1.35 per Common Share, options to purchase up to 45,000 Common Shares at an exercise price of \$0.60 per Common Share, options to purchase up to 65,000 Common Shares at an exercise price of \$0.97 per Common Share options to purchase up to 35,000 Common Shares at an exercise price of \$6.50 per Common Share, options to purchase up to 45,000 Common Shares at an exercise price of \$2.35 per Common Share and options to purchase up to 41,662 Common Shares at an exercise price of \$8.05 per Common Share) was extended for a period of twelve (12) months from such date until May 30, 2002. As at the date of this Circular, all other options previously held by Mr. Peterson have terminated or otherwise expired and have been cancelled.

Effective June 1, 2001, each of the non-management directors shall receive an annual retainer of \$20,000 (\$75,000 in the case of each of the Chairman and Vice-Chairman) for services rendered to the Board of Directors and may elect to receive such retainer in Retainer Shares pursuant to the Outside Directors' Share Plan. In accordance with the terms of the Outside Directors' Share Plan, the election must be in writing and delivered to the Secretary of the Corporation no later than thirty (30) days prior to the dates on which the annual retainer fees are to be paid, being one-half on August 31, 2001 and one-half on January 31, 2002. If the directors elect to receive Retainer Shares pursuant to the Outside Directors' Share Plan, they shall receive that number of Retainer Shares computed by dividing the annual retainer fee applicable to such

director by \$0.79, representing the weighted average trading price of the Common Shares on the Toronto Stock Exchange for the first twenty (20) consecutive trading days of January 2001. Additionally for the fiscal year 2002, the directors are each to receive a fee of \$500 for every meeting of the Board of Directors or committee of the Board attended in person or by telephone conference. Each Chairman of a committee of the Board shall also receive a cash honourarium of \$5,000. Following the resignation of David R. Peterson from the Board of Directors, David F. Banks was appointed Chairman of the Governance and Nomination Committee. As of April 23, 2001, the Board of Directors dissolved the Acquisitions and Divestitures Committee.

Additionally, on September 28, 2000, the Board of Directors appointed a special committee of independent directors (the "Special Committee") to examine certain matters including internal practices at the senior management level of the Corporation and certain allegations involving Howard A. Pearl, a former Chief Executive Officer and director of the Corporation, made by the Corporation's former Chief Financial Officer, Frank Iadipaolo, who resigned from such office on September 21, 2000. See "Statement of Executive Compensation – Employment and Severance Arrangements with Executive Officers." The members of the Special Committee were Steven Small (Chairman), J. Efrim Boritz and François M. de Gaspé Beaubien. In consideration for their services rendered as members of the Special Committee, each member of the Special Committee received a cash fee of \$1,000 for each meeting attended in person or by telephone conference as follows: Dr. Boritz received \$10,000, Mr. de Gaspé Beaubien received \$6,000 and Dr. Small received \$19,000. In addition, each of Dr. Boritz and Mr. de Gaspé Beaubien received options under the Stock Option Plan to acquire up to 50,000 Common Shares at an exercise price of \$0.97 per Common Share, and Dr. Small as Chairman of the Special Committee received options under the Stock Option Plan to acquire up to 75,000 Common Shares at an exercise price of \$0.97 per Common Share. The stock options were granted to Dr. Small, Dr. Boritz and Mr. de Gaspé Beaubien on November 22, 2000 and all immediately vested. The Special Committee completed its mandate and was dissolved by the Board on January 22, 2001. The Special Committee concluded that although there was nothing in its findings that would have a material impact on the Corporation's financial statements, it was recommended that a new President and Chief Executive Officer be appointed.

Directors' and Officers' Liability Insurance

The Corporation has acquired a directors' and officers' liability insurance policy in the written amount of \$5 million per occurrence and an excess directors' and officers' liability insurance policy for a further written amount of \$5 million per occurrence (collectively, the "Policies"), each of which contains industry standard exclusions and deductibles. The policies are designed to protect the Corporation and its directors against any legal action which may arise due to alleged wrongful acts on the part of directors and officers of the Corporation. The Corporation pays an aggregate annual premium of \$33,264 for the Policies. No claims under the Policies have been made to date. The Corporation does not have any "key person" insurance.

Stock Option Plan

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 further amended by resolution of the shareholders on each of March 24, 1998, August 16, 1999 and June 28, 2000, to provide incentive compensation to the Corporation's directors, officers, employees, and consultants. After giving effect to the exercise of outstanding options to purchase up to 1,175,708 Common Shares, the balance of Common Shares reserved for issuance pursuant to the Stock Option Plan as of June 27, 2001 is 7,074,292 Common Shares of which 953,279 Common Shares are available for issuance as of June 27, 2001. Under the Stock Option Plan, the exercise price of any option cannot be less than the closing price of the Common Shares on the Toronto Stock Exchange on the trading 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 ten (10) years subject to earlier termination upon the cessation of the optionee's employment, for any reason including termination, with or without cause, retirement, disability or death. Additionally, the Stock Option Plan provides that if the Corporation accepts an offer to amalgamate, merge or consolidate with any other company (other than a wholly-owned subsidiary of the Corporation) or in the event that holders of greater than 50% of the Common Shares accept an offer made to all or substantially all of the holders of Common Shares to purchase in excess of 50.1% of the then current number of issued and outstanding Common Shares, the vesting of all options shall automatically accelerate, without further action on the part of the Corporation or the holder, and become vested in full. The options are non-transferable and typically vest in equal amounts over a three year period. 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 and accordingly, on May 30, 2001 the Board amended the Stock Option Plan to remove the ability of the Corporation to provide financial assistance to certain senior officers of the Corporation by means of secured non-interest bearing loans, to an aggregate limit of \$2 million, as was previously approved by the shareholders at a special meeting held on February 11, 1998. The Board of Directors has recommended certain amendments to the Stock Option Plan. See "Particulars of Matters to be Acted Upon – Amendment of Stock Option Plan".

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Appointment of Auditors

It is proposed that Ernst & Young LLP, Chartered Accountants, be appointed as auditors of the Corporation at the Meeting.

Ernst & Young LLP, a leading public accounting firm with offices worldwide, has considerable expertise in knowledge-based industries. The Corporation intends to develop a close working relationship with its accounting advisors to assist in developing its business plans.

The persons named in the enclosed form of proxy intend to vote for the appointment of Ernst & Young 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 KPMG LLP, Chartered Accountants (the “Former Auditors”) on June 25, 2001 that they would not be recommending at the Meeting their reappointment as auditors of the Corporation for the fiscal year ended February 28, 2002.

In accordance with National Policy No. 31 (“NP31”) the Corporation issued a notice of change of auditors (the “Notice”), has received letters in reply to the Notice from each of the Former Auditors and the New Auditors (together the “Replies”) and the Notice and the Replies have been reviewed by the Audit Committee of the Board of Directors (the “Audit Committee Confirmation”). A copy of the Notice, the Replies and the Audit Committee Confirmation (together, the “Reporting Package”) are attached hereto as Schedule “B”, as required pursuant to NP31.

2. Election of Directors

It is proposed that the Corporation’s existing six (6) directors be elected at the Meeting.

The articles of the Corporation provide for a minimum of one (1) and a maximum of ten (10) directors and afford the Board of Directors the power to set the number of directors from time to time. 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. In connection with the anticipated future appointment by the Corporation of a new Chief Executive Officer, the Board of Directors intends to increase the size of Board following such appointment to eight (8) members in accordance with the provisions of the *Business Corporations Act* (Ontario) to allow for the Chief Executive Officer as well as another non-management individual to become members of the Board. 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 and the *Business Corporations Act* (Ontario).

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.

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

Name and Position with Corporation	Present Principal Occupation or Employment	Year Became Director	Number of Shares owned Directly or Indirectly or Over which Control or Discretion is Exercised
David F. Banks ⁽³⁾⁽⁴⁾ Director and Chairman of the Board	Member of Executive Office of the Corporation	2001	250,000
François M. de Gaspé Beaubien ⁽²⁾⁽⁵⁾ Director	Co-Chief Executive Officer, Telemedia Corporation	1999	38,916
J. Efrim Boritz ⁽¹⁾⁽⁶⁾ Director	Professor, School of Accounting, University of Waterloo	1997	38,764
Donald W. Paterson ⁽¹⁾⁽²⁾⁽³⁾⁽⁷⁾ Director	President, Cavandale Corporation (corporate consultant)	1996	8,764
David R. Shaw ⁽²⁾⁽⁸⁾ Director	Member of Executive Office of the Corporation	2001	16,500
Steven C. Small ⁽¹⁾⁽²⁾⁽³⁾⁽⁹⁾ Director and Vice-Chairman of the Board	President and Chief Executive Officer of Capital Partners Corporation (merchant bank)	2000	8,000

Notes:

- (1) Current member of the Audit Committee.
- (2) Current member of the Compensation Committee.
- (3) Current member of the Nomination and Corporate Governance Committee. The Nomination and Corporate Governance Committee was established by the Board on June 28, 2000. The Acquisitions and Divestitures Committee was dissolved on April 23, 2001. See "Statement of Corporate Governance Practices."
- (4) David F. Banks is the Chairman of the Board of Directors of the Corporation and was appointed to the Board on [February 18, 2001](#). He is also a member of the Executive Office established by the Board on April 10, 2001. See "Statement of Executive Compensation – Composition of the Compensation Committee and Report on Executive Compensation". From 1999 to 2001, Mr. Banks served as Chairman of Georgian Capital Partners, a Canadian money management firm. From 1998 until 1999, Mr. Banks was the Executive Chairman of Newcourt Credit Group. Mr. Banks also held the position of Chief Executive Officer and director of AT&T Capital from 1996 to 1998, was group President of Continental Grain from 1985 to 1990, and was the Founder and President of Carlyle Banks & Company from 1983 to 1985. Mr. Banks obtained his A.B. from Kenyon College and a Juris Doctor from the University of Florida law school. Mr. Banks holds stock options to acquire up to 150,000 Common Shares at an exercise price of \$1.03 per Common Share.
- (5) François M. de Gaspé Beaubien is a director of the Corporation and was first appointed to the Board of Directors on May 27, 1999. Since January 1, 2000, Mr. de Gaspé Beaubien has been the Co-Chief Executive Officer of Telemedia Corporation. Prior to January 1, 2000, Mr. de Gaspé Beaubien was the President, Publishing Divisions since 1995. Prior to joining Telemedia Communications Inc., Mr. de Gaspé Beaubien was President of Les Éditions Télémedia (July 1994-December 1995), Group Publisher of Telemedia Communications (U.S.A.) Inc., (1992-1994), Vice-President, Operations of Telemedia Communications (U.S.A.) Inc. (1990-1991), and Vice-President, Operations of New England Monthly Magazine (1989-1990). Mr. de Gaspé Beaubien holds a Masters of Business Administration from the Harvard Business School with distinction and a Bachelor of Arts (Honours) from Haverford College. Mr. de Gaspé Beaubien holds stock options to acquire up to 30,000 Common Shares at an exercise price of \$5.80 per Common Share, 31,667 Common Shares at an exercise price of \$8.00 per Common Share and 100,000 Common Shares at an exercise price of \$0.97 per Common Share, subject to vesting.
- (6) J. Efrim Boritz is a director of the Corporation and was elected to the Board of Directors in 1997. Since 1983, Dr. Boritz has been a professor at the School of Accounting at the University of Waterloo. Dr. Boritz is a Chartered Accountant, Certified Information Systems Auditor and obtained his Doctorate of [Philosophy](#) from the University of Minnesota and a Bachelor of Arts and a Masters of Business Administration from York University. Dr. Boritz holds options to acquire up to 20,000 Common Shares at an exercise price of \$1.25 per Common Share, 30,000 Common Shares at a price \$3.15 per Common Share, 31,667 Common Shares at an exercise price of \$8.00 per Common Share, and 100,000 Common Shares at an exercise price of \$0.97 per Common Share, subject to vesting.
- (7) Donald W. Paterson is a director of the Corporation and was elected to the Board of Directors in 1996. Since 1989, Mr. Paterson has been the President and founder of Cavandale Corporation, a strategic corporate consulting firm that specializes in providing corporate consulting services to emerging growth companies largely in the technology sector. Prior thereto, Mr. Paterson was a director and Vice-President at Wood Gundy Inc., a major Canadian investment dealer where he was principally involved in the identification and financing of emerging growth companies. Mr. Paterson holds options to acquire up to 20,000 Common Shares at an exercise price of \$6.50 per Common Share, 40,000 Common Shares at an exercise price of \$1.25 per Common Share, 30,000 Common Shares at an exercise price of \$3.15 per Common Share, 31,667 Common Shares at an exercise price of \$8.00 per Common Share and 50,000 Common Shares at an exercise price of \$0.97 per Common Share, subject to vesting.
- (8) David R. Shaw is a director of the Corporation and was appointed to the Board of Directors on April 10, 2001. He is also a member of the Executive Office established by the Board on April 10, 2001. See "Statement of Executive Compensation – Composition of the Compensation Committee and Report on Executive Compensation". From 1976 to 1999, Mr. Shaw held progressively senior positions with PepsiCola Canada

Inc., culminating with the position of Chief Executive Officer of Pepsicola Canada beverages from 1996 to 1999. During 2000, Mr. Shaw was a partner at Dorset Partners. Mr. Shaw is also a director of Maxxcom Inc. and chair of the North York General Hospital Foundation. He is a graduate of Queen's University. Mr. Shaw holds options to acquire up to 50,000 Common Shares at an exercise price of \$0.57 per Common Share, subject to vesting.

- (9) Steven Small is the Vice-Chairman of the Board of Directors and was first appointed to the Board on **June 28, 2000**. He is also a member of the Executive Office established by the Board on April 10, 2001. See "Statement of Executive Compensation – Composition of the Compensation Committee and Report on Executive Compensation". Dr. Small is the Founder, President and CEO of Capital Partners Corporation, a merchant banking business established in 1997. Prior to that Dr. Small has over 15 years of experience in the venture capital and investment sector and has been a founding shareholder of several businesses including the Newcourt Credit Group (which merged with the CIT Group Inc in late 1999). In addition to his merchant banking career, Dr. Small is Founder and senior managing partner of a large dental anaesthesiology practice. He obtained his Doctor of Dental Surgery and a degree in dental anaesthesiology from the University of Toronto in 1972 where he also served as Associate Professor of Dental Anaesthesia from 1972 to 1997. Dr. Small holds options to acquire up to 30,000 Common Shares at an exercise price of \$4.55 per Common Share and 225,000 Common Shares at an exercise price of \$0.97 per Common Share, subject to vesting.

3. Amendment of Stock Option Plan

At the Meeting, the shareholders will be asked to consider and pass a resolution amending the Stock Option Plan (the "Amendment Resolution") to standardize certain terms of the Stock Option Plan amongst all optionees and to clarify its dilutive impact on the Corporation's issued and outstanding capital.

