

PRELIMINARY PROSPECTUS DATED FEBRUARY 23, 2000

THIS IS A PRELIMINARY PROSPECTUS RELATING TO THESE SECURITIES, A COPY OF WHICH HAS BEEN FILED WITH THE ONTARIO, ALBERTA AND BRITISH COLUMBIA SECURITIES COMMISSIONS, BUT WHICH HAS NOT YET BECOME FINAL FOR THE PURPOSE OF A DISTRIBUTION TO THE PUBLIC. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THESE SECURITIES MAY NOT BE SOLD, NOR MAY OFFERS TO BUY BE ACCEPTED FROM RESIDENTS OF ANY SUCH PROVINCE PRIOR TO THE TIME A RECEIPT FOR THE FINAL PROSPECTUS IS OBTAINED FROM THE APPROPRIATE SECURITIES COMMISSION OR SIMILAR REGULATORY AUTHORITY IN SUCH PROVINCE.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exemptions, may not be offered or sold within the United States or to, or for the benefit of, U.S. persons. See "Private Placement and Plan of Distribution".

New Issue

• 2000

ZCONNEXX CORPORATION

18,450,000 Common Shares

This prospectus qualifies the issue and distribution of 9,500,000 common shares ("Common Shares") of Zconnexx Corporation ("Zconnexx" or the "Company") to be issued, without additional payment, upon the conversion of an aggregate of 9,500,000 previously issued Class A special shares in the capital of the Company. Subject to adjustment in certain events, each Class A special share (a "Class A Special Share"), upon conversion, entitles the holder to receive one Common Share.

This prospectus also qualifies the issue and distribution of an aggregate of 5,700,000 Common Shares to be issued, without additional payment, upon the conversion of an aggregate of 5,700,000 Class B special shares in the capital of the Company previously issued by the Company on November 26, 1999. Subject to adjustment in certain events, each Class B special share (a "Class B Special Share"), upon conversion, entitles the holder to receive one Common Share.

In addition, this prospectus qualifies the issue and distribution of an aggregate of 2,750,000 Common Shares to be issued, without additional payment, upon the conversion of an aggregate of 2,200,000 Series 1 Preference Shares in the capital of the Company (the "Series 1 Preference Shares") and an aggregate of 550,000 Series 2 Preference Shares in the capital of the Company (the "Series 2 Preference Shares" and, together with the Series 1 Preference Shares, the "Preference Shares") previously issued by the Company on February 7, 2000. Each Preference Share, upon conversion, entitles the holder to receive one Common Share.

Pursuant to an amalgamation agreement dated as of January 26, 2000, Zconnexx and Capital Charter Corp. ("Capital Charter") have agreed to amalgamate under the laws of the Province of Ontario (the "Amalgamation") and to continue as one corporation under the name Zconnexx Corporation ("Amalco"). Capital Charter is a reporting issuer under the securities laws of the Province of British Columbia and is listed for trading on the Canadian Venture Exchange. Pursuant to the terms of the Amalgamation, holders of the Class A Special Shares will receive one Class A special share in the capital of Amalco (an "Amalco Class A Special Share") having the same terms as the Class A Special Shares, for each Class A Special Share held and holders of Class B Special Shares will receive one Class B special share of Amalco (an "Amalco Class B Special Share") having the same terms as the Class B Special Shares, for each Class B Special Share held. In addition, holders of the Series 1 Preference Shares will receive one Class C special share of Amalco (an "Amalco Class C Special Share") having substantially the same terms as the Series 1 Preference Shares, for each Series 1 Preference Share held and holders of the Series 2 Preference Shares will receive one Class D special share of Amalco (an "Amalco Class D Special Share") having substantially the same terms as the Series 2 Preference Shares, for each Series 2 Preference Share held. See "Proposed Amalgamation".

This prospectus also qualifies 500,000 Common Shares to be issued, without additional payment upon the conversion of 500,000 Class B Special Shares (the “Fiscal Advisory Shares”) which will be issued to MDI Investments Inc. for fiscal advisory services provided in connection with the Amalgamation.

Pursuant to an underwriting agreement dated November 26, 1999 (the “Underwriting Agreement”) among Zconnexx, Yorkton Securities Inc. (the “Underwriter”) and certain shareholders of Zconnexx, an aggregate of 5,700,000 units (collectively, the “1999 Units” and each, a “1999 Unit”) were issued and sold by Zconnexx by way of private placement at a price of \$0.60 per 1999 Unit on November 26, 1999. Each 1999 Unit was comprised of one Class B Share and one common share purchase warrant of Zconnexx. The common share purchase warrants (the “1999 Warrants”) of Zconnexx were issued, in series, pursuant to a warrant indenture dated as of November 26, 1999 between Zconnexx and Montreal Trust Company of Canada (“Montreal Trust”), as warrant agent. Each Zconnexx Series 1 common share purchase warrant (a “Series 1 Warrant”) entitles the holder thereof to acquire one Common Share at a price of \$0.75 per share during the period commencing November 26, 1999 and expiring at 5:00 p.m. (Toronto time) on November 25, 2000 and at a price of \$0.85 per share at any time commencing at 5:01 p.m. (Toronto time) on November 25, 2000 and expiring at 5:00 p.m. (Toronto time) on November 25, 2001. Each Zconnexx Series 2 common share purchase warrant (a “Series 2 Warrant”) entitles the holder thereof to acquire one Common Share at a price of \$0.60 per share during the period commencing November 26, 1999 and expiring at 5:00 p.m. (Toronto time) on November 25, 2000 and at a price of \$0.70 per share at any time commencing at 5:01 p.m. (Toronto time) on November 25, 2000 and expiring at 5:00 p.m. (Toronto time) on November 25, 2001. The price of the 1999 Units was determined by negotiation between Zconnexx and the Underwriter. See “Plan of Distribution”. **There is currently no market for the Class B Special Shares or the 1999 Warrants and none is expected to develop.**