On June 28, 2000, shareholders approved an increase to the number of Common Shares reserved and available for issuance pursuant to the Stock Option Plan from 6,500,000 Common Shares to 8,250,000 Common Shares. As at the date hereof, options to purchase up to 1,175,708 Common Shares have been exercised and, subject to shareholder approval of the Restricted Share Plan (as defined below) at the Meeting, options to purchase up to 1,378,958 Common Shares may be cancelled in order to allow for their reissuance under the Stock Option Plan. Accordingly, as at the date hereof, options to purchase up to 7,074,292 Common Shares are reserved for issuance pursuant to the terms of the Stock Option Plan of which 953,279 Common Shares are available for issuance as of June 27, 2001, which when combined with the proposed cancellation of certain options in connection with the adoption of the Restricted Share Plan shall reduce the impact of outstanding options on the dilution of the Corporation's current share capital from 16.3% to less than 15%. The Board of Directors has resolved to amend, subject to shareholder and regulatory approval, the Stock Option Plan to clarify the number of Common Shares that are available to be issued thereunder, as the Board believes that this reduction in dilution is attractive from a valuation perspective.

In addition, the Board of Directors has resolved to amend the Stock Option Plan, subject to shareholder and regulatory approval, to provide that, at the discretion of the Board at the time of grant, upon termination without cause, resignation or retirement of the optionee, the optionee shall have a period of one (1) year within which to exercise any options that have vested in the optionee as of the date of such termination without cause, resignation or retirement and to enter into a written agreement to such effect. The Stock Option Plan currently affords the directors discretion in this regard for up to a ninety (90) day period, as well as discretion at the time of an optionee ceasing to be employed for any reason to extend the expiry of an option for up to ten (10) years (the "10 Year Extension Option") from the initial date of grant. In addition, the Board of Directors is seeking the approval of shareholders, subject to regulatory approval, to extend the aforementioned ninety (90) day period to one (1) year for any options currently outstanding and held by current directors, officers, employees and consultants as at the date of the Meeting bringing into alignment the exercise period of options for all participants. The Board of Directors is also seeking the approval of the shareholders, subject to regulatory approval, to amend the

Stock Option Plan to reduce the 10 Year Extension Option to one (1) year in order to properly reflect the policies of the Toronto Stock Exchange. All of these amendments are consistent with the terms of conventional stock option plans for companies listed on the Toronto Stock Exchange.

The Board has also resolved to amend the Stock Option Plan to clarify when an optionee ceases to be an "Eligible Person" (as defined in the Stock Option Plan). A copy of the amended Stock Option Plan incorporating all amendments of the shareholders and/or directors to date, including the proposed amendments, is attached hereto as Schedule "C" and has been blacklined to the original plan adopted by the Corporation on April 1, 1996 and ratified by shareholders on August 25, 1997.

Purpose of Stock Option Plan and Board of Directors' Recommendations

The Stock Option Plan is intended to benefit the shareholders of 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 and shareholder value. 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.

Amendment Resolution

The rules of the Toronto Stock Exchange require that the Amendment Resolution be approved by the affirmative vote of the majority of the votes cast at the Meeting, other than votes attaching to Common Shares beneficially owned by insiders to whom shares may be issued pursuant to the Stock Option Plan and their associates. To the best of the Corporation's information, as of the date hereof, insiders and their associates own 688,688 Common Shares of the Corporation in the aggregate, representing 1.59% of the issued and outstanding Common Shares of the Corporation. Accordingly, such insiders and their associates will abstain from voting, and the remaining shareholders of the Corporation will be asked to pass the ordinary resolution set out below. All capitalized terms in the text of the Amendment Resolution and not otherwise defined herein have the meaning attributed thereto in the Stock Option Plan and are evidenced in italics.

The text of the Amendment Resolution to be put before the shareholders at the Meeting is as follows:

"BE IT HEREBY RESOLVED AS AN ORDINARY RESOLUTION THAT:

- (1) Subject to regulatory approval, Section 4.1 of the Stock Option Plan, as amended, be deleted in its entirety, and replaced with the following:

[*Options*] may be granted in respect of authorized and unissued [*Shares*], provided that the aggregate number of [*Shares*] reserved for issuance upon exercise of all [*Options*] granted under the Plan, subject to any adjustment of such number pursuant to the provisions of Article 8 hereof, shall not exceed 7,074,292 [*Shares*] (excluding, for greater certainty, previously exercised Options to acquire 1,175,708 Common Shares) or such greater number of [*Shares*] as may be determined by the Board and approved by any relevant stock exchange or other regulatory authority and, if required, by the shareholders of the [*Company*], from time to time. [*Shares*] reserved for issuance hereunder in respect of which [*Options*] have been granted but not exercised shall be available to be granted subsequent to the expiry and/or termination of the original [*Option*]. No fractional [*Shares*] may be purchased or issued under the [*Plan*].

- (2) Subject to regulatory approval, Subsection 6.2(a) of the Stock option Plan, as amended, be deleted in its entirety and replaced with the following:

Subject to Subsection 6.2(b), if an [*Optionee*] shall cease to provide services to the [*Company*] through retirement, resignation, termination of his employment, office or directorship for any reason other than for cause, or termination of his contract with the [*Company*] for any reason other than substantial breach or cause on the part of the [*Optionee*], unless otherwise provided for in this [*Plan*], no [*Option*] held by such [*Optionee*] at the effective date thereof may be exercised by the [*Optionee*] following the date that is the earlier of the expiry of the [*Option*] and one (1) year after the [*Termination Date*], but only to the same extent to which the [*Optionee*] could have exercised the [*Option*] immediately before the [*Termination Date*].

- (3) Subject to regulatory approval, all stock options currently outstanding under the Stock Option Plan, as amended, and evidenced by agreements providing for a ninety (90) day exercise period (the “Ninety (90) Day Period”) following the date on which the optionee ceases to provide services to the Corporation, through retirement, resignation, termination of employment or consulting services, or office of directorship, as the case may be, for any reason other than substantial breach or cause, shall be amended to extend the Ninety (90) Day Period to the date that is the earlier of the expiry of the option and one (1) year after the Termination Date (as such term is defined in the Stock Option Plan), and the Board of Directors is hereby authorized to do all such acts and things, and to approve the form of and enter into any documentation as the Board may deem necessary and advisable to give effect to the foregoing.

- (4) Subject to regulatory approval, Section 6.3 of the Stock Option Plan, as amended, be deleted in its entirety and replaced with the following:

Upon the death of an [*Optionee*], to the extent that the [*Options*] granted in favour of such [*Optionee*] have vested prior to his death, and further to the extent that such vested [*Options*] have not been fully exercised, such [*Optionee's*] personal representatives, heirs or legatees may, at any time, prior to the earlier of the expiry of the [*Options*], one year from the date of grant of probate of the will or letters of administration of the estate of the decedent, or one year after the date of such death, exercise any or all of such [*Options*] with respect to the unexercised balance of the [*Shares*] subject to such [*Options*].

- (5) Subject to regulatory approval, Section 6.4 of the Stock Option Plan, as amended, be deleted in its entirety and replaced with the following:

Notwithstanding anything to the contrary herein contained, upon an [*Optionee*] ceasing to be employed with or otherwise provide services to the [*Company*] or any affiliate, as the case may be, for any reason, the Board or the [*Committee*], as the case may be, may provide its written consent to the extension of the time period during which the [*Option*] of such [*Optionee*] may be exercised, provided that in no event may the expiry of an [*Option*] be extended for more than the earlier of the expiry of the [*Option*] and twelve (12) months after the [*Termination Date*].

- (6) Subject to regulatory approval, Section 6.1 of the Stock Option Plan, as amended, be deleted in its entirety and replaced with the following:

Subject to Sections 6.2 and 6.3 hereof and to any express resolution passed by the [*Committee*] or the Board with respect to an [*Option*], an [*Option*] and all rights to purchase [*Shares*] pursuant thereto shall expire and terminate immediately on the [*Termination Date*].

- (7) Subject to regulatory approval, Article 2 of the Stock Option Plan, as amended, be amended to include as section 2.18 thereof, the following definition:

Termination Date means the earlier of the date upon which:

- (a) the [*Optionee's*] employment with or provision of service to the [*Company*] or any affiliate actually ends for any reason, regardless of whether such termination is effected with or without sufficient notice; or

(b) the [*Optionee*] otherwise ceases to be an [*Eligible Person*].

- (8) Any one director or officer of the Corporation be and is hereby authorized to execute and deliver, under corporate seal or otherwise, all such deeds, documents, instruments and assurances and to do all such acts and things as such person may deem necessary or desirable to give effect to the foregoing.”

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote for the approval of the Amendment Resolution.

4. Future Financings

At the Meeting, the shareholders will be asked to consider and pass the Future Financings Resolution (as defined below) to increase the flexibility of the Corporation in connection with future efforts to obtain financing.

The policies of the Toronto Stock Exchange 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 (6) month period must not exceed 25% of the total number of shares issued and outstanding (on a non-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 through the private placement of its securities.

Purpose and Board of Directors’ Recommendations

The Toronto Stock Exchange 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 twelve (12) months of the date of such advance shareholder approval. By providing advance approval, shareholders would only be satisfying the shareholder approval requirement of the Toronto Stock Exchange. Each private placement proposed by the Corporation would still remain subject to regulatory approval, including approval of the Toronto Stock Exchange. 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 arm’s length to the Corporation;
2. the private placement cannot materially affect control of the Corporation;
3. the private placement must be completed within a twelve (12) month period following the date of advance shareholder approval; and
4. the private placement must comply with the private placement pricing rules of the Toronto Stock Exchange, which currently require that the price per security proposed to be issued must not be lower than the closing market price of the Common Shares on the Toronto Stock Exchange on the trading day prior to the date notice of the proposed private placement is given to the Toronto Stock Exchange less the applicable discount as follows:

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

The Toronto Stock Exchange retains the discretion to decide whether a particular placement is “substantially” at arm’s length or will “materially affect control” in which case specific shareholder approval may be required.

As a result of the anticipated growth prospects for the Corporation, management anticipates that the Corporation may be required to enter into private placement transactions (the “Future Financings”) during the next twelve (12) months that will exceed the 25% Rule. Management of the Corporation anticipates that the approval of the Board of Directors of the Corporation may be sought regarding one or more private placements during any six (6) month period provided that the number of Common Shares (or securities convertible into or exchangeable for Common Shares) to be issued in the aggregate will not exceed 50% of the number of Common Shares of the Corporation which are outstanding (on a non-diluted basis) as at the date of this Circular.

Future Financings Resolution

The Board of Directors of the Corporation believe that the passing of an ordinary resolution approving the Future Financings (the “Future Financings Resolution”), as set forth below, is in the best interests of the Corporation and recommends that shareholders vote in favour of the Future Financings Resolution. In the event that the Future Financings Resolution is not passed, the Toronto Stock Exchange will not approve any private placements that would result in the issuance or possible issuance of Common Shares (or securities convertible into or exchangeable for Common Shares) within any six (6) month period during the next twelve (12) months exceeding the 25% Rule without specific shareholder approval. In order to be effective, the Future Financings Resolution must be approved by a majority of the votes cast at the Meeting.

The text of the Future Financings Resolution to be put before shareholders at the Meeting is as follows:

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

- (1) Subject to regulatory approval, the issuance (or making issuable) by the Corporation of Common Shares (or securities convertible into or exchangeable for Common Shares) within any six (6) month period during the next twelve (12) months in one or more private placements in an aggregate number that exceeds 25% and not greater than 50% of the Corporation’s total issued and outstanding Common Shares (on a non-diluted basis) as at June 27, 2001 being the date of the management information circular delivered by the Board of Directors of the

Corporation in connection with this annual and special meeting of shareholders held on August 2, 2001, is hereby authorized and approved.

- (2) Any one director or officer of the Corporation be and is hereby authorized to execute and deliver, under corporate seal or otherwise, all such deeds, documents, instruments and assurances and to do all such acts and things as such person may deem necessary or desirable to give effect to the foregoing.”

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote for the approval of the Future Financings Resolution.

5. Stated Capital Reduction

At the Meeting, the shareholders will be asked to consider and pass a resolution authorizing a reduction to the Corporation's stated capital (the "Stated Capital Reduction Resolution").

As at February 28, 2001, the stated capital of the Corporation was equal to \$100,086,796 whereas the Corporation's shareholders equity account reflected a balance of \$27,285,383 which included a deficit of \$73,577,171.

By passing the Stated Capital Reduction Resolution, the Corporation will be able to more accurately reflect the true value of its stated capital account on its balance sheet. The Corporation will not incur any cash obligations relating to this reduction.

Purpose of Stated Capital Reduction and Directors' Recommendation

In order to meaningfully reflect the future financial results of the Corporation, it is proposed that the shareholders' equity account for the Common Shares of the Corporation be reduced by \$73,577,171. As the stated capital of the Corporation, as at February 28, 2001, significantly exceeds the deficit at such time in the shareholders' equity account, the Board of Directors believes that it is appropriate and in the best interests of the Corporation for the amount of the deficit be reduced by \$73,285,383 in order to more accurately reflect the true value of the Corporation's stated capital account. This adjustment is for accounting purposes only and does not require the expenditure of funds by the Corporation. The effect of such reduction is that the stated capital account shall be reduced by \$73,577,171 to become \$26,509,625 as of February 28, 2001 and the shareholders' equity deficit as of such date will be eliminated.

Stated Capital Reduction Resolution

In accordance with section 34 of the *Business Corporations Act* (Ontario), in order to be effective, the Stated Capital Reduction Resolution must be approved by the affirmative vote of 66-2/3 percent of the votes cast in respect thereof at the Meeting. If the Stated Capital Reduction Resolution is not approved, the Corporation will continue with its present stated capital amount.

The text of the Stated Capital Reduction Resolution to be put before shareholders at the Meeting is as follows:

“BE IT HEREBY RESOLVED AS A SPECIAL RESOLUTION THAT:

- (1) The Corporation be and is hereby authorized and directed to reduce its stated capital by \$73,577,171 or by such other amount as may be acceptable to the auditors of the Corporation in accordance with section 34 of the *Business Corporations Act* (Ontario).
- (2) Any one director or officer of the Corporation be and is hereby authorized to execute and deliver, under corporate seal or otherwise, all such deeds, documents, instruments and assurances and to do all such acts and things as such person may deem necessary or desirable to give effect to the foregoing.”

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote for the approval of the Stated Capital Reduction Resolution.

6. Share Purchase Plan

At the Meeting, shareholders will be asked to consider and pass an ordinary resolution (the “Share Purchase Plan Resolution”) adopting the Share Purchase Plan (as defined below) in order to encourage eligible participants (as defined below) to acquire an ownership interest in the Corporation. The intent of the Share Purchase Plan is to further align the interest of directors, officers, employees and consultants of the Corporation and its affiliates with the interests of its shareholders, by facilitating and encouraging greater share ownership by employees. A copy of the Share Purchase Plan is attached to this Circular as Schedule “D”.