Pursuant to an agency agreement dated February 7, 2000 (the “Agency Agreement”) between Zconnexx and the Underwriter, an aggregate of 2,750,000 units (collectively, the “2000 Units” and each a “2000 Unit”) were sold by Zconnexx by way of private placement at a price of \$2.00 per 2000 Unit on February 7, 2000. Each 2000 Unit was comprised of 0.8 of one Series 1 Preference Share, 0.2 of one Series 2 Preference Share and one Series 3 common share purchase warrant (a “Series 3 Warrant”). The Series 3 Warrants were issued pursuant to a warrant indenture dated February 7, 2000 between Zconnexx and Montreal Trust, as warrant agent. Each Series 3 Warrant entitles the holder thereof to acquire one Common Share at a price of \$2.35 per share at any time until 5:00 p.m. (Toronto time) on February 7, 2002. The price of the 2000 Units was determined by negotiation between Zconnexx and the Underwriter. See “Plan of Distribution”. **There is currently no market for the Preference Shares or the Series 3 Warrants and none is expected to develop.**

	<u>Price to Purchaser</u>	<u>Underwriter's Fees</u> ^{(1) (2)}	<u>Net Proceeds to the Company</u> ⁽³⁾
Per 1999 Unit	\$0.60	\$0.06	\$0.54
Per 2000 Unit	\$2.00	\$0.20	\$1.80
Total 1999 Unit Offering	\$3,420,000	\$342,000	\$3,078,000
Total 2000 Unit Offering	\$5,500,000	\$550,000	\$4,950,000

- (1) No additional fee will be paid to the Underwriter in connection with the issue of Common Shares upon the conversion of the Class B Special Shares or in connection with the issue of Common Shares upon the conversion of the Preference Shares.
- (2) As additional compensation in connection with the sale of the 1999 Units, Zconnexx granted to the Underwriter and Canaccord Capital Corporation, a member of the Underwriter's selling group, non-assignable compensation warrants (the “1999 Compensation Warrants”). The 1999 Compensation Warrants are exercisable, without payment of additional consideration, into an aggregate of 570,000 compensation options (the “1999 Compensation Options”), each 1999 Compensation Option entitling the holder to acquire one unit comprised of one Common Share and one Series 1 Warrant at any time on or before November 26, 2001 at a price of \$0.60 per unit. This prospectus qualifies for distribution 285,000 1999 Compensation Options issuable upon exercise of the 1999 Compensation Warrants in the Province of Ontario and all of the 1999 Compensation Options in the Province of British Columbia. Pursuant to the Amalgamation, each 1999 Compensation Warrant will be exchanged for one compensation warrant of Amalco (an “Amalco 1999 Compensation Warrant”) having the same terms as the 1999 Compensation Warrants. As additional compensation in connection with the sale of the 2000 Units, Zconnexx granted to the Underwriter non-assignable compensation warrants (the “2000 Compensation Warrants”). The 2000 Compensation Warrants are exercisable, without payment of additional consideration,

into 412,500 compensation options (the "2000 Compensation Options"), each 2000 Compensation Option entitling the holder to acquire one unit comprised of one Common Share and one Series 3 Warrant at any time on or before February 7, 2002 at a price of \$2.00 per unit. This prospectus qualifies for distribution 137,500 Compensation Options issuable upon exercise of the 2000 Compensation Warrants in the Province of Ontario and all of the 2000 Compensation Options in the Provinces of Alberta and British Columbia. Pursuant to the Amalgamation, each 2000 Compensation Warrant will be exchanged for one compensation warrant of Amalco (an "Amalco 2000 Compensation Warrant") having the same terms as the 2000 Compensation Warrants.

- (3) Before deducting the aggregate expenses of the offerings of the 1999 Units, 2000 Units and the Amalgamation estimated to be \$1,543,000.

The Class A Special Shares are convertible, without additional payment, at any time and will be automatically converted at 5:00 p.m. (Toronto time) on the earlier of (the "1999 Expiry Date"): (i) the day which is the fifth business day (the "Liquidity Date") following the later of (A) the issuance of a receipt for the (final) prospectus relating to the distribution of the Common Shares to be issued upon exercise of the Class A Special Shares or the common shares of Amalco (an "Amalco Common Share") to be issued upon conversion of the Amalco Class A Special Shares (as the case may be) by the securities regulatory authority in the provinces of Ontario and British Columbia; and (B) the listing of the Common Shares or the Amalco Common Shares for trading on the Canadian Venture Exchange; and (ii) the day which is one year after completion of the Amalgamation. The Class B Special Shares are convertible, without additional payment, at any time and will be automatically converted at 5:00 p.m. on the 1999 Expiry Date. In the event that the Liquidity Date has not occurred on or before 5:00 p.m. on March 24, 2000, each Class B Special Share exercised thereafter shall be exercisable, for no additional consideration, into 1.1 Common Shares (in lieu of one Common Share).