On May 30, 2001, the Board of Directors approved the adoption and implementation of a share purchase plan (the “Share Purchase Plan”) subject to shareholder and regulatory approval. A maximum of 2,000,000 Common Shares will be reserved for issuance pursuant to the Share Purchase Plan. Each of the directors, officers, employees and consultants of the Corporation and its affiliates (each, an “eligible participant”) may purchase, pursuant to the Share Purchase Plan, that number of Common Shares with an aggregate value equal to or less than 50% of such eligible participant’s annual base salary for the year, in the case of employees, officers and consultants, and 100% of their annual retainer in the case of directors, in which the purchase is made. Common Shares may only be purchased by eligible participants during an “Open Period”, meaning a period of time, not exceeding thirty (30) days in any fiscal quarter of the Corporation’s financial year as specified by the Board of Directors, during which purchase rights may be exercised, from

time to time. The Board will establish the purchase price for each Open Period on the basis of the weighted average trading price on the Toronto Stock Exchange (or such other stock exchange or market on which the Common Shares may then be listed and posted or quoted for trading and if listed or quoted on more than one exchange or market, the one with the largest trading volume of Common Shares) on the five (5) consecutive trading days preceding the first day of the Open Period. If no Common Shares are traded during such five (5) day period, the price for any relevant day will be the weighted average of the "bid" and "ask" prices on such date. At the discretion of the Board, the purchase price may be set at a discount to market up to a maximum of 15%. As of the date of the adoption of the Share Purchase Plan by the Board, the purchase price has been set at a 15% discount. The tax consequences of participating in the Share Purchase Plan shall be the responsibility of eligible participants to determine and the Corporation shall have no obligation to eligible participants in this regard.

Subject to regulatory approval, the Corporation may, at its option, cause Common Shares to be purchased in the open market to satisfy the purchase rights granted under the Share Purchase Plan rather than issuing Common Shares from treasury. The Common Shares issued pursuant to the Share Purchase Plan shall be subject to a twelve (12) month restriction on resale commencing on the date of issuance in order to encourage participants to maintain a long term ownership interest in the Corporation. Common Shares purchased under the Share Purchase Plan must be paid for on a cash basis. No Common Shares will be issued pursuant to the Share Purchase Plan unless payment in full is received by the Corporation. Subject to shareholder approval, the Share Purchase Plan shall become effective on August 2, 2001.

Purpose of Share Purchase Plan and Board of Directors' Recommendations

The Share Purchase Plan is designed to provide directors, officers, employees and consultants of the Corporation and its affiliates with a financial incentive to acquire Common Shares of the Corporation and to encourage persons associated with the Corporation to maintain a long term ownership interest in the Corporation. The Board of Directors believes that the ability of eligible participants to purchase Common Shares at a discount to market value will properly align their interests with the long term profitability and viability of the Corporation. The Board of Directors of the Corporation has concluded that the adoption of the Share Purchase Plan is in the best interest of the shareholders of the Corporation.

Share Purchase Plan Resolution

The rules of the Toronto Stock Exchange require that the Share Purchase Plan Resolution be approved by the affirmative vote of the majority of the votes cast at the Meeting, other than votes attaching to Common Shares beneficially owned by insiders to whom shares may be issued pursuant to the Share Purchase Plan and their associates. To the best of the Corporation's information, as of the date hereof, insiders and their associates own 688,688 Common Shares of the Corporation in the aggregate, representing 1.59% of the issued and outstanding Common Shares of the Corporation. Accordingly, such insiders and their associates will abstain from voting, and the remaining shareholders of the Corporation will be asked to pass the ordinary resolution set out below.

The text of the resolution to be put before shareholders at the Meeting is as follows:

“BE IT HEREBY RESOLVED AS AN ORDINARY RESOLUTION THAT:

- (1) Subject to regulatory approval, the Share Purchase Plan of the Corporation, in the form attached as Schedule “D” to the management information circular delivered by the Board of Directors of the Corporation in connection with this annual and special meeting of shareholders held on August 2, 2001, be and is hereby authorized and approved and the Corporation be and is hereby authorized and directed to allot and reserve for issuance pursuant to the exercise of purchase rights granted under the Share Purchase Plan, up to 2,000,000 Common Shares of the Corporation.
- (2) Any one director or officer of the Corporation be and is hereby authorized to execute and deliver, under corporate seal or otherwise, all such deeds, documents, instruments and assurances and to do all such acts and things as such person may deem necessary or desirable to give effect to the foregoing.”

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote in favour of the Share Purchase Plan Resolution.

7. Restricted Share Plan

At the Meeting, shareholders will be asked to consider and pass an ordinary resolution (the “Restricted Share Plan Resolution”) adopting the Restricted Share Plan (as defined below), to advance the interests of the Corporation through the retention and motivation of eligible RSP participants (as defined below). The Corporation recognizes the importance of keeping the interests of its employees in line with those of its shareholders and therefore is proposing the adoption of the Restricted Share Plan rather than the re-pricing of the Out-of-the-money Options (as defined below). The proposal may also have the benefit of substantially reducing the dilutive impact of the Stock Option Plan. A copy of the Restricted Share Plan is attached to this Circular as Schedule “E”.

In recognition of the importance of aligning the interests of the Corporation’s employees with those of its shareholders, on May 30, 2001, the Board of Directors approved, subject to shareholder and regulatory approval, the adoption and implementation of a restricted share plan (the “Restricted Share Plan”) which provides for the voluntary acquisition of Common Shares by certain employees, directors and consultants of the Corporation as designated by the Board in its sole discretion (each an “eligible RSP participant”) who, as at the date of adoption of the Restricted Share Plan, hold stock options to purchase Common Shares pursuant to the Stock Option Plan at exercise prices that are greater than or equal to \$3.00 per Common Share (the “Threshold Price”). Subject to shareholder and regulatory approval, the maximum number of Common Shares authorized and reserved for issuance pursuant to the Restricted Share Plan is 1,378,958 Common Shares. Within ten (10) business days of the ratification of the Restricted Share Plan by shareholders, the Corporation shall send a notice to each eligible RSP participant identifying the number of options held by such eligible RSP participant with an exercise price

greater than or equal to the Threshold Price (the “Out-of-the-money Options”), the exercise price or prices of such Out-of-the-money Options and the number of Common Shares to which the eligible RSP participant would be entitled to receive upon the surrender of all Out-of-the-money Options held. As additional consideration for previous services rendered and in exchange for the voluntary surrender by each eligible RSP participant of all unexercised Out-of-the-money Options, the Corporation shall deliver that number of Common Shares equal to 50% of the number of Common Shares which the eligible RSP participant would otherwise be entitled to subscribe for pursuant to the exercise of such Out-of-the-money Options. All Common Shares issued pursuant to the Restricted Share Plan shall be subject to restrictions on resale commencing on their date of issuance and ending as to one-third of such Common Shares on each of February 2, 2002, August 2, 2003 and August 2, 2004, respectively, thereby aligning eligible RSP participants’ interests with the long term profitability and viability of the Corporation. Subject to regulatory approval, 50% of the Out-of-the-money Options surrendered to the Corporation shall be deemed cancelled and therefore become available for reissuance under the Stock Option Plan. Depending on the rate of participation in the Restricted Share Plan by eligible RSP participants, the surrender of Out-of-the-money Options under the Restricted Share Plan may also reduce the dilutive impact of outstanding stock options on the Corporation’s current share capital, a result the Corporation is striving to achieve.

In addition, the Board of Directors is seeking the approval of shareholders in respect of the ability of the Board to, immediately following the adoption of the Restricted Share Plan, grant stock options to eligible RSP participants who have elected to participate under the Restricted Share Plan. The rules of the Toronto Stock Exchange consider any cancellation of an option prior to its expiry date, other than a cancellation due to the grantee ceasing to be an employee or director, in conjunction with the granting of an option to the same person on different terms an amendment requiring shareholders approval, which if not obtained would result in the Toronto Stock Exchange prohibiting the Board from granting stock options under the Stock Option Plan to eligible RSP participants who elect to participate under the Restricted Share plan for a one (1) year period. As the granting of stock options is an integral part of the Corporation’s compensation policy as identified in this Circular, the Board of Directors believes that it is in the best interests of the Corporation to obtain shareholder approval to remove any restriction on the Corporation’s ability to grant stock options to eligible RSP participants who elect to participate in the Restricted Share Plan, as a restraint on the ability to grant stock options to such persons will have a significant impact on the Corporation’s retention of key personnel by the Corporation, on a cost-effective basis.

Purpose of the Restricted Share Plan and Board of Directors’ Recommendations

The Restricted Share Plan is designed to provide eligible RSP participants who currently hold stock options with reduced value under the Stock Option Plan, with additional consideration for past services rendered to the Corporation. The Restricted Share Plan advances the interest of the Corporation by the motivation and retention of such eligible RSP participants and thereby secures for the Corporation and its shareholders the benefits inherent in the ownership of Common Shares by eligible RSP participants. The Restricted Share Plan may also have the effect of reducing the impact of outstanding stock options under the Stock Option Plan on the Corporation’s issued and outstanding share capital, subject to participation under the Restricted

Share Plan by eligible RSP Participants. The Board of Directors believes that the three (3) year restriction on transfer of the Common Shares issued under the Restricted Share Plan aligns the interests of the eligible RSP participants who elect to become shareholders with the long term profitability and viability of the Corporation. The Board of Directors of the Corporation has concluded that the adoption of the Share Purchase Plan is in the best interest of the shareholders of the Corporation.

Restricted Share Plan Resolution

The rules of the Toronto Stock Exchange require that the Restricted Share Plan Resolution be approved by the affirmative vote of the majority of the votes cast at the Meeting, other than votes attaching to Common Shares beneficially owned by insiders to whom Common Shares may be issued pursuant to the Restricted Share Plan and their associates. To the best of the Corporation's information, as of the date hereof, insiders and their associates own 688,688 Common Shares of the Corporation in the aggregate, representing 1.59% of the issued and outstanding Common Shares of the Corporation. Accordingly, such insiders and their associates will abstain from voting, and the remaining shareholders of the Corporation will be asked to pass the ordinary resolution set out below.

The text of the resolution to be put before shareholders at the Meeting is as follows:

“BE IT HEREBY RESOLVED AS AN ORDINARY RESOLUTION THAT:

- (1) Subject to regulatory approval, the Restricted Share Plan of the Corporation, in the form attached as Schedule “E” to the to the management information circular delivered by the Board of Directors of the Corporation in connection with this annual and special meeting of shareholders held on August 2, 2001, be and is hereby authorized and approved and the Corporation be and is hereby authorized and directed to allot and reserve for issuance pursuant to the Restricted Share Plan up to 1,378,958 Common Shares of the Corporation.
- (2) Subject to regulatory approval, the Board of Directors of the Corporation be and is hereby authorized at its discretion to grant stock options under the Corporation's stock option plan, as amended, to those eligible participants who elect to participate in the Restricted Share Plan at any time following the cancellation of those stock options required to be surrendered to the Corporation for cancellation pursuant to the terms of the Restricted Share Plan.
- (3) Any one director or officer of the Corporation be and is hereby authorized to execute and deliver, under corporate seal or otherwise, all such deeds, documents, instruments and assurances and to do all such acts and things as such person may deem necessary or desirable to give effect to the foregoing.”

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote in favour of the Restricted Share Plan Resolution.

FINANCIAL STATEMENTS

A copy of the Corporation's financial statements and the auditors' report for the year ended February 28, 2001 are included with this Circular and will be presented at the Meeting.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

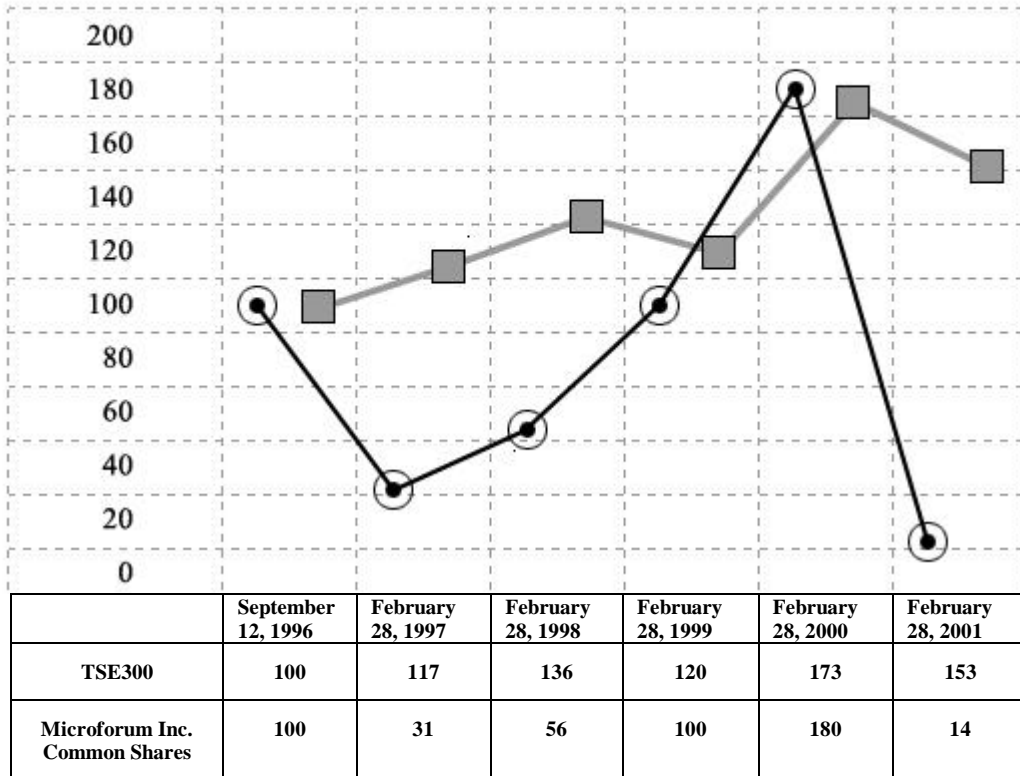
Disclosure concerning the Corporation's corporate governance policies and practices is set out in Schedule "A" to this Circular. This disclosure statement has been approved by the Board of Directors of the Corporation.

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 Toronto Stock Exchange, compared to the cumulative total return on the Toronto Stock Exchange 300 Index for the past four fiscal years assuming a \$100 investment on September 12, 1996, being the date the Corporation became a public entity.

**Four year cumulative total return on \$100 investment
September 12, 1996 to February 28, 2001**

- TSE
- Microforum Inc. Common Shares



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.