The Preference Shares are convertible, without additional payment, at any time and will be automatically converted at 5:00 p.m. (Toronto time) on the earlier of (the "2000 Expiry Date"): (i) the day which is the fifth business day following the issuance of a receipt for a (final) prospectus of the Company by the securities regulatory authority in the provinces of Ontario, Alberta and British Columbia qualifying, among other things, the Common Shares issuable upon conversion of the Preference Shares or the Amalco Common Shares to be issued upon conversion of the Amalco Class C Special Shares; and (ii) the date which is one year following the Amalgamation. If a receipt for the (final) prospectus qualifying, among other things, the distribution of the Common Shares to be issued upon conversion of the Preference Shares has not been issued by each of the Ontario Securities Commission, the Alberta Securities Commission and the British Columbia Securities Commission and the Common Shares or Amalco Common Shares, as the case may be, have not been listed for trading on the Canadian Venture Exchange on or before 5:00 p.m. (Toronto time) on April 7, 2000, the holders of the 2000 Units shall be entitled, at any time thereafter, by written notice to the Company, to require the Company to redeem such number of units (the "Redemption Units") as is equal to 20% of the number of 2000 Units purchased by such holder, each such Redemption Unit consisting of one whole Series 2 Preference Share and one whole Series 3 Warrant, at a redemption price of \$2.00 per Redemption Unit plus accrued interest thereon. See "Plan of Distribution".

Investment in the securities qualified hereby should be considered to be speculative due to various factors, including the nature of the Company's business and its present stage of development. The Company has no operating history. See "Risk Factors". Assuming the issuance of 2,200,000 Common Shares upon the conversion of the Series 1 Preference Shares and the issuance of 550,000 Common Shares upon the conversion of the Series 2 Preference Shares, the effective price paid for each Common Share through the purchase of the 2000 Units exceeds the net tangible book value thereof as at November 30, 1999 by \$1.64, representing a dilution factor of 82%. See "Dilution".

Definitive certificates representing the Common Shares will be available for delivery upon the conversion of the Class A Special Shares, Class B Special Shares, Series 1 Preference Shares and Series 2 Preference Shares.

Certain legal matters relating to the distribution of the Common Shares issuable upon conversion of the Class A Special Shares, Class B Special Shares, Series 1 Preference Shares and Series 2 Preference Shares will be passed upon by Wildeboer Rand Thomson Apps & Dellelce, LLP on behalf of the Company and by Cassels Brock & Blackwell LLP on behalf of the Underwriter.

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PROSPECTUS SUMMARY

The following is a summary only and is qualified in its entirety by the more detailed information contained elsewhere in this prospectus. Unless the context otherwise requires, all references in this prospectus to “Zconnexx” and the “Company” refer to Zconnexx Corporation and its wholly-owned subsidiary, Zconnexx America, Inc. All dollar amounts in this prospectus are stated in Canadian dollars unless stated otherwise.

Overview

Zconnexx is the developer and marketer of a portal and online community of businesses located at <http://www.yellowpage.net> (“YellowPage.Net”). The Company sells a turnkey bundle of Internet services (the “YellowPage Package”) to its business subscribers for a fixed monthly fee (inclusive of development and bandwidth), which is billed directly to the subscribers’ local phone bill after a first month of free service. Zconnexx provides subscribers with: (i) limited toll free Internet dial-up access; (ii) an individualized website with a unique web address (e.g. www.merchant_ypn.net) developed from a proprietary template; (iii) entry-level website development services based on a proprietary platform; (iv) website hosting facilities; and (v) a web-based e-mail account. The Company has initially targeted small and medium-sized businesses in the United States and has succeeded in procuring over 30,000 third party verified subscribers through an ongoing telemarketing campaign. Management believes that the business-to-business sector of the Internet market has significant growth potential, and will seek to capitalize on its growing subscriber base by developing e-commerce facilities and online business-to-business opportunities within the community.

Business Strategy

Management’s goal is to become the premier entry-level web hosting facility and Internet access provider for small to medium-sized businesses by creating a scalable, online community to satisfy the needs of this particular market segment. Zconnexx aspires to earn a reputation in the marketplace for developing and delivering an easy and affordable website hosting solution within a dynamic community of businesses. Management believes this can be achieved through focused product development, a close understanding of market trends and needs, and innovative and profitable bundling of services.

Zconnexx has developed technological processes ideally suited for entry into the website creation and hosting market for small to medium-sized businesses. By offering a nominal amount of toll free Internet access per month, website development services, and entry-level hosting facilities, Zconnexx’s marketing strategy is building an online community of business at a rate which, in the past, has exceeded 2,500 new subscribers per week.

The YellowPage.Net program has been designed to reduce the barrier to entry for small to medium-sized businesses interested in establishing an online presence by creating an easy and affordable solution.

Marketing

In order to expedite the growth of its online community, Zconnexx initiated a direct marketing campaign featuring outbound phone sales in September of 1999 – well before all services were in place to begin the billing cycle. As such, Zconnexx’s goal was to build as many websites as possible, and host them for free, until the remainder of the services (i.e. Internet access and e-mail) became available as a complete package. Since September 1999, the Company has enrolled over 30,000 subscribers and has built over 29,000 subscriber websites. Management believes that a diversified customer base will allow the Company to capitalize through the aggregation of vertical markets, either through its own research and development of vertical communities, or through partnerships and affiliations. Management further believes that the best way to enter the small to medium-sized business market is to build out the subscriber base as quickly as possible in order to leverage the value of the YellowPage.Net community in the future.

The Company’s marketing strategy is to initially aggregate diverse, horizontal markets distinguished by region and industry. Following this initial stage, Zconnexx intends to promote and reinforce individual vertical markets within the Company’s established customer base. Management believes that value will be created for the Company’s customers by highlighting each subscriber’s business within a particular cross-section of the Zconnexx customer base. Management further believes that visitors to YellowPage.Net will benefit as a result of the

organization of the Company's customer base and that Zconnexx, by creating the foundation upon which vertical marketplaces may be formed, can leverage natural synergies within distinct demographics.

The Offering

- Issuer:** Zconnexx Corporation.
- Offering:** 9,500,000 Common Shares to be issued by the Company upon the conversion of 9,500,000 previously issued Class A Special Shares, 5,700,000 Common Shares to be issued by the Company upon the conversion of 5,700,000 previously issued Class B Special Shares, 2,200,000 Common Shares to be issued upon the conversion of 2,200,000 previously issued Series 1 Preference Shares and 550,000 Common Shares to be issued upon the conversion of 550,000 previously issued Series 2 Preference Shares. No additional cash proceeds will be received by the Company upon the conversion of the Class A Special Shares, Class B Special Shares, Series 1 Preference Shares and Series 2 Preference Shares.
- Fiscal Advisory Shares:** 500,000 Common Shares to be issued by the Company upon the conversion of 500,000 to be issued Fiscal Advisory Shares issued to MDI Investments Inc. for fiscal advisory services provided in connection with the Amalgamation.
- Class A Special Shares:** The Class A Special Shares are convertible at any time and will be automatically converted at 5:00 p.m. (Toronto time) on the earlier of (the "1999 Expiry Date"): (i) the day which is the fifth business day (the "Liquidity Date") following the later of (A) the issuance of a receipt for the (final) prospectus relating to the distribution of the Common Shares to be issued upon exercise of the Class A Special Shares or the Amalco Common Shares to be issued upon conversion of the Amalco Class A Special Shares (as the case may be) by the securities regulatory authority in the provinces of Ontario and British Columbia; and (B) the listing of the Common Shares or the Amalco Common Shares for trading on the Canadian Venture Exchange; and (ii) the day which is one year after completion of the Amalgamation. See "Plan of Distribution".
- Class B Special Shares:** The Class B Special Shares are convertible at any time and will be automatically converted at 5:00 p.m. on the 1999 Expiry Date. See "Plan of Distribution".
- Qualification Condition:** If (a) a receipt for the (final) prospectus qualifying, among other things, the distribution of the Common Shares or the Amalco Common Shares (as the case may be) to be issued upon the conversion of the Class A Special Shares and Class B Special Shares has not been issued by the securities regulatory authorities in each of the provinces of Ontario and British Columbia; and (b) the Common Shares or the Amalco Common Shares (as the case may be) have not been listed for trading on the Canadian Venture Exchange (or such other stock exchange or quotation system in Canada or the United States acceptable to the Underwriter and Zconnexx), on or before 5:00 p.m. (Toronto time) on March 24, 2000, the holders of Class B Special Shares will be entitled, upon exercise, to receive 1.1 Common Shares for Class B Special Share held without payment of additional consideration.
- Preference Shares:** The Preference Shares are convertible at any time and will be automatically converted at 5:00 p.m. (Toronto time) on the earlier of (the "2000 Expiry Date"): (i) the day which is the fifth business day following the issuance of a receipt for a (final) prospectus of the Company by the securities regulatory authorities in each of the provinces of Ontario, Alberta and British Columbia qualifying, among other things, the Common Shares issuable upon conversion of the Preference Shares or the Amalco Common Shares issuable

upon conversion of the Amalco Class C Special Shares (as the case may be); and (ii) one year following the Amalgamation. See "Plan of Distribution".

1999 Unit Offering:

Pursuant to the Underwriting Agreement, an aggregate of 5,700,000 1999 Units were sold by way of private placement at a price of \$0.60 per 1999 Unit. Each 1999 Unit was comprised of one Class B Special Share and one 1999 Warrant. The 1999 Warrants were issued in series pursuant to a warrant indenture dated as of November 26, 1999 between Zconnexx and Montreal Trust, as warrant agent. Each Series 1 Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.75 per share during the period commencing November 26, 1999 and expiring at 5:00 p.m. (Toronto time) on November 25, 2000 and at a price of \$0.85 per share at any time commencing at 5:01 p.m. (Toronto time) on November 25, 2000 and expiring at 5:00 p.m. (Toronto time) on November 25, 2001. Each Series 2 Warrant entitles the holder thereof to acquire one Common Share at a price of \$0.60 per share during the period commencing November 26, 1999 and expiring at 5:00 p.m. (Toronto time) on November 25, 2000 and at a price of \$0.70 per share at any time commencing at 5:01 p.m. (Toronto time) on November 25, 2000 and expiring at 5:00 p.m. (Toronto time) on November 25, 2001. In the event that the closing price of the Common Shares or the Amalco Common Shares (as the case may be) is at least \$2.50 for 10 consecutive trading days following the date which is 60 days following the date of issuance of the last of the receipts for the final prospectus qualifying, among other things, the issuance of the Common Shares or Amalco Common Shares (as the case may be) to be issued upon conversion of the Class B Special Shares, Zconnexx has the right to abridge the expiry date of the 1999 Warrants. See "Plan of Distribution".

2000 Unit Offering:

Pursuant to the Agency Agreement, an aggregate of 2,750,000 2000 Units were sold by way of private placement at a price of \$2.00 per 2000 Unit. Each 2000 Unit was comprised of 0.8 of one Series 1 Preference Share, 0.2 of one Series 2 Preference Share and one Series 3 Warrant. The Series 3 Warrants were issued pursuant to a warrant indenture dated February 7, 2000 between Zconnexx and Montreal Trust, as warrant agent. Each Series 3 Warrant entitles the holder thereof to acquire one Common Share at a price of \$2.35 per share at any time until 5:00 p.m. (Toronto time) on February 7, 2002. The price of the 2000 Units was determined by negotiation between Zconnexx and the Underwriter. See "Plan of Distribution."