INFORMATION CONCERNING THE CORPORATION

Shareholders of the Corporation can obtain, upon request to the Secretary of the Corporation, at 150 Ferrand Drive, Suite 1200, Toronto, Ontario M3C 3E5, Fax (416) 467-9094, without charge:

- (i) The Corporation's current annual information form ("AIF"), together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF.
- (ii) The Corporation's most recently filed comparative annual financial statements, together with the accompanying auditors' report, and any interim financial statements of the Corporation that have been filed for any period after the end of its most recently completed financial year.
- (iii) Additional copies of this Circular.

DIRECTORS' APPROVAL

Each of the contents of this Circular and the delivery thereof to the shareholders of the Corporation have been approved by the Board of Directors of the Corporation. To the best of the knowledge of the Board of Directors, this Circular 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



David F. Banks
Chairman of the Board

Toronto, Ontario
June 27, 2001

SCHEDULE “A”

MICROFORUM INC.

ALIGNMENT WITH CORPORATE GOVERNANCE GUIDELINES

1. Stewardship

Guideline: The Board of Directors should explicitly assume responsibility for stewardship of the corporation, specifically:

(a) General

Microforum’s Board of Directors (the “Board”) is responsible for the stewardship of the Corporation.

(b) Ensuring a strategic planning process

The Board provides guidance on and approves the strategic planning and business plans recommended by senior management of the Corporation (the “Leadership Team”) and oversees the implementation of the strategic plan.

(c) Identification of and managing principal risks

The Board ensures the Leadership Team has considered the principal risks of the Corporation’s businesses and monitors those risks based on regular business reports prepared by the Leadership Team. In addition, the Audit Committee reviews the findings of the Corporation’s external auditors, and thereby provides additional awareness of the principal risks to the Corporation’s businesses, and then reports thereon to the Board on a regular basis.

The Board considers and approves plans recommended by the Leadership Team to offset and manage those risks.

(d) Succession planning and monitoring management performance

The Board is responsible for the assessment of the performance of, and the development of a succession plan for, the Chief Executive Officer of the Corporation, who is in turn charged with those same responsibilities for the balance of the Corporation’s Leadership Team.

As the Corporation is currently without a Chief Executive Officer as a result of the resignation of Rick Segal on April 10, 2001, a Committee of the Board consisting of three (3) Board members has been established to continue the Corporation’s realignment process pending the appointment of a new Chief Executive Officer (the “Executive Office”). The Executive Office is comprised of David F. Banks

(Chairman), Steven Small (Vice-Chairman) and David R. Shaw. The Executive Office shall continue to work with the entire Board in the Corporation's search for a new Chief Executive Officer.

The Compensation Committee and the Board review the performance appraisals of the Leadership Team by the Chairman annually. Those reviews are the basis for determining the amount and form of incentive compensation to be granted.

Dr. Small and Mr. Shaw shall be abstaining from any discussions of the Compensation Committee and related determination of compensation to be paid to the Executive Office members, if any, in respect of services to be rendered to such office which is temporarily fulfilling a management role.

(e) *Communications policy*

The Board is committed to maintaining an effective communications policy for the benefit of all the Corporation's stakeholders. The Board has adopted a written disclosure policy for the Corporation. In addition to compliance with timely and continuous disclosure obligations under applicable law, the Corporation ensures that the Leadership Team is available to respond to questions and comments from shareholders. With the approval of the Board, management will designate a representative from the Leadership Team of the Corporation, as the principal individual responsible for receiving shareholder inquiries and dealing with shareholders' concerns. Such designee is available to respond to shareholder questions and comments, and endeavors to respond promptly and appropriately to all requests and/or inquiries. If material business issues result from communications between shareholders and the Leadership Team, it is the policy of the Corporation that such matters be reported to the Board.

(f) *Integrity of internal control and management information systems*

The Audit Committee reviews with management and the Corporation's external auditors the ongoing sufficiency and integrity of the Corporation's internal controls, financial reporting and management information systems.

2. Board Composition

The board of directors of every corporation should be constituted with a majority of individuals who qualify as "unrelated" directors. For the purposes of the Toronto Stock Exchange's Corporate Governance Guidelines, an "unrelated" director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding.

(a) Size

The size of the Board is determined by the requirement of Director's involvement as well as the skills required at the Board level.

The Board of Microforum is intended to remain smaller during periods of high growth or transition. The Board currently consists of six (6) directors, and plans to expand to eight (8) directors over the next twelve months.

(b) Independence

The board of directors of every corporation should be constituted with a majority of individuals who qualify as "unrelated" directors.

Over the next twelve months, it is intended that the Board consist of seven (7) unrelated directors and one (1) related director (namely the Chief Executive Officer once appointed).

3. Related Parties

Disclose for each director whether he or she is related to the corporation or any significant shareholder of the corporation, and how that conclusion was reached.

The Board reviews the factual circumstances and relevant relationships of each of the directors. Three (3) of the nominee directors, François M. de Gaspé Beaubien, Donald Paterson and J. Efrim Boritz are unrelated directors. Messrs. Banks and Shaw and Dr. Small are temporarily related directors as a result of their assuming a management role on a temporary basis, during their service to the Corporation's Executive Office. Following the appointment of a new Chief Executive Officer such individuals will be unrelated directors based on the above-outlined definition.

The Corporation does not have a "significant shareholder", defined as a "shareholder with the ability to exercise a majority of the votes for the election of the board of directors".

4. Nomination and Corporate Governance

Appoint a Committee comprised exclusively of non-management directors, a majority of who are unrelated directors, responsible for proposing new nominees to the Board, for assessing the quality of Board governance on an ongoing basis, and ensuring the Chairman appraises the performance of each Director each year.

The Governance and Nominating Committee recruits and reviews the nomination of new Directors to the Board. As well, the Committee considers governance matters as they arise, and assesses the quality of the Corporation's governance on an ongoing basis.

The Nomination and Corporate Governance Committee is comprised of David F. Banks (Chairman), Donald Paterson and Steven Small. As a result of Mr. Banks and Dr. Small acting on behalf of the Executive Office, the membership of the Nomination and Corporate Governance Committee is temporarily not in compliance with Toronto Stock Exchange policies which recommend that all members of such committee be unrelated directors. However, Mr. Paterson is acting as Chairman of the Nomination and Corporate Governance Committee on a temporary basis until the Executive Office is dissolved following the Corporation's appointment of a new Chief Executive Officer.

5. Governance

Each board should assume responsibility for, or assign to a committee of directors the general responsibility for, developing the corporation's approach to governance issues.

The Chairman of the Board is responsible for the Corporation's general corporate governance, which includes but is not limited to, reviewing the Corporation's approach to ethics, regulation, management process and the performance of the Board and its committees. As well, the Chairman monitors compliance with Corporation's stated corporate governance policies. In the execution of these responsibilities, use is often made of consultants.

In addition, the Board has a committee, the Governance and Nominating Committee, which reviews the Board's actions and policies, ensuring the Board acts within the ambit of the prevailing regulatory guidance and best market practices.

The Chairman periodically reports his assessment of Board performance to the Nomination and Corporate Governance Committee as well as to the auditors of the Corporation. The whole Board also considers these reports on an annual basis.

6. Effectiveness Assessment

Implement a process for assessing the effectiveness of individual directors, the Committees of the Board and the Board as a whole.

The Chairman annually reviews the effectiveness and performance of the Board, the Committees and each of the individual directors and makes recommendations to the Board as a result of such review. While in place, the performance of the Executive Office is being reviewed by the remaining unrelated Board members to ensure the independent functioning of the Board from "management".

7. New Directors

Provide an orientation and education program for new recruits to the board.

The Corporation conducts an orientation program for new Directors.

In addition to orientation, the Board regularly invites the Leadership Team and periodically, members at the strategic management level to attend at Board meetings to report on their respective business unit activities, and Board meetings are periodically organized to include tours of the Corporation's facilities which permits the Board to participate in a detailed first hand review of the Corporation's activities.

8. Board Compensation

Review the adequacy and form of the compensation of directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director.

The Chairman of the Board, together with the Chief Executive Officer, reviews and approves the design and administration of all compensation and benefit plans and policies for the Corporation's Leadership Team and Board of Directors, and then makes recommendations to the Compensation Committee. The Compensation Committee then reviews and approves the design and administration of all compensation and benefit plans and policies for the Corporation's Leadership Team and Board compensation. Often these processes make use of surveys of the marketplace and reports made to the Corporation by outside consultants.

Directors are encouraged to receive their annual compensation in shares pursuant to the Outside Directors' Share Plan, which was approved by the Corporation's shareholders and the Toronto Stock Exchange, to receive shares as compensation for services rendered. As at the date hereof, certain of the non-management directors have elected to receive Common Shares as compensation for services to be rendered for the fiscal year 2002. The Executive Office members are not currently receiving any compensation in addition to that being received by such members as directors.

9. Committee Membership

Committees of the board of directors should generally be composed of outside directors, a majority of whom are unrelated directors.

It is the policy of the Corporation and the Board of Directors that each of the Audit Committee, Compensation Committee and Nomination and Corporate Governance Committee be comprised exclusively of non-management or "outside" directors. As a result of the establishment of the Executive Office, the composition of such Committees of the Board are temporarily not in compliance with the Corporation's policies and Toronto Stock Exchange recommendations.

10. Position Descriptions

Descriptions should be developed for the Board's responsibilities, and for the positions of Chief Executive Officer and Chairman, defining the limits of management's responsibilities.

The Board has responsibility for the stewardship of the Corporation and specifically for: (i) providing input and guidance on and approving the strategic plan and business objectives developed by the Leadership Team and overseeing management's implementation of the strategic plan; (ii) considering the principal risks of the business based on regular business reports prepared by the Leadership Team and based on the Audit Committee's review of the findings of the external auditors; (iii) assessing the performance of, and developing a succession plan for, the Chief Executive Officer; and (iv) reviewing the ongoing sufficiency and integrity of the Corporation's internal control, financial reporting and management information systems with management and the Corporation's external auditors. In addition to the specific responsibilities enumerated above, the Board is responsible for the supervision of management of the business but not the day-to-day operations, which are the responsibility of the Chief Executive Officer. The Board will also consider those matters that are brought to it by the Chief Executive Officer that, as noted below, are deemed to be material matters.

The Chief Executive Officer is specifically charged with the responsibility for managing the strategic and operational agenda of the Corporation and for the execution of the directives and policies of the Board. The roles and responsibilities of the Chief Executive Officer include, among other things:

- (i) developing, together with the Board, the Corporation's strategic direction and monitoring same;
- (ii) directing the overall business operations of the Corporation;
- (iii) ensuring that the Board is kept appropriately informed of the overall business operations of the Corporation and major issues facing the Corporation;
- (iv) having ultimate accountability for the development and execution of the strategy and policies of the Corporation and their communication to the Corporation's key internal and external shareholders;
- (v) having responsibility for the day-to-day operations of the Corporation, including the annual planning process, capital management, financial management, acquisitions, divestitures, etc., all of which must be accomplished within the strategic framework of the Corporation established by the Board;
- (vi) having the responsibility for the employment, compensation, job descriptions, performance assessment, leadership development and succession planning of human resources;
- (vii) representing the Corporation to its major shareholders, including investment and financial communities, governments, customers and the public;
- (viii) bringing the following material decisions to the Board for their review and approval:

- (a) disposition of assets or cancellation of debt other than in the ordinary and normal course of business;
 - (b) acquisition or initiation of a new business or undertaking or the assumption of any commitment, obligation or liability other than in the ordinary and normal course of business;
 - (c) issuance or sale of securities of the Corporation or rights, options or warrants to acquire securities of the Corporation;
 - (d) redemption or repurchase of securities of the Corporation;
 - (e) declaration or payment of a dividend or other distribution in respect of any securities of the Corporation;
 - (f) any transaction, contract, agreement, undertaking or arrangement with a person with whom the Corporation does not act at arm's length; and
 - (g) any other transaction, contract, agreement, undertaking, commitment or arrangement, not in the ordinary and normal course of business which is or would be material in relation to the Corporation; and
- (ix) presenting to the Board any material business issues resulting from communications with shareholders.

The Corporation does not currently have a Chief Executive Officer and until an appropriate candidate is found, the Executive Office shall be fulfilling the responsibilities otherwise afforded to such position.

The Chairman of the Board assumes the following role and responsibilities:

- (i) managing the affairs of the Board and, together with the Chief Executive Officer, monitoring its effectiveness;
- (ii) managing meetings of the Board by ensuring that meaningful agendas are prepared and guiding the deliberations of the Board so that appropriate strategic and policy decisions are made;
- (iii) setting the agenda for meetings of the Board and ensuring that all matters of strategic importance are being dealt with at the Board level during the course of the year; and
- (iv) participating with the Chief Executive Officer in consultation with other members of the Board in the selection of candidates to be submitted to the Board for appointment as new directors.

11. Independence of Board Review

Establish procedures to enable the board to function independently of management.

The Corporation's policy is to maintain a bright line between the Board's oversight and the day-to-day management of the Corporation. This bright-line has been consciously and temporarily suspended as a result of the establishment of the Executive Office. In addition, the Board's non-management or "outside" Directors have direct access to the Leadership Team at Board meetings, the Chief Financial Officer at Audit Committee meetings, the Senior Director of Human Resources at the Compensation Committee meetings, and the Vice President, Corporate Affairs and General Counsel at the Nomination and Corporate Governance Committee meetings. As well, the Board's non-management directors have access to the external auditors of the Corporation. The Chairman of the Board is a member of the Executive Office but following the dissolution of the Executive Office upon the appointment of a new Chief Executive Office will be an "outside" director, and it is his role to continuously monitor the relationship between management and the Board.

12. Audit Committee

Establish an audit committee composed only of outside directors with a specifically defined mandate.

The Audit Committee has primary responsibility for ensuring the integrity of the Corporation's financial reporting, risk management and internal controls. The committee has unrestricted access to the Corporation's personnel and documents and has direct communication channels with the Corporation's external auditors in order to discuss audit and related matters whenever appropriate.

In fulfilling the oversight responsibilities detailed in its written charter, the Audit Committee receives and reviews financial and other information provided by the Corporation to any governmental body or the public. In addition, the Audit Committee recommends the appointment and reviews the audit efforts of the Corporation's independent accountants, and provides an open avenue of communication amongst the independent accountants, financial and senior management and the Board of Directors. In addition, the Audit Committee serves as an independent and objective party to monitor the Corporation's financial reporting process and internal controls regarding finance, accounting, legal compliance and ethics that management and the Board have established and the Corporation's auditing, accounting, and financial reporting process generally. In addition, the Audit Committee encourages the continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

The Audit Committee is comprised of J. Efrim Boritz (Chairman), Donald Paterson and Steven Small. As a result of Dr. Small's appointment to the Executive Office, the composition of the Audit Committee is not currently in compliance with the recommended practice of the Toronto Stock Exchange.

13. Outside Advisors

Implement a system to enable individual directors to engage an outside advisor at the expense of the corporation in appropriate circumstances

In appropriate circumstances, determined in the sole discretion of the Board, the Board will approve the engagement of an outside advisor at the expense of the Corporation. During the prior year, outside advisors were retained by the Compensation Committee of the Board to assist with the development of a compensation incentive framework for the Corporation.