Redemption:

If a receipt for the (final) prospectus qualifying, among other things, the distribution of the Common Shares to be issued upon conversion of the Preference Shares has not been issued by each of the Ontario Securities Commission, the Alberta Securities Commission and the British Columbia Securities Commission and the Common Shares or the Amalco Common Shares, as the case may be, have not been listed for trading on the Canadian Venture Exchange on or before 5:00 p.m. (Toronto time) on April 7, 2000, the holders of the 2000 Units shall be entitled, at any time thereafter, by written notice to the Company, to require the Company to redeem, for a period of 10 days thereafter, such number of units (the "Redemption Units") as is equal to 20% of the number of 2000 Units purchased by such holder, each such Redemption Unit consisting of one whole Series 2 Preference Share and one whole Series 3 Warrant, at a redemption price of \$2.00 per Redemption Unit plus accrued interest thereon.

Amalgamation:

Pursuant to the Amalgamation Agreement, Zconnexx and Capital Charter have agreed to amalgamate under the laws of the Province of Ontario (the "Amalgamation") and to continue as one corporation under the name

Zconnexx Corporation. Capital Charter is a reporting issuer in the Province of British Columbia and is listed for trading on the Canadian Venture Exchange. Pursuant to the terms of the Amalgamation, holders of the Class A Special Shares will receive one Class A special share of Amalco (an "Amalco Class A Special Share") having the same terms as the Class A Special Shares for each Class A Special Share held and holders of the Class B Special Shares will receive one Class B special share of Amalco (an "Amalco Class B Special Share") having the same terms as the Class B Special Shares for each Class B Special Share held. In addition, holders of the Series 1 Preference Shares will receive one Class C special share of Amalco (an "Amalco Class C Special Share") having substantially the same terms as the Series 1 Preference Shares for each Series 1 Preference Share held and holders of the Series 2 Preference Shares will receive one Class D special share of Amalco (an "Amalco Class D Special Share") having substantially the same terms as the Series 2 Preference Shares for each Series 1 Preference Share held. Further, holders of the Series 1 Warrants will receive one Series 1 common share purchase warrant of Amalco (an "Amalco Series 1 Warrant") having the same terms as the Series 1 Warrant for each Series 1 Warrant held, holders of the Series 2 Warrants will receive one Series 2 common share purchase warrant of Amalco (an "Amalco Series 2 Warrant") having the same terms as the Series 2 Warrant for each Series 2 Warrant held and holders of the Series 3 Warrants will receive one Series 3 common share purchase warrant of Amalco (an "Amalco Series 3 Warrant") having the same terms as the Series 3 Warrant, for each Series 3 Warrant held. An annual and special meeting of the shareholders of Capital Charter is scheduled for February 28, 2000 for the purpose of considering for approval, among other things, the Amalgamation. If the Amalgamation is approved by the shareholders of Capital Charter, it is expected that Articles of Amalgamation to give effect to the Amalgamation will be filed on March 10, 2000. See "Amalgamation".

Use of Proceeds:

The aggregate net cash proceeds from the issue and sale of the 1999 Units and 2000 Units were \$7,877,000 after deducting the Underwriter's fees and the estimated expenses of the offerings. The Company has or intends to use the aggregate net proceeds: (i) as to approximately \$4,300,000, to fund marketing and sales efforts and payments due under strategic relationships; (ii) as to \$765,000, to fund further enhancements to the YellowPage Package; (iii) as to \$250,000, to fund strategic investments; and (iv) as to the balance for other general corporate purposes. See "Use of Proceeds".

Dividend Policy:

To date, the Company has not paid any dividends to its shareholders. The Company intends to retain its earnings and does not currently expect to pay cash dividends. See "Dividend Policy".

Risk Factors:

An investment in the securities qualified hereby should be considered speculative. Prospective investors should carefully consider certain risks involved in an investment in the Common Shares, including, but not limited to: the variability of the Company's operating results; inability to implement the Company's business plan; maintenance of subscription rates; Zconnexx's limited operating history; the rapid technological changes in the telecommunications industry and the e-commerce industry; difficulties in introducing new products; risks associated with domain names; increases in customer attrition rates; the failure of the Company's information systems; the reliability of the networks, services and equipment of third party providers; the Company's ability to obtain additional capital; the Company's dependence on local exchange carriers; the Company's dependence on telemarketing and verification services; the Company may be subject to growth-related risks; there is currently no market for the Common Shares

issuable upon conversion of the Class A Special Shares, Class B Special Shares and Preference Shares and none may ever develop; the immediate dilution to be suffered by purchasers of the Preference Shares; the Company's dependence on certain key personnel; the high degree of competitiveness in the telecommunications industry and from other yellow page service providers; the absence of dividends; and the risks associated with the "Year 2000 problem". See "Risk Factors".

THE COMPANY

Zconnexx Corporation (“Zconnexx” or the “Company”) was incorporated under the *Business Corporations Act* (Ontario) on June 16, 1998 as an Ontario numbered company. On June 22, 1998, the Company changed its name to Nextel Group Inc. On January 28, 1999, the Company changed its name to Nexcom Canada Inc. and then subsequently changed its name to Zconnexx Corporation on April 27, 1999. By articles of amendment dated May 17, 1999, Zconnexx created the Zconnexx Preference Shares. By articles of amendment dated November 23, 1999, Zconnexx created the Class A Special Shares and the Class B Special Shares and deleted its private company restrictions. By articles of amendment dated February 7, 2000, Zconnexx created the Series 1 Preference Shares and the Series 2 Preference Shares.

The Company has one wholly-owned subsidiary, Zconnexx America, Inc. (“Zconnexx America”) of Boca Raton, Florida, which was incorporated under the laws of the State of Delaware on April 29, 1999 and authorized to transact business in the State of Florida on June 10, 1999. The Company coordinates its U.S. operations through Zconnexx America.

The head office and registered office of the Company is located at Suite 509, 250 Consumers Road, Toronto, Ontario, M2J 4V6.

PROPOSED AMALGAMATION

Pursuant to an amalgamation agreement dated as of January 26, 2000 (the “Amalgamation Agreement”), Zconnexx and Capital Charter Corp. (“Capital Charter”) have agreed to amalgamate under the laws of the Province of Ontario and to continue as one corporation under the name Zconnexx Corporation (“Amalco”). Zconnexx and Capital Charter have agreed to advance the proposed amalgamation on the basis set out below and to present and recommend the arrangements for the approval of their respective shareholders. The primary purpose of the Amalgamation is to effect a “reverse take-over” of Capital Charter by Zconnexx such that upon completion of the Amalgamation, the shareholders of Zconnexx immediately prior to the Amalgamation will hold the controlling interest in a publicly traded company.

Capital Charter is a venture capital pool company subject to Policy 2.4 of the Canadian Venture Exchange (the “CDNX Policy”). Capital Charter was incorporated under the laws of the Province of British Columbia on November 27, 1998. Since its incorporation, the principal business of Capital Charter was to identify and evaluate properties or businesses with a view to an acquisition. The successful completion of the Amalgamation will be the “qualifying transaction” of Capital Charter within the meaning of the CDNX Policy.

Issued and Outstanding Securities of Capital Charter

As of the date hereof, Capital Charter has, and on the effective date of the Amalgamation Capital Charter will have, the following issued and outstanding securities:

- (a) 2,548,175 common shares (“Capital Charter Common Shares”);
- (b) 250,000 stock options (the “Capital Charter Options”) granted to existing officers and directors of Capital Charter, each entitling the holder to acquire one Capital Charter Common Share at a price of \$0.17 per share until March 8, 2004;
- (c) 113,750 agent’s warrants each entitling the holder to acquire one Capital Charter Common Share at a price of \$0.17 per share until September 28, 2000; and
- (d) 687,500 special warrants, each entitling the holder to acquire, for no additional consideration, one Capital Charter Common Share.

Trading History of Capital Charter Common Shares

The Capital Charter Common Shares were listed and posted for trading on the Vancouver Stock Exchange on March 29, 1999 under the symbol “CLP”. On November 27, 1999, the Capital Charter Common Shares were listed and posted for trading on the Canadian Venture Exchange under the symbol “CLP”. The following table sets forth information relating to the trading of the Capital Charter Common Shares on the Vancouver Stock Exchange and on the Canadian Venture Exchange since the Capital Charter Common Shares were posted for trading:

	High	Low	Volume
1999			
March	\$0.60	\$0.34	243,000
April	\$0.75	\$0.60	141,500
May	\$0.90	\$0.70	63,066
June	\$0.90	\$0.56	53,500
July	\$0.57	\$0.55	5,500
August	\$0.71	\$0.55	5,500
September	\$0.69	\$0.68	8,500
October	Halted		
November	Halted		
December	\$2.60	\$0.85	915,883
2000			
January	\$6.25	\$1.72	846,005
February (to February 22)	\$5.50	\$4.30	305,920

Prior Sales of the Capital Charter Common Shares

Since the date of incorporation of Capital Charter, 2,548,175 Capital Charter Common Shares were issued as follows:

Date of Issue	Number of Shares	Issue Price Per Share	Aggregate Issue Price	Nature of Consideration Received
Jan 26/99	1,000,000	\$0.10	\$100,000.00	Cash
Jan 26/99	300,000	\$0.17	\$51,000.00	Cash
Mar 29/99	1,200,000	\$0.17	\$204,000.00	Cash
Dec 31/99	6,250 ⁽¹⁾	\$0.17	\$1,062.50	Cash
Jan 26/00	750 ⁽¹⁾	\$0.17	\$127.50	Cash
Jan 31/00	41,175 ⁽¹⁾	\$0.17	\$6,829.75	Cash

(1) Issued upon exercise of previously issued agent's warrants.

Share Exchange Ratios

On the effective date of the Amalgamation:

- (a) each holder of Common Shares will receive one fully paid and non-assessable common share in the capital of Amalco (an "Amalco Common Share") for each Common Share held;
- (b) each holder of Class A Special Shares will receive one fully paid and non-assessable Class A special share in the capital of Amalco (an "Amalco Class A Special Share") for each Class A Special Share held. Each Amalco Class A Share will be convertible, for no additional consideration, for one Amalco Common Share at any time and will be automatically converted at 5:00 p.m. (Toronto time) on the earlier of (the "1999 Expiry Date"): (i) the fifth business day (the "Liquidity Date") following the later of (A) the issuance of a receipt for the (final) prospectus relating to the distribution of the Amalco Common Shares to be issued upon exercise of the Amalco Class A Special Shares by the securities regulatory authority in the provinces of Ontario and British Columbia; and (B) the listing of the Amalco Common Shares for trading on the Canadian Venture Exchange; and (ii) one year after completion of the Amalgamation;
- (c) each holder of Class B Special Shares will receive one fully paid and non-assessable Class B special share in the capital of Amalco (an "Amalco Class B Special Share") for each Class B Special