Periodically, the Board may, as it has in the past, form special committees to consider matters believed to require especially focused attention. These special committees may additionally engage outside advisors at the expense of the Corporation.

SCHEDULE "B"

CONFIRMATION

TO: THE SHAREHOLDERS OF MICROFORUM INC.

AND TO: Ontario Securities Commission
Commission des valeurs mobilières du Québec
Alberta Securities Commission
British Columbia Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Registrar of Securities (Nova Scotia)
Administrator of the Securities Act (New Brunswick)
Registrar of Deeds, Companies and Securities (Newfoundland)

The undersigned, being the Chairman of the Board of Directors 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 Audit Committee of the Corporation.

DATED this 26th day of June, 2001.

MICROFORUM INC.

A handwritten signature in black ink, appearing to read "David F. Banks", with a long horizontal flourish extending to the right.

David F. Banks
Chairman of the Board

Notice of Change of Auditor

Effective June 25, 2001, KPMG 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 Ernst & Young LLP, Chartered Accountants as auditors for the Corporation for 2002. The Corporation will ask that the shareholders of the Corporation ratify the appointment of Ernst & Young LLP at the next annual and special meeting of the shareholders of the Corporation, to be held on August 2, 2001.

During KPMG LLP's appointment from 1999 to 2001, there were no disagreements with KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, auditing scope or procedure, or any reportable events.

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

The Corporation has requested KPMG LLP and Ernst & Young 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 two most recently completed fiscal years or for any period subsequent thereto for which an audit report was issued.

DATED as of this 25th day of June, 2001.

MICROFORUM INC.

A handwritten signature in black ink, appearing to read "David F. Banks", with a long horizontal flourish extending to the right.

David F. Banks
Chairman of the Board

kpmg

KPMG LLP
Chartered Accountants
Yonge Corporation Centre
4120 Yonge Street, Suite 500
North York, ON M2P 2B8

Telephone (416)228-7000
Telefax (416)228-7123
www.kpmg.ca

June 25, 2001

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

Dear Sirs/Mesdames:

**RE: MICROFORUM INC. (the "Corporation")
Notice Pursuant to National Policy 31 in connection with a change of Auditors of a
Reporting Issuer**

We have read the Notice of Change of Auditors of the Corporation dated June 25, 2001 (the "Notice") and are in agreement with the statements contained in such Notice.

Yours very truly,

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that extends to the right.

Chartered Accountants
Toronto, Canada



^R **Ernst & Young LLP**
Chartered Accountants
Ernst & Young Tower
Toronto-Dominion Centre
P.O. Box 251
Toronto, Canada M5K 1J7

^R Phone: (416) 864-1234
Fax: (416) 864-1174

June 26, 2001

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

Dear Sirs/Mesdames:

RE: MICROFORUM INC. (the “Corporation”)
Notice Pursuant to National Policy 31 in connection with a
change of
Auditors of a Reporting Issuer

We have been requested to succeed KPMG LLP, Chartered Accountants, as auditors of the Corporation and in connection therewith, pursuant to National Policy 31, the Corporation has provided to us the Notice of change of Auditor dated June 26, 2001 (the “Notice”). Based on our knowledge of such information at this time, we agree with the information contained in the Notice.

We hereby waive notice of any timing requirements that may otherwise be required under applicable corporate or securities laws.

Yours very truly,

A handwritten signature in cursive script that reads "Ernst & Young LLP".

Chartered Accountants

SCHEDULE "C"

MICROFORUM INC.

STOCK OPTION PLAN

The Company hereby sets forth the provisions of its stock option plan (the "Plan") for the officers, directors and employees of the Company and its subsidiaries and affiliates, as well as any other person or company engaged to provide ongoing management, consulting or creative services to the Company or to its subsidiaries and affiliates (collectively, the "Service Providers") as follows:

ARTICLE 1 - Purpose of the Plan

- 1.1 The purpose of the Plan is to attract, retain and motivate persons as key service providers to the Company and its Affiliates and to advance the interests of the Company by providing such persons with the opportunity, through share options, to acquire a proprietary interest in the Company.

ARTICLE 2 - Derived Terms

Where used herein, the following terms shall have the following meanings, respectively:

- 2.1 "**affiliate**" means any corporation which is an affiliate, as such term is used in Subsection 1(2) of the *Ontario Business Corporations Act*, of the Company;
- 2.2 "**Applicable Securities Laws**" means the applicable securities legislation, policy statements and other binding authority in each jurisdiction where Optionees are resident, as well as all applicable rules of any stock exchange or stock exchanges having jurisdiction, from time to time;
- 2.3 "**Board**" means the board of directors of the Company or, if established and duly authorized to act, the Executive Committee of the board of directors of the Company;
- 2.4 "**Committee**" shall have the meaning attributed thereto in Section 3.1 hereof;
- 2.5 "**Company**" means Microforum Inc. and includes any successor corporation thereof;
- 2.6 "**Eligible Person**" means:
- (a) any director, officer or full-time employee of the Company or any affiliate, or any other Service Provider (an "**Eligible Individual**"); or

- (b) a personal holding company the voting securities of which, carrying more than 50 per cent of the votes for the election of directors, are held, otherwise than by way of security only, by or for the benefit of an Eligible Individual (an "**Employee Corporation**"); or
 - (c) a registered retirement savings plan of an Eligible Individual (an "**Employee RRSP**");
- 2.7 "**Insider**" means any insider, as such term is defined in Subsection 1(1) of the *Securities Act* (Ontario), of the Company, other than a person who falls within that definition solely by virtue of being a director or senior officer of an affiliate, and includes any associate, as such term is defined in Subsection 1(1) of the *Securities Act* (Ontario), of any such insider;
- 2.8 "**Market Price**" at any date in respect of the Shares means the closing sale price of such Shares on The Toronto Stock Exchange (or, if such Shares are not then listed and posted for trading on The Toronto Stock Exchange, on such stock exchange in Canada or the United States on which such Shares are listed and posted for trading as may be selected for such purpose by the Board, or on the over-the-counter market of such stock exchange in Canada or the United States on which such Shares are posted for trading as may be selected for such purpose by the Board) on the trading day immediately preceding such date. In the event that such Shares did not trade on such trading day, the Market Price shall be the average of the bid and ask prices in respect of such Shares at the close of trading on such trading day. In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in its sole discretion;
- 2.9 "**Option**" means an option to purchase Shares granted to an Eligible Person under the Plan;
- 2.10 "**Option Price**" means the price per Share at which Shares may be purchased under an Option, as the same may be adjusted from time to time in accordance with Article 8 hereof;
- 2.11 "**Optioned Shares**" means the Shares issuable pursuant to an exercise of Options;
- 2.12 "**Optionee**" means an Eligible Person to whom an Option has been granted and who continues to hold such Option;
- 2.13 "**Outstanding Issue**" means the number of Shares that are outstanding on a non-diluted basis immediately prior to the date in question, excluding shares issued pursuant to Share Compensation Arrangements over the preceding twelve (12) month period, and shall, in appropriate circumstances, include any other class of participating shares of the Company that are outstanding on such date;

- 2.14 **"Plan"** means the Microforum Inc. Stock Option Plan described herein, as the same may be further amended or varied from time to time;
- 2.15 **"Service Provider"** means:
- (a) an employee or Insider of the Company or any affiliate; or
 - (b) any other person or company engaged to provide ongoing management, consulting or creative services for the Company or for any entity controlled by the Company;
- 2.16 **"Share Compensation Arrangement"** means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism of the Company involving the issuance or potential issuance of shares to one or more Service Providers; and
- 2.17 **"Shares"** means the common shares of the Company or, in the event of an adjustment contemplated by Article 8 hereof, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment.

2.18 "Termination Date" means the earlier of the date upon which:

- (a) the Optionee's employment with or provision of service to the Company or any affiliate actually ends for any reason, regardless of whether such termination is effected with or without sufficient notice; or**
- (b) the Optionee otherwise ceases to be an Eligible Person.**

ARTICLE 3 - Administration of the Plan

- 3.1 The Plan shall be administered by the Board or by any committee (the "**Committee**") of the Board established by the Board for that purpose.
- 3.2 The Board or Committee shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:
- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan;
 - (b) to interpret and construe the Plan and to determine all questions arising out of the Plan or any Option, and any such interpretation, construction or determination made by the Committee shall be final, binding and conclusive for all purposes;
 - (c) to determine the number of Shares covered by each Option;
 - (d) to determine the Option Price of each Option;

- (e) to determine the time or times when Options will be granted and exercisable;
 - (f) to determine if the Shares which are issuable on the exercise of an Option will be subject to any restrictions upon the exercise of such Option, and
 - (g) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options.
- 3.3 The Board or the Committee may, in its discretion, require as conditions to the grant or exercise of any Option that the Optionee shall have:
- (a) represented, warranted and agreed in form and substance satisfactory to the Company that he or she is acquiring and will acquire such Option and the Shares to be issued upon the exercise thereof or, as the case may be, is acquiring such Shares, for his or her own account, for investment and not with a view to or in connection with any distribution, that he or she has had access to such information as is necessary to enable him or her to evaluate the merits and risks of such investment and that he or she is able to bear the economic risk of holding such Shares for an indefinite period;
 - (b) agreed to restrictions on transfer in form and substance satisfactory to the Company and to an endorsement on any option agreement or certificate representing the Shares making appropriate reference to such restrictions; and
 - (c) agreed to indemnify the Company in connection with the foregoing.
- 3.4 Any Option granted under the Plan shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the Shares subject to such Option upon any securities exchange or under any law or regulation of any jurisdiction, or the consent or approval of any securities exchange or any governmental or regulatory body, is necessary as a condition of, or in connection with, the grant or exercise of such Option or the issuance or purchase of Shares thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Board or the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration, qualification, consent or approval.
- 3.5 Without limiting the generality of Sections 3.3, 3.4 and 7.2 hereof, unless a registration statement relating to the Shares covered by any Option issued in favour of an Optionee resident in the United States of America has been filed with the United States Securities and Exchange Commission and is effective on the date of exercise, the exercise of the Option by such Optionee will be contingent upon receipt from the Optionee of a representation in writing satisfactory to the Board or the Committee that at the time of such exercise it is the Optionee's then intention to acquire the Shares being purchased for

investment and not for resale or other distribution thereof to the public in the United States of America. If such representation in writing is required, the Board or the Committee may in its discretion inscribe an investment legend on the share certificates issued pursuant to the exercise of the Option. The issuance of Shares upon the exercise of the Option shall be subject to all applicable laws, rules and regulations and Shares shall not be issued except upon the approval of proper government agencies or stock exchanges as may be required. Provided, however, the Option shall not be exercisable if at any date of exercise, it is the opinion of counsel for the Company that registration of the said Shares under the Securities Act of 1933 or other applicable statute or regulation is required and the Option shall again become exercisable only if the Company elects to and thereafter effects a registration of the Shares subject to the Option under the Securities Act of 1933 or other applicable statute or regulation within the period of the Option. If the Option may not be exercised, the Company shall return to the Optionee, without interest or deduction, any funds received by it in connection with the proposed exercise of the Option.

- 3.6 No member of the Board or of the Committee shall be personally liable for any action or determination taken or made in good faith in connection with the Plan or any Options granted thereunder (the "Good Faith Actions"). The Company shall indemnify and save harmless each member of the Board or of the Committee from time to time from and against an loss, costs or damages incurred by them in connection with any Good Faith Actions taken by them.

ARTICLE 4 - Shares Subject to the Plan

- 4.1 Options may be granted in respect of authorized and unissued Shares, provided that the aggregate number of Shares reserved for issuance upon ^Δ exercise of all Options granted under the Plan, subject to any adjustment of such number pursuant to the provisions of Article 8 hereof, shall not exceed ^Δ **7,074,292 Shares (excluding, for greater certainty, previously exercised options to acquire 1,175,708 Shares)** or such greater number of Shares as may be determined by the Board and approved by any relevant stock exchange or other regulatory authority and, if required, by the shareholders of the Company, from time to time. Shares reserved for issuance hereunder in respect of which Options have been granted but not exercised shall be available ^Δ to be granted subsequent to the expiry and/or termination of the original ^Δ **Option**. No fractional Shares may be purchased or issued under the Plan.

ARTICLE 5 - Eligibility: Grant: Terms of Options

- 5.1 Subject to the provisions of this Section, Options may be granted in the sole discretion of the Board or the Committee to any Eligible Person. In determining Options to be granted to Eligible Persons under the Plan, the Board or the Committee shall give due consideration to the value of each such eligible Person's present and potential contribution to the Company's success or to the success of any subsidiary or affiliate of the Company.

- 5.2 Subject as herein and otherwise specifically provided in this Article 5, the number of Shares subject to each Option, the Option Price of each Option, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board. The Board or the Committee may, in their entire discretion, subsequent to the time of granting Options hereunder, permit an Optionee to exercise any or all of the unvested options then outstanding and granted to the Optionee under this Plan, in which event all such unvested Options then outstanding and granted to the Optionee shall be deemed to be immediately exercisable during such period of time as may be specified by the Board or the Committee.
- 5.3 Subject to any adjustments pursuant to the provisions of Article 8 hereof, the Option Price of any Option shall in no circumstances be lower than the Market Price on the date on which the grant of the Option is approved by the Board. If, as and when any Shares have been duly purchased and paid for under the terms of an Option, such Shares shall be conclusively deemed allotted and issued as fully paid non-assessable Shares at the price paid therefor.
- 5.4 The term of an Option shall not exceed 10 years from the date of the grant of the Option.
- 5.5 No Options shall be granted to any Optionee if the total number of Shares issuable to such Optionee under this Plan, together with any Shares reserved for issuance to such Optionee under options for services or any other stock option plans, would exceed 5% of the issued and outstanding Shares.
- 5.6 An Option is personal to the Optionee and non-assignable, except that, in the case of the death of an Optionee, to the extent that such Optionee's Option has otherwise vested prior to his death, the Option held by such Optionee may be exercised by his personal representatives in accordance with the provisions of such Option. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of an Option contrary to the provisions of the Plan, or upon the levy of any attachment or similar process upon an Option, the Option shall, at the election of the Company, cease and terminate and be of no further force or effect whatsoever.
- 5.7 Notwithstanding Section 5.6 hereof, Options may be transferred or assigned between an Eligible Individual and the related Employee Corporation and/or the related Employee RRSP, provided the assignor delivers notice to the Company prior to the assignment and the Committee or the Board approves of such assignment.
- 5.8 Except as otherwise provided for herein, members of the Board or the Committee may be granted Options under the Plan. No member of the Board or the Committee shall vote on the grant to such member of Options.