Share held. Each Amalco Class B Special Share will be convertible, for no additional consideration, for one Amalco Common Share at any time and will be automatically converted at 5:00 p.m. on the 1999 Expiry Date;

- (d) each holder of Series 1 Preference Shares will receive one fully paid and non-assessable Class C special share in the capital of Amalco (an “Amalco Class C Special Share”) for each Series 1 Preference Share held. Each Amalco Class C Special Share will be convertible, for no additional consideration, for one Amalco Common Share at any time and will be automatically converted at 5:00 p.m. on the earlier of: (i) the day which is the fifth business day following the issuance of a receipt for a (final) prospectus of Amalco by each of the securities regulatory authorities in the provinces of Ontario, Alberta and British Columbia qualifying, among other things, the Amalco Common Shares issuable upon conversion of the Amalco Class C Special Shares; and (ii) the date which is one year following the Amalgamation;
- (e) each holder of Series 2 Preference Shares will receive one fully paid and non-assessable Class D special share in the capital of Amalco (an “Amalco Class D Special Share”) for each Series 2 Preference Share held. Each Amalco Class D Special Share is convertible, for no additional consideration, for one Amalco Common Share at any time and will be automatically converted at 5:00 p.m. on the earlier of: (i) the day which is the fifth business day following the issuance of a receipt for a (final) prospectus of Amalco by each of the securities regulatory authorities in the provinces of Ontario, Alberta and British Columbia qualifying, among other things, the Amalco Common Shares issuable upon conversion of the Amalco Class C Special Shares; and (ii) the date which is one year following the Amalgamation. In the event that a receipt for the (final) prospectus has not been issued by the securities regulatory authorities in the provinces of Ontario, Alberta and British Columbia and the Common Shares or the Amalco Common Shares, as the case may be, are not listed for trading on the Canadian Venture Exchange on or before April 7, 2000, the holders of the Amalco Class D Special Shares and Amalco Series 3 Warrants shall have the right, by written notice to Amalco, to require Amalco to redeem units (the “Amalco Redemption Units”) comprised of one Amalco Class D Special Share and one Amalco Series 3 Warrant (as hereinafter defined) as is equal to 20% of the number of 2000 Units purchased by such holder, at a redemption price of \$2.00 per Amalco Redemption Unit;
- (f) each holder of Series 1 Warrants will received one Series 1 common share purchase warrant of Amalco (an “Amalco Series 1 Warrant”) having the same terms as the Series 1 Warrants for each Series 1 Warrant held;
- (g) each holder of Series 2 Warrants will receive one Series 2 common share purchase warrant of Amalco (an “Amalco Series 2 Warrant”) having the same terms as the Series 2 Warrants for each Series 2 Warrant held;
- (h) each holder of Series 3 Warrants will receive one Series 3 common share purchase warrant of Amalco (an “Amalco Series 3 Warrant”) having the same terms as the Series 3 Warrants for each Series 3 Warrant held;
- (i) each holder of stock options to purchase Common Shares (the “Zconnexx Options”) will receive one stock option to purchase Amalco Common Shares having the same terms as the Zconnexx Options for each Zconnexx Option held;
- (j) each holder of the 1999 Compensation Warrants will receive one compensation warrant of Amalco (an “Amalco 1999 Compensation Warrant”) having the same terms as the 1999 Compensation Warrants for each 1999 Compensation Warrant held;
- (k) each holder of the 2000 Compensation Warrants will receive one compensation warrant of Amalco (an “Amalco 2000 Compensation Warrant”) having the same terms as the 2000 Compensation Warrants for each 2000 Compensation Warrant held;

- (l) each holder of Capital Charter Common Shares will receive one fully paid and non-assessable Amalco Common Share for each Capital Charter Common Share held;
- (m) each holder of special warrants of Capital Charter (the “Capital Charter Special Warrants”) will receive one special warrant of Amalco (an “Amalco Special Warrant”) having the same terms as the Capital Charter Special Warrants for each Capital Charter Special Warrant held;
- (n) each holder of stock options to purchase Capital Charter Common Shares (the “Capital Charter Options”) will receive one stock option to purchase Amalco Common Shares having the same terms as the Capital Charter Options for each Capital Charter Option held; and
- (o) each holder of agent’s warrant of Capital Charter (the “Capital Charter Agent’s Warrants”) will receive one agent’s warrant of Amalco (an “Agent’s Warrant”) having the same terms as the Capital Charter Agent’s Warrants for each Capital Charter Agent’s Warrant held.

Continuance of Capital Charter

In order to complete the Amalgamation with Zconnexx, Capital Charter will first be required to continue from the laws of the Province of British Columbia to the laws of the Province of Ontario (the “Continuance”). For this purpose, Capital Charter has scheduled an annual and special meeting of its shareholders for February 28, 2000 (the “Annual and Special Meeting”). At the Annual and Special Meeting, shareholders of Capital Charter will be asked to approve a special resolution authorizing the Continuance. The special resolution authorizing the Continuance must be approved not less than three-quarters of the votes cast in person or by proxy.

Approval of Capital Charter Shareholders

Pursuant to the CDNX Policy, the Amalgamation must be approved by 50% plus one vote of the votes cast by Capital Charter’s shareholders, other than promoters, officers, directors or other insiders of Capital Charter and associates or affiliates of such persons or companies (the “Related Parties”) and related parties to the other parties to the Amalgamation, at the Annual and Special Meeting. In addition, under applicable corporate law, the Amalgamation must be approved by not less than two-thirds of the votes cast in person or by proxy at the Annual and Special Meeting.