△

ARTICLE 6 - Cessation of Providing Services: Termination of Employment; Death

- 6.1 Subject to Sections 6.2 and 6.3 hereof and to any express resolution passed by the Committee or the Board with respect to an Option, an Option and all rights to purchase Shares pursuant thereto shall expire and terminate immediately Δ **on the Termination Date.**
- 6.2 The Committee or the Board may, in their sole discretion, at the time of the granting of Options hereunder, determine that provisions to the following effect shall be contained in the written option agreement between the Company and the Optionee:
- (a) Subject to Subsection 6.2(b), if an Optionee shall cease to provide services to the Company Δ through retirement, resignation, termination of his employment, office or directorship for any reason other than for cause, or termination of his contract with the Company for any reason other than substantial breach or cause on the part of the Optionee, unless otherwise provided for in this Plan, no Option held by such Optionee at the effective date thereof may be exercised by the Optionee following the date Δ **that is the earlier of the expiry of the Option and one (1) year after the Termination Date,** but only to the same extent to which the Optionee could have exercised the Option immediately before Δ **the Termination Date.**
 - (b) Notwithstanding anything to the contrary herein contained, if the work hours of an Optionee shall change from full-time to part-time status, provided that such change in status is for longer than six (6) months, such Optionee may exercise any or all of the Options which were granted to him prior to such change in status with respect to the unexercised balance of the Shares subject to such Options, but only to the same extent to which such Optionee, would have been entitled to exercise such Options, immediately before the date of such change in status and only during the period that such Optionee remains employed by the Company on a part-time basis.
 - (c) If an Optionee ceases to serve the Company or any affiliate, as the case may be, including but not limited to, as an employee, officer or director for cause, or termination of his contract with the Company by reason of substantial breach or cause on the part of the Optionee, each Option held by such Optionee shall be automatically terminated forthwith and shall be of no further force or effect thereafter.
 - (d) In the event that an Optionee commits an act of bankruptcy or any proceeding is commenced against the Optionee under the Bankruptcy and Insolvency Act (Canada) or other applicable bankruptcy or insolvency legislation in force at the time of such bankruptcy and such proceeding remains undismissed for a period of thirty (30) days, no Option held by such Optionee may be exercised following the date on which such Optionee commits such act of bankruptcy or such proceeding remains undismissed, as the case may be.

- 6.3 Upon the death of an Optionee, to the extent that the Options granted in favour of such Optionee have vested prior to his death, and further to the extent that such vested Options have not been fully exercised, such Optionee's personal representatives, heirs or legatees may, at any time ^Δ, **prior to the earlier of the expiry of the Options**, one year from the date of grant of probate of the will or letters of administration of the estate of the decedent, or ^Δ one year after the date of such death, ^Δ exercise any or all of such Options with respect to the unexercised balance of the Shares subject to such Options.
- 6.4 Notwithstanding anything to the contrary herein contained, upon an Optionee ceasing to **be employed with or otherwise** provide services **to the Company or any affiliate, as the case may be**, for any reason, the Board or the Committee, **as the case may be**, may provide its written consent to the extension of the time period during which the Option of such Optionee may be exercised, provided that in no event may ^Δ **the expiry of an Option be extended for more than the earlier of the expiry of the Option and twelve (12) months after the Termination Date**.
- 6.5 For the purposes of this Article 6, a determination by the Company that an Optionee was discharged for "cause" shall be binding on the Optionee.
- 6.6 If the Optionee is an Employee Corporation, the references to the Optionee in this Article 6 shall be deemed to refer to the Eligible Individual associated with the Employee Corporation.

ARTICLE 7 - Exercise of Options

- 7.1 Subject to the provisions of the Plan, an Option may be exercised from time to time by delivery to the Company at its registered office of a written notice of exercise addressed to the Secretary of the Company specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full, by cash or cheque, of the Option Price of the Shares then being purchased. Subject to any provisions of the Plan to the contrary, certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment.
- 7.2 Notwithstanding any of the provisions contained in the Plan or in any Option, the Company's obligation to issue Shares to an Optionee pursuant to the exercise of any Option shall be subject to:
- (a) completion of such registration or other qualification of such Shares or obtaining approval of such governmental or regulatory authority as the Company shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
 - (b) the admission of such Shares to listing on any stock exchange on which the Shares may then be listed;

- (c) the receipt from the Optionee of such representations, warranties, agreements and undertakings, as the Company determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction; and
- (d) the satisfaction of any conditions or exercise prescribed pursuant to Article 3 hereof.

7.3 Options shall be evidenced by a share option agreement, instrument or certificate in such form not inconsistent with this Plan as the Committee or the Board may from time to time determine provided that the substance of Article 5 be included therein.

ARTICLE 8 - Certain Adjustments

- 8.1 In the event that the Shares are at any time changed or affected as a result of the declaration of a stock dividend thereon or their subdivision or consolidation, the number of Shares reserved for Option shall be adjusted accordingly by the Board or the Committee to such extent as they deem proper in their discretion. In such event, the number of, and the price payable for, any Shares that are then subject to Option may also be adjusted by the Board or the Committee to such extent, if any, as they deem proper in their discretion.
- 8.2 If at any time after the grant of an Option to any Optionee and prior to the expiration of the term of such Option, the Shares shall be reclassified, reorganized or otherwise changed, otherwise than as specified in Section 8.1 or, subject to the provisions of Subsection 9.2(a) hereof, the Company shall consolidate, merge or amalgamate with or into another corporation (the corporation resulting or continuing from such consolidation, merger or amalgamation being herein called the "Successor Corporation") the Optionee shall be entitled to receive upon the subsequent exercise of his or her Option in accordance with the terms hereof and shall accept in lieu of the number of Shares to which he or she was theretofore entitled upon such exercise but for the same aggregate consideration payable therefor, the aggregate number of shares of the appropriate **class** and/or other securities of the Company or the Successor Corporation (as the case may be) and/or other consideration from the Company or the Successor Corporation (as the case may be) that the Optionee would have been entitled to receive as a result of such reclassification, reorganization or other change or, subject to the provisions of Subsection 9.2(a) hereof, as a result of such consolidation, merger or amalgamation. if on the record date of such reclassification, reorganization or other change or the effective date of such consolidation, merger or amalgamation, as the case may be, he or she had been the registered holder of the number of Shares to which he or she was theretofore entitled upon such exercise.

ARTICLE 9 - Amendment or Discontinuance of the Plan

- 9.1 The Board may amend the Plan at any time, provided, however, that no such amendment may materially and adversely affect any Option previously granted to an Optionee without the consent of the Optionee, except to the extent required by law. Any such amendment shall, if required, be subject to the prior approval of, or acceptance by any stock exchange in which the Shares are listed and posted for trading.
- 9.2 Notwithstanding anything contained to the contrary in this Plan or in any resolution of the Board in implementation thereof:
- (a) in the event the Company Δ **accepts an offer** to amalgamate, merge or consolidate with any other corporation (other than a wholly-owned subsidiary) or Δ **in the event that holders of greater than 50% of the Company's outstanding Shares accept an offer made to all or substantially all of the holders of** the Shares of the Company Δ **to purchase in excess of 50.1% of the current issued and outstanding Shares, then all of the unvested Options shall, without any further action on behalf of the Company, be automatically vested. Each Optionee shall thereafter be entitled** to Δ exercise Δ all **of** such Options within the Δ **twenty (20)** day period next following the date of Δ **acceptance by the Company** and to determine that upon the expiration of such Δ **twenty (20)** day period, all rights of the Δ **Optionee** to such Options or to **the exercise of** same (to the extent not theretofore exercised) shall *ipso facto* terminate and Δ have **no** further force or effect whatsoever;
 - (b) in the event of the sale by the Company of all or substantially all of the assets of the Company as an entirety or substantially as an entirety so that the Company shall cease to operate as an active business, any outstanding Option may be exercised as to all or any part of the Optioned Shares in respect of which the Optionee would have been entitled to exercise the Option in accordance with the provisions of the Plan at the date of the Plan of any such sale at any time up to and including, but not after the earlier of: (i) the close of business on that date which is thirty (30) days following the date of completion of such sale; and (ii) the close of business on the expiration date of the Option; but the Optionee shall not be entitled to exercise the Option with respect to any other Optioned Shares;
 - (c) subject to the rules of any relevant stock exchange or other regulatory authority and the receipt of regulatory consent in connection therewith, the Board may, by resolution, advance the date on which any Option may be exercised or extend the expiration date of any Option. The Board shall not, in the event of any such advancement or extension, be under any obligation to advance or extend the date on or by which Options may be exercised by any other Optionee; and

- (d) the Board may, by resolution, but subject to applicable regulatory requirements, decide that any of the provisions hereof concerning the effect of termination of the Optionee's employment shall not apply to any Optionee for any reason acceptable to the Board.

Notwithstanding the provisions of this Article 9, should changes be required to the Plan by any securities commission, stock exchange or other governmental or regulatory body of any jurisdiction to which the Plan or the Company now is or hereafter becomes subject, such changes shall be made to the Plan as are necessary to conform with such requirements and, if such changes are approved by the Board, the Plan, as amended, shall be filed with the records of the Company and shall remain in full force and effect in its amended form as of and from the date of its adoption by the Board.

- 9.3 Notwithstanding any other provision of this Plan, the Board may at any time by resolution terminate this Plan. In such event, all Options then outstanding and granted to an Optionee may be exercised by the Optionee for a period of thirty (30) days after the date on which the Company shall have notified all Optionees of the termination of this Plan, but only to the same extent as the Optionee could have exercised such Options immediately prior to the date of such notification.

ARTICLE 10 - Miscellaneous Provisions

- 10.1 An Optionee shall not have any rights as a shareholder of the Company with respect to any of the Shares covered by such Option until the date of issuance of a certificate for Shares upon the exercise of such Option, in full or in part, and then only with respect to the Shares represented by such certificate or certificates. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued.
- 10.2 Nothing in the Plan or any Option shall confer upon an Optionee any right to continue or be re-elected as a director of the Company or any right to continue in the employ of the Company or any affiliate. or affect in any way the right of the Company or any affiliate to terminate his or her employment at any time: nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Company or any affiliate, to extend the employment of any Optionee beyond the time which he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Company or any affiliate or any present or future retirement policy of the Company or any affiliate, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Company or any affiliate.
- 10.3 As a condition of and prior to participation in the Plan, an Eligible Person shall authorize the Company in written form to withhold from any remuneration otherwise payable to such Eligible Person any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of such participation in the Plan.

- 10.4 The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.
- 10.5 Δ If any provision of this Plan document or any agreement entered into pursuant to the 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 Plan, then such contravening provision shall be deemed to be amended to the extent required to bring such provision into compliance. Subject to compliance with applicable securities legislation, grants of Options pursuant to the Plan may be made prior to the receipt of all necessary approvals required under Applicable Securities Laws, provided that the agreements entered into between the Company and the Optionees evidencing such grants shall specify that the Options shall not be exercisable, in whole or in part, unless and until such approvals are received.
- Δ **10.6** All words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties referred to in each case require and the verb shall be construed as agreeing with the required word and/or pronoun.
- Δ **10.7** The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

ARTICLE 11 - Shareholder and Regulatory Approval

- 11.1 The Plan shall be subject to ratification by the shareholders of the Company to be effected by a resolution passed at a meeting of the shareholders of the Company. Any Options granted prior to such ratification and acceptance shall be conditional upon such ratification and acceptance being given and no such Options may be exercised unless and until such ratification and acceptance are given.

Δ

SCHEDULE “D”
MICROFORUM INC.
SHARE PURCHASE PLAN

AUGUST 2, 2001

ARTICLE 1.

GENERAL

1.1. Plan

This Plan consists of the Corporation’s Share Purchase Plan.

1.2. Purpose

The purpose of this Plan is to advance the interests of the Corporation by (i) providing Eligible Persons with additional incentive; (ii) encouraging stock ownership by Eligible Persons; (iii) increasing the proprietary interest of Eligible Persons in the success of the Corporation; (iv) encouraging Eligible Persons to remain with the Corporation or its Affiliates; and (v) attracting new employees, officers, directors and Consultants to the Corporation or its Affiliates.

1.3. Administration

- (a) This Plan will be administered by the Board or a committee of the Board duly appointed for this purpose by the Board and consisting of not less than three directors, one of which shall include the Chairman of the Compensation Committee. If a committee is appointed for this purpose, all references to the term “Board” will be deemed to be references to the committee.
- (b) Subject to the limitations of this Plan, the Board has the authority: (i) to interpret this Plan and to adopt, amend and rescind such administrative guidelines and other rules and Regulations relating to this Plan as it may from time to time deem advisable, subject to required prior approval by any applicable regulatory authority; and (ii) to make all other determinations and to take all other actions in connection with the implementation and administration of this Plan as it may deem necessary or advisable. The Board’s guidelines, rules, Regulations, interpretations and determinations will be conclusive and binding upon all parties.

1.4. Interpretation

For the purposes of this Plan, the following terms will have the following meanings unless otherwise defined elsewhere in this Plan:

- A. “**Affiliate**” means any corporation that is an affiliate of the Corporation as defined under the *Securities Act* (Ontario);
- B. “**Base Remuneration**” means, in respect of any Eligible Person, the dollar value of all salary actually agreed to be paid by the Corporation or by an Affiliate (or comparable remuneration with respect to a Consultant) to an Eligible Person in the Year (pro rated for

such lesser periods) in which a purchase of Shares is made, before deduction for income taxes;

- C. “**Board**” means the Board of Directors of the Corporation or a committee thereof appointed in accordance with the Plan;
- D. “**Consultant**” means (i) an individual (including an individual whose services are contracted for through a corporation) or (ii) a corporation, in either case, designated by the Board with whom the Corporation has a contract for substantial services;
- E. “**Corporation**” means Microforum Inc.;
- F. “**Eligible Person**” means subject to the Regulations and to all applicable law, any employee, officer, director, or Consultant of (i) the Corporation or (ii) any Affiliate of the Corporation (and includes any such person who is on a leave of absence authorized by the Board or the Board of Directors of any Affiliate), provided that such Eligible Person maintains such position with the Company for at least 90 days;
- G. “**Holding Company**” means a holding company owned and controlled by an Eligible Person;
- H. “**Open Period**” means a period of time, not exceeding thirty days within any fiscal quarter of the Corporation as specified by the Board in the Regulations, during which Purchase Rights may be exercised by Eligible Persons, as established by the Regulations to the SPP from time to time;
- I. “**Participant**” means an Eligible Person to whom or to whose RRSP or to whose Holding Company an Option has been granted, or an Eligible Person who has elected on his own behalf or on behalf of his RRSP or on behalf of his Holding Company to participate in the SPP by completing and submitting a Purchase Right Exercise Agreement, as the case may be;
- J. “**Plan**”, “**Share Purchase Plan**” or “**SPP**” means the Corporation’s Share Purchase Plan;
- K. “**Purchase Right**” means a right granted to an Eligible Person to purchase Shares of the Corporation under the terms of the SPP;
- L. “**Purchase Right Exercise Agreement**” means the agreement referred to in Section 2.2(b) of the SPP;
- M. “**Regulations**” means the regulations made pursuant to this Plan, as same may be amended from time to time;
- N. “**RRSP**” means a registered retirement savings plan;
- O. “**Share Price**” means the price at which Shares subject to this Plan can be purchased as determined by the formula set forth in Section 2.3 of the SPP;
- P. “**Shares**” means the common shares in the capital of the Corporation;

- Q. “**Termination Date**” means the earlier of the date upon which (a) the Participant’s employment with or provision of service to the Corporation or an Affiliate actually ends for any reason, regardless of whether such termination is effected with or without sufficient notice; (b) the Participant otherwise ceases to be an Eligible Person;
- R. “**Transfer**” includes any sale, exchange, assignment, gift, bequest, disposition, mortgage, charge, pledge, encumbrance, grant of security interest or other arrangement by which possession, legal title or beneficial ownership passes from one person to another, or to the same person in a different capacity, whether or not voluntary and whether or not for value, and any agreement to effect any of the foregoing;
- S. “**Trustee**” means Computershare Trust Company of Canada or any successor thereof, or such other third party trust corporation as may be appointed by the Board from time to time to act in the capacity of Trustee under the SPP; and
- T. “**Year**” means a fiscal year of the Corporation commencing on March 1 and ending on February 28 (or February 29 in the event of a leap year).

Words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine.

This Plan is to be governed by and interpreted in accordance with the laws of the Province of Ontario.

1.5. Shares Reserved under the Share Purchase Plan

The aggregate maximum number of Shares available for issuance by the Corporation from treasury under the Share Purchase Plan is 2,000,000 Shares.

Any Shares subject to Purchase Rights under the SPP which have been cancelled or terminated in accordance with the terms of the Plan without having been exercised will again be available under the Plan.

ARTICLE 2.

SHARE PURCHASE PLAN

2.1. Grants

Subject to Sections 1.5 and 2.2, each Eligible Person has Purchase Rights enabling such Eligible Person to purchase in each Year that number of Shares with a value equal to or less than 50% of the Eligible Person’s Base Remuneration for the Year in which the purchase is made. Notwithstanding the foregoing, any non-management director of the Corporation or any non-management director of any Affiliate of the Corporation shall have Purchase Rights enabling such non-management director who is an Eligible Person to purchase in each Year that number of Shares with a value equal to or less than the annual retainer for such director for the Year in which the purchase is made.

2.2. Exercise of Purchase Rights

- (a) Subject to the Regulations, Purchase Rights may be exercised in whole or in part in respect of each Year, during any Open Period in that Year, provided that not greater than 25% of such Eligible Person’s Purchase Rights may be exercised in any quarterly Open Period. Purchase Rights from a quarterly Open Period that have not been exercised in such

permitted quarterly Open Period may be carried forward to a future Open Period however, Purchase Rights not exercised in any Year may not be carried forward to a future Year.

- (b) To exercise a Purchase Right, an Eligible Person must complete, execute and deliver to the Corporation a Purchase Right Exercise Agreement in the form of Schedule "A" (as the same may be amended from time to time by the Regulations). When signed by the Corporation, the Purchase Right Exercise Agreement will govern the exercise of Purchase Rights by an Eligible Person.
- (c) No fractional Shares may be issued and the Board may determine the manner in which fractional Share value will be treated.

2.3. Purchase Price

The Share Price for each Open Period shall be the weighted average trading price of the Shares on the market with the largest trading volume of the Shares on the five consecutive trading days preceding the first day of such Open Period. If there is no trading of Shares on any of those five days, the Share Price for any relevant day will be the weighted average of the bid and ask prices on the five consecutive days preceding the first day of such Open Period. Notwithstanding the foregoing, at the discretion of the Board, the Share Price may be established at the weighted average trading price less a discount fixed by the Board from time to time to a maximum discount of 15%. Unless otherwise notified by the Board pursuant to a resolution of the Board of Directors, the discount to the weighted average trading price shall be set at 15%.

If a discount is to be applied, the Board will use reasonable efforts to make its decision and announce it to all Eligible Persons prior to the commencement of the next relevant Open Period.

2.4. Purchase and Issuance of Shares

Shares purchased under the SPP may, subject to Section 1.5, be issued from treasury or, subject to applicable law, previously issued Shares may be purchased by the Trustee in the open market. In the event that there are not enough Shares available to satisfy the requirements of the SPP, Shares shall be allocated in such manner as the Board may determine.

2.5. Resale Restrictions

Shares issued pursuant to the SPP shall not be re-sold by a Participant for a twelve month period from the date of issuance. Certificates representing Shares issued pursuant to the SPP shall bear the following legends:

"The securities represented by this certificate are subject to restrictions on transfer such that they may not be transferred or sold on or before the first anniversary date from the date of issuance."

"The securities represented by this certificate are listed on the Toronto Stock Exchange; however, the said securities can not be traded through the facilities of such Exchange since they are not freely transferable, and consequently any certificate representing such securities is not 'good delivery' in settlement of transactions on the Toronto Stock Exchange."

2.6. Payment of Purchase Price

Subject to the Regulations, the Share Price for each Share purchased upon exercise of a Purchase Right must be paid in full by bank draft or certified cheque tendered by a Participant with the Purchase Right Exercise Agreement. Upon receipt of payment in full by the Corporation, but subject to the terms of the Plan, a certificate representing the number of fully paid Shares in respect of which the Purchase Right has been exercised will be duly issued and delivered in the Participant's name or as directed in the Purchase Right Exercise Agreement. No Shares will be issued by the Corporation unless payment in full is made by the Eligible Participant of the Share Price for each Share.

2.7. Transfer to Participant's RRSP or Holding Company

Notwithstanding any other provision of the Plan, an Eligible Person may, upon so indicating in the Purchase Right Exercise Agreement, direct that any Share to be acquired by exercise of a Purchase Right hereunder be issued to: (i) an RRSP established by and for the sole benefit of the Eligible Person; or (ii) a Holding Company of such Eligible Person.

2.8. Termination, Retirement, Death, Departure or Ceasing to be an Eligible Person

If a Participant ceases to be an Eligible Person for any reason whatsoever, all rights of such Eligible Person under the Plan including, but not limited to, all Purchase Rights shall immediately cease and terminate as of the Termination Date.

2.9. Share Depletion Notice

The Secretary of the Corporation will review the number of Shares available for purchase pursuant to the SPP prior to each Open Period to estimate whether the exercise of all Purchase Rights during the next Open Period would be likely to exhaust the remaining Shares available for purchase. If so, the Secretary will send a notice (the "Share Depletion Notice") to each Eligible Person advising that, effective as of the beginning of the next Open Period, all Purchase Rights for that Open Period will be honoured by the Corporation on a pro rata basis until the Shares available for purchase are exhausted. If at any time during a Year the Secretary of the Corporation determines that the number of Shares available for purchase under the Plan will likely be exhausted before the end of the Year and the Share Depletion Notice has not yet been given, the Secretary will give the Share Depletion Notice immediately. All Eligible Persons will be subject to the limitations established by a Share Depletion Notice whether or not, and whenever, notice is given.

ARTICLE 3.

GENERAL

3.1. Right to Terminate Purchase Rights on Sale of Corporation

Notwithstanding any other provision of this Plan, if the Board at any time by resolution declares it advisable to do so in connection with any proposed sale or conveyance of all or substantially all of the property and assets of the Corporation or any proposed merger, consolidation, amalgamation or offer to acquire all of the outstanding Shares of the Corporation (collectively, the “Proposed Transaction”), the Corporation may declare an Open Period (a “Change of Control Open Period”) and give written notice to all Participants advising that their respective Purchase Rights may only be exercised within such Change of Control Open Period and not thereafter, and that all rights of the Participants, their RRSP’s and Holding Companies under any Purchase Rights not exercised will immediately terminate at the expiration of such Change of Control Open Period and the SPP will thereafter immediately terminate and forever cease to exist, irrespective of whether or not the Proposed Transaction is completed.

3.2. Prohibition on Transfer of Purchase Rights

Purchase Rights are personal to each Eligible Person. No Eligible Person, or RRSP or Holding Company of an Eligible Person, may deal with any Purchase Rights or any interest in them or Transfer any Purchase Rights now or hereafter held by such Eligible Person, RRSP or Holding Company, as the case may be, except in accordance with the Plan. If a Participant’s Holding Company ceases to be owned and controlled by the Participant, such Participant will be deemed to have Transferred any Purchase Rights held by such Holding Company. A purported Transfer of any Purchase Rights in violation of the Plan will not be valid and the Corporation will not issue any Share upon the attempted exercise of improperly Transferred Purchase Rights.

3.3. Capital Adjustments

If there is any change in the outstanding Shares by reason of a stock dividend or split, recapitalization, consolidation, combination or exchange of shares, or other fundamental corporate change, the Board will make, subject to any prior approval required of relevant stock exchanges or other applicable regulatory authorities, if any, an appropriate substitution or adjustment in (i) the Share Price or any purchase price of any unexercised Purchase Rights under the SPP; (ii) the number or kind of shares or other securities reserved for issuance pursuant to this Plan; and (iii) the number and kind of shares subject to unexercised Purchase Rights theretofore granted under the SPP and in the purchase price of those shares; provided, however, that no substitution or adjustment will obligate the Corporation to issue or sell fractional shares. In the event of the reorganization of the Corporation or the amalgamation or consolidation of the Corporation with another corporation, the Board may make such provision for the protection of the rights of Eligible Persons, Participants, their RRSP’s and their Holding Companies as the Board in its discretion deems appropriate subject to regulatory approval. The determination of the Board, as to any adjustment or as to there being no need for adjustment, will be final and binding on all parties.

3.4. Non-Exclusivity

Nothing contained herein will prevent the Board from adopting other or additional compensation arrangements for the benefit of any Eligible Person or Participant, subject to any required regulatory or shareholder approval.

3.5. Amendment and Termination

- (a) The Board may amend, suspend or terminate this Plan or any provision hereof at any time in accordance with applicable legislation, and subject to any required regulatory or shareholder approval. Subject to Section 3.1, no amendment, suspension or termination will alter or impair any Purchase Rights under the SPP, or any rights pursuant thereto, granted previously to any Participant, the Participant's RRSP or the Participant's Holding Company without the consent of that Participant.
- (b) If this Plan is terminated, the provisions of this Plan and any administrative guidelines, and other rules and Regulations adopted by the Board and in force at the time of such termination, will continue in effect as long as any Purchase Rights under the SPP or any rights pursuant thereto remain outstanding. However, notwithstanding the termination of the Plan, the Board may make any amendments to the Plan or the Purchase Rights, it would be entitled to make if the Plan were still in effect.

3.6. Compliance with Legislation

The Board may postpone or adjust the terms of this Plan or any Purchase Right, or the issue of any Shares pursuant to this Plan upon the exercise of any Purchase Right, as the Board in its discretion may deem necessary or advisable in order to permit the Corporation to effect or maintain registration of this Plan or the Shares issuable pursuant thereto under the securities laws of any applicable jurisdiction, or to determine that the Shares and this Plan are exempt from such registration. The Corporation is not obligated by any provision of this Plan or any grant of Purchase Rights hereunder to sell or issue Shares in violation of any applicable law or rules of any exchange or market on which the Shares are then listed or quoted, as the case may be. In addition, the Corporation will have no obligation to issue any Shares pursuant to this Plan unless the Shares have been duly listed on such stock exchange or market on which the Shares are then listed or quoted for trading.

3.7. Effective Date

This Plan will become effective on August 2, 2001 or such other date that the shareholders of the Corporation adopt the Plan at a meeting.

SCHEDULE “A”

MICROFORUM INC.

PURCHASE RIGHT EXERCISE AGREEMENT

TO: Microforum Inc. (the “Corporation”) and its Affiliates

RE: Purchase of Common Shares (the “Shares”) of the Corporation pursuant to the Share Purchase Plan (“SPP”)

NOTE: Any Eligible Person who wishes to purchase Shares through their RRSP or Holding Company should consult their tax advisor prior to doing so.

Indicate Open Period [**Check (A) , (B), (C) or (D)**]:

- (A) First fiscal quarter; or
- (B) I Second fiscal quarter; or
- (C) I Third fiscal quarter; or
- (D) Fourth fiscal quarter.

I hereby exercise my right to purchase _____ Shares at the Share Price in effect for the current Open Period in accordance with the SPP.

I understand that I may change the number of Shares to be purchased only in accordance with the SPP and only by submitting to the Corporation another copy of this form with the new number of Shares.

I agree to pay for the Shares allocated to me by bank draft or certified cheque (or other foreign equivalent), which is attached to this Agreement.

I hereby direct you to register the Shares purchased under this Agreement in the name of _____ **[Either your name or the name of the trustee of your registered retirement savings plan (“RRSP”) or in the name of a corporation owned and controlled by you (“Holding Company”)].**

I agree that no Share will be issued to me, my RRSP or my Holding Company until the purchase price for all Shares subscribed for pursuant to this Agreement has been paid in full, that this Agreement will terminate immediately after I cease to be an Eligible Person and that no further Shares may be purchased by me or my RRSP or my Holding Company after the date on which I cease to be an Eligible Person except as may be provided in the Plan.

All capitalized terms used in this Agreement and not otherwise defined have the meaning given to them in the Plan.

Signature: _____

Address: _____

Date: _____

Witness: _____

Witness Name: _____
(Printed)

Corporation to Complete

Date: _____

1) Employee or Consultant

Base Remuneration: _____

Quarterly Allocation: _____

Purchase Price of Shares as a Percentage of Base
Remuneration (not to exceed 50% of value of Base
Remuneration, less percentage applicable to any
other purchases in same Year): _____

2) Non-Management Director of Corporation or Affiliate of Corporation

Annual Retainer: _____

Quarterly Allocation: _____

Purchase Price of Shares as a Percentage of Annual Retainer
(not to exceed 100% of value of Annual Retainer, less
percentage applicable to any other purchases in same Year): _____

Processed by the Corporation the

____ day of _____, 20__.

By: _____

MIRCROFORUM INC.
SHARE PURCHASE PLAN
REGULATIONS

1. In these Regulations, words defined in the Share Purchase Plan and not otherwise defined herein will have the same meaning as set forth in the Share Purchase Plan.
2. A Participant will cease to be an Eligible Person on the Termination Date.
3. Subject to the SPP and to any determination to the contrary by the Board from time to time, Purchase Rights may be exercised by the delivery to the Secretary of the Corporation of a duly completed Purchase Right Exercise Agreement in the form of Schedule “A”, to the SPP as the same may be amended from time to time.
4. Unless otherwise determined by the Board, there shall be four (4) Open Periods during each fiscal year. The Open Period will mean the ten (10) business day period commencing two (2) days after public disclosure of the Corporation’s quarterly or year end financial statements, as the case may be.
5. Participants who have purchased Shares pursuant to the exercise of Purchase Rights shall be deemed to have purchased such Shares on the last date of the Open Period during which the Participant exercised Purchase Rights, pursuant to a Purchase Right Exercise Agreement.
6. Share certificates representing the number of Shares in respect of which Purchase Rights under the SPP has been exercised will be issued only upon payment in full of the relevant Share Price.

SCHEDULE "E"

MICROFORUM INC.

RESTRICTED SHARE PLAN (2001)

AUGUST 2, 2001

1. DEFINITIONS

- A. "Act" means the *Business Corporations Act* (Ontario), as amended;
- B. "Adoption Date" shall have the meaning ascribed thereto in section 7;
- C. "Board" means the board of directors of the Corporation as may be constituted from time to time, and "Director" means any one member of the Board;
- D. "Business Day" means any day other than Saturday, Sunday or a statutory holiday in the City of Toronto, Ontario;
- E. "Committee" means the Directors or if the Directors so determine in accordance with section 4, the committee of the Directors authorized to administer the Restricted Share Plan which includes any compensation committee of the Board;
- F. "Common Shares" means the common shares in the capital of the Corporation as such shares may be subdivided, consolidated, reclassified or changed from time to time;
- G. "Contractors" means individuals, other than Directors or Employees that (i) are engaged to provide on a *bona fide* basis consulting, technical, management or other services to the Corporation under a written contract between the Corporation and the individual or a company which the individual consultant is an employee and (ii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation;
- H. "Corporation" means Microforum Inc., a corporation amalgamated pursuant to the laws of the Province of Ontario, and its Subsidiaries;
- I. "Election Expiry Date" means that date which is sixty (60) Business Days following the Notice Date;
- J. "Election to Participate" means the form of election to participate attached as Schedule "A" to the Restricted Share Plan or such other form as may be acceptable to and/or adopted by the Committee;
- K. "Eligible Participant" shall have the meaning ascribed thereto in section 7;
- L. "Employees" means those persons with whom the Corporation and any of the Corporation's Subsidiaries has entered into a contract of employment, and "Employee" means any one of them;

- M. “**Exchange**” means the Toronto Stock Exchange or such other stock exchange or market on which the Common Shares may be listed and posted or quoted for trading;
- N. “**Fair Market Value**” means the closing market price of the Common Shares on the Exchange on that trading day immediately prior to the Adoption Date;
- O. “**Notice**” shall have the meaning ascribed thereto in section 9;
- P. “**Notice Date**” shall have the meaning ascribed thereto in section 9;
- Q. “**Out-of-the-Money Options**” means options granted pursuant to the Stock Option Plan to purchase Common Shares at a price greater than or equal to the Threshold Price;
- R. “**Ratification Date**” means the date on which the Restricted Share Plan is ratified and approved by Shareholders of the Corporation in accordance with section 12;
- S. “**Restricted Common Shares**” means those Common Shares to be issued from time to time under and pursuant to the terms of the Restricted Share Plan and bearing the legend set forth in section 8;
- T. “**Restricted Periods**” shall have the meaning ascribed thereto in section 8;
- U. “**Restricted Share Plan**” means this restricted share plan of the Corporation effective as of August 2, 2001 (or such other date that the Corporation’s next annual and special meeting of the Corporation is held), the terms of which are described in the various sections and provisions hereof;
- V. “**Stock Option Plan**” means the Corporation’s stock option incentive plan, as amended;
- W. “**Subsidiary**” means a company of which a majority of the outstanding voting shares are from time to time owned, directly or indirectly, by the Corporation or by one or more Subsidiaries of the Corporation (more than one Subsidiary being collectively referred to herein as the “**Subsidiaries**”) 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 Directors irrespective of whether or not shares of other classes shall have or might have the right to vote for directors by reason of the happening of any contingency;
- X. “**Termination Date**” shall have the meaning ascribed thereto in section 24;
- Y. “**Threshold Price**” means (Cdn.) \$3.00;

2. PURPOSE OF RESTRICTED SHARE PLAN

The purpose of the Restricted Share Plan is to provide for the acquisition of Restricted Common Shares by Eligible Participants as additional consideration for past services rendered to the Corporation, to advance the interests of the Corporation through the motivation and retention of such Eligible Participants who currently hold stock options under the Stock Option Plan with reduced value and to thereby secure for the Corporation and its shareholders the benefits inherent in the ownership of Common Shares by key Employees, Directors and Consultants due to the opportunity to offer them an equity interest in the Corporation.

3. ADMINISTRATION OF RESTRICTED SHARE PLAN

The Restricted Share Plan shall be administered by the Committee and the Committee shall have full authority to administer the Restricted Share Plan including the authority to interpret and construe any provision of the Restricted Share Plan and to adopt, amend and rescind such rules and regulations for administering the Restricted Share Plan as the Committee may deem necessary in order to comply with the requirements of the Restricted Share Plan and any applicable laws, regulations, rules or policies to which the Restricted Share Plan may be subject. All actions taken and all interpretations, determinations made by the Committee in good faith, shall be final and conclusive and shall be binding on the Eligible Participants and the Corporation. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with the Restricted Share Plan and all members of the Committee shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the Corporation with respect to any such action taken or determination or interpretation made. The appropriate officers of the Corporation to be determined by the Committee are hereby authorized and empowered to do all things and execute and deliver all documents, instruments, undertakings, applications and writings as they, in their absolute discretion, consider necessary for the implementation of the Restricted Share Plan in accordance with the rules and regulations established for administering the Restricted Share Plan by the Committee. All costs incurred in connection with the Restricted Share Plan shall be for the account of the Corporation.

4. DELEGATION TO COMMITTEE

All of the powers exercisable under the Restricted Share Plan by the Directors may, to the extent permitted by applicable law and as determined by resolution of the Directors, be exercised by a committee of the Directors comprised of not less than three Directors (the "Committee"), including any compensation committee of the Board.

5. RECORD KEEPING

The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Eligible Participant in the Restricted Share Plan;
- (b) the number of Restricted Common Shares granted to each Eligible Participant under the Restricted Share Plan; and
- (c) the number of Out-of-the-Money Options surrendered by each Eligible Participant under the Restricted Share Plan;

6. NUMBER OF RESTRICTED SHARES

The maximum number of Common Shares authorized and reserved for issuance as Restricted Common Shares pursuant to the Restricted Share Plan is 1,378,958 Common Shares.

7. ELIGIBLE PARTICIPANTS

Certain current Employees, Directors and Consultants of the Corporation designated by the Board of Directors, in its sole discretion, who, as at the date of adoption of the Restricted Share Plan by the shareholders of the Corporation at the annual and special meeting to be held on August 2, 2001 (the "Adoption Date") hold stock options to purchase Common Shares pursuant to the Stock Option Plan (the "Eligible Participants") at exercise prices that are greater than or equal to the Threshold Price, are eligible to participate in the Restricted Share Plan.

As additional consideration for previous services rendered and in exchange for the surrender by each Eligible Participant of all unexercised Out-of-the-Money-Options held by such Eligible Participant, the Corporation shall deliver that number of Restricted Common Shares equal to 40% of the number of Common Shares which the Eligible Participant would otherwise be entitled to subscribe for pursuant to the exercise of such Out-of-the-Money Options. No partial Restricted Shares will be issued by the Corporation. Each Restricted Common Share to be issued shall have a value equal to the Fair Market Value. Upon receipt by the Corporation of a properly completed Election to Participate from an Eligible Participant in accordance with the terms hereof, the Corporation shall be entitled to cancel 50% of the Out-of-Money Options surrendered by such Eligible Participant as of the Election Expiry Date and, for greater certainty, the Common Shares previously reserved for issuance upon exercise of such Out-of-the-Money Options shall be available for re-issuance under the Stock Option Plan.

8. RESTRICTED SHARES

The Restricted Common Shares to be issued to Eligible Participants who elect to participate in the Restricted Share Plan, shall be Common Shares with a restriction on transfer by the Eligible Participant such the Restricted Common Shares cannot be transferred or sold, through the Exchange or otherwise, by an Eligible Participant for a period commencing on the date of issuance to such Eligible Participant and ending as to one-third of such Restricted Common Shares on each of February 2, 2002, August 2, 2003 and August 2, 2004, respectively (the "Restricted Periods", each one individually a "Restricted Period"). All certificates representing Restricted Common Shares and issued and delivered to Eligible Participants shall bear the following legends indicating that the securities represented thereby are lettered stock and may not be sold or otherwise transferred during the Restricted Periods:

"The securities represented by this certificate are subject to restrictions on transfer such that they may not be transferred or sold on or before the _____ day of _____, 200_."

"The securities represented by this certificate are listed on the Toronto Stock Exchange; however, the said securities can not be traded through the facilities of such Exchange since they are not freely transferable, and consequently any certificate representing such securities is not 'good delivery' in settlement of transactions on The Toronto Stock Exchange."

The Corporation shall take all necessary steps to advise its transfer agent to place a “no transfer” notation on its books with respect to all certificates representing Restricted Common Shares, which notation shall only be removed upon the first to occur of: (i) the transfer agent receiving a written request for removal by the Corporation; and (ii) the expiry of the applicable Restricted Period. In the event that the shareholders of the Corporation receive a takeover bid for all or a portion of the shares of the Corporation which is a “formal bid” as defined in the Securities Act (Ontario), the Corporation shall immediately take all necessary steps to remove all restrictions contained herein on the ability of Eligible Participants to resell their Restricted Common Shares, subject to applicable law and pre-clearance with the Exchange.

9. NOTICE TO ELIGIBLE PARTICIPANTS

Within ten (10) Business Days of the Ratification Date (the “Notice Date”), the Corporation shall send a notice (the “Notice”), dated as of the Notice Date, to each Eligible Participant identifying the number of Out-of-the-Money Options held by such Eligible Participant, the exercise price or prices of such Out-of-the-Money Options and the number of Restricted Common Shares to which the Eligible Participant would be entitled to receive upon the surrender of all Out-of-the-Money Options held.

10. ELECTION TO PARTICIPATE

Eligible Participants may elect to participate in the Restricted Share Plan by completing an Election to Participate in a form determined by the Committee.

An Election to Participate must be completed by each Eligible Participant who wishes to participate in the Restricted Share Plan and delivered to and received by the Corporation at its head office: 150 Ferrand Drive, Suite 1200, Toronto, Ontario, M3C 3E5, Attention: Senior Director of Human Resources, by no later than 5:00 p.m. (Toronto time) on the Election Expiry Date. Forthwith following the Election Expiry Date, all rights of the Eligible Participants to elect to receive and to receive Restricted Common Shares shall forever cease and terminate and any Election to Participate received by the Corporation thereafter shall be deemed null and void and shall be immediately destroyed by the Corporation without notice to the respective Eligible Participant.

All Participants shall execute and deliver an agreement with the Corporation evidencing their participation in the Restricted Share Plan. The form of such agreement shall be determined by the Committee and shall be consistent with the terms hereof.

11. ISSUANCE AND DELIVERY OF RESTRICTED COMMON SHARES

The Corporation shall, on the date it receives a duly executed and completed Election to Participate from an Eligible Participant, issue that number of Restricted Common Shares identified in the Notice as fully-paid and non-assessable shares of the Corporation.

As promptly as practicable and, in any event, within sixty (60) Business Days after the Election Expiry Date, the Corporation shall issue and deliver to the Eligible Participant, registered in the name of such Eligible Participant or as such Eligible Participant may otherwise direct, subject to applicable law, a certificate or certificates representing that number of Restricted Common Shares specified in the Notice.

12. NECESSARY APPROVALS

The Restricted Share Plan shall be subject to the ratification and approval of shareholders holding voting shares of the Corporation to be given by a resolution passed at a meeting of such shareholders of the Corporation and shall also be subject to acceptance by the Exchange and, if required, any other regulatory authority having jurisdiction over the securities of the Corporation. In the event that the Ratification Date does not occur on or before July 31, 2001 the Restricted Share Plan shall immediately terminate and be of no further force or effect.

13. WITHHOLDING TAXES AND SECURITIES LAWS

The Corporation may take such steps as are considered necessary or appropriate for the withholding of any taxes or other monetary fee which the Corporation is required by any law or regulation of any governmental authority whatsoever to withhold in connection with the issuance of any Restricted Common Share, including without limiting the generality of the foregoing, the withholding of all or any portion of any payment or the withholding of the issue of any Restricted Common Share, until such time as the Eligible Participant has paid the Corporation for any amount which the Corporation is required to withhold with respect to such taxes.

14. AMENDMENT OF RESTRICTED SHARE PLAN

The Committee may prior to the Termination Date, from time to time in its absolute discretion, amend, modify and change the provisions of the Restricted Share Plan, provided that any amendment, modification or change shall only be effective upon such amendment, modification or change being approved by the shareholders holding voting shares of the Corporation by resolution in accordance with the Act, and approved by the Exchange and, if required, any other regulatory authority having jurisdiction over the securities of the Corporation.

15. NON-ASSIGNABLE

Except as otherwise may be expressly provided for under the Restricted Share Plan or pursuant to a will or by the laws of descent and distribution, the Restricted Common Shares are non-assignable and non-transferable.

16. NO CONTRACT OF EMPLOYMENT

Nothing contained in the Restricted Share Plan shall confer or be deemed to confer upon any Eligible Participant the right to continue in the employment of or to provide services to, the Corporation nor interfere or be deemed to interfere in any way with any right of the Corporation to discharge any Eligible Participant at any time for any reason whatsoever, with or without cause. Participation in the Restricted Share Plan by an Eligible Participant shall be voluntary.

17. NO REPRESENTATION OR WARRANTY

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

18. COMPLIANCE WITH APPLICABLE LAW

If any provision of the Restricted Share Plan contravenes any law or any order, judgement or decree or any rule, policy, by-law or regulation of any regulatory body having jurisdiction over the Corporation, the Corporation's securities and/or the Restricted Share Plan, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

19. HEADINGS

The insertion of headings, sections and paragraphs in the Restricted Share Plan are inserted for convenience of reference only and shall not effect the construction or interpretation of the Restricted Share Plan.

20. REFERENCES TO THIS RESTRICTED SHARE PLAN

The words "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to the Restricted Share Plan as a whole and not to any particular section, paragraph or other part hereof.

21. CANADIAN FUNDS

All references to dollar amounts in the Restricted Share Plan are references to lawful money of Canada.

22. SINGULAR AND PLURAL

Where the context so requires, words importing the singular number include the plural and vice versa, and words importing gender shall include all genders.

23. GOVERNING LAW

The Restricted Share Plan is established under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein

24. TERM OF THE RESTRICTED SHARE PLAN

The Restricted Share Plan, as set forth herein, shall become effective as of the Ratification Date and shall remain in effect until the last Restricted Common Share is issued to an Eligible Participant at which time the Restricted Share Plan shall be deemed to immediately terminate (the "Termination Date").