Approval of Zconnexx Shareholders

Pursuant to the *Business Corporations Act* (Ontario), the Amalgamation must also be approved by not less than two-thirds of the votes cast in person or by proxy at a duly constituted meeting of shareholders of Zconnexx. In order to obtain the approval of the shareholders for the Amalgamation, Zconnexx has scheduled an annual and special meeting of its shareholders for February 29, 2000 (the “Zconnexx Meeting”).

Amalgamation Agreement

The Amalgamation Agreement contains representations, warranties and covenants and indemnification and other provisions customarily found in an amalgamation agreement entered into by parties proposing to amalgamate and dealing at arm’s length.

The obligations of Zconnexx and Capital Charter to complete the Amalgamation are conditional upon, among other things: (a) the Continuance having been completed; (b) the Amalgamation having been approved by the required majority of votes of the shareholders of each of Zconnexx and Capital Charter; (c) the Amalgamation having been approved as a “qualifying transaction” within the meaning of the CDNX Policy by the required majority of the votes of the Capital Charter shareholders who, being entitled to do so, vote in person or by proxy at the Annual and Special Meeting; and (d) the Amalco Common Shares having been accepted for listing by the Canadian Venture Exchange, subject to Amalco fulfilling certain listing requirements.

In addition, the obligation of Zconnexx to complete the Amalgamation is conditional upon, among other things: (a) Capital Charter having, on the effective date of the Amalgamation, not less than \$370,000 in cash net of all liabilities, including costs incurred in connection with the Amalgamation; (b) not more than 10% of the holders of the

issued and outstanding Capital Charter Common Shares having exercised, and not withdrawn, their dissent rights, if any, respecting the Amalgamation; and (c) not more than 10% of the holders of the issued and outstanding Common Shares or Class A Special Shares of Zconnexx having exercised, and not withdrawn, their dissent rights respecting the Amalgamation.

The Amalgamation Agreement provides that it will terminate in the event that, among other things, the Amalgamation has not been completed on or before April 15, 2000, or such later date as may be approved in writing by Capital Charter and Zconnexx.

BUSINESS OF THE COMPANY

Certain of the information contained below under the sections entitled “Market” and “Business Strategy” has been obtained from publicly available information from third party sources. The Company has not verified the accuracy and completeness of any information contained in such publicly available information. Further, the Company has not determined if there has been any omission by any such third parties to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information contained in such publicly available information has been furnished or which may affect the significance or accuracy of any information contained in any such information and summarized herein.

Overview

The Company is the developer and marketer of a portal and online community of businesses located at <http://www.yellowpage.net> (“YellowPage.Net”). Zconnexx sells a turnkey bundle of Internet services (the “YellowPage Package”) to its business subscribers for a fixed monthly fee (inclusive of development and bandwidth), which is billed directly to the subscribers’ local phone bill after the first month of free service. The Company, through its wholly-owned subsidiary, Zconnexx America, provides subscribers with: (i) limited toll free Internet dial-up access; (ii) an individualized website with a unique web address (e.g. www.merchant.ypn.net) developed from a proprietary template; (iii) entry-level website development services based on a proprietary platform; (iv) website hosting facilities; and (v) a web-based e-mail account. The Company has initially targeted small and medium-sized businesses in the United States and has succeeded in procuring over 30,000 third party verified subscribers through an ongoing telemarketing campaign. Management believes that the business-to-business sector of the Internet market has significant growth potential, and will seek to capitalize on its growing subscriber base by developing e-commerce facilities and online business-to-business opportunities within the community.

Business Strategy

Management’s goal is to become the premier entry-level web hosting facility and Internet access provider for small to medium-sized businesses by creating a scalable, online community to satisfy the needs of this particular market segment. The Company aspires to earn a reputation in the marketplace for developing and delivering an easy and affordable website hosting solution within a dynamic community of businesses. Management believes this can be achieved through focused product development, a close understanding of market trends and needs, and innovative and profitable bundling of services.

Product Development

Zconnexx has developed technological processes ideally suited for entry into the website creation and hosting market for small to medium-sized businesses. By offering a nominal amount of toll free Internet access per month, website development services, and entry-level hosting facilities, the Company’s marketing strategy is building out an online community at a rate which, in the past, has exceeded 2,500 new subscribers per week.

Management believes that a growing opportunity exists for companies that can facilitate the migration of traditional businesses to the Internet and, ultimately, an e-commerce marketplace. The Company is of the further belief that a sizable portion of this new market opportunity will revolve around Internet portals. Management believes that small merchants will move to Internet portals for the same reasons that their real-world predecessors flocked to commercial districts and shopping centres – visibility. The Company has a two-tiered strategy to deal with this phenomenon. Initially, an online community will be established through the YellowPage.Net program. Depending on market conditions thereafter, the Company will either upgrade the YellowPage.Net community to a transaction-based Internet market or create an entirely new e-commerce marketplace leveraged by the experience gained from, and the traffic flow diverted through, the YellowPage.Net portal.

Although high profile, well-branded e-commerce sites garner current media attention, management anticipates that the migration of the millions of existing small businesses in the United States to the Internet will provide an opportunity to a host of technology service vendors. With only 70,000 e-merchants online by the end of 1999 and over 7.6 million small businesses in the U.S. by the end of 1999, management believes that there is a large growth opportunity in this market for Zconnexx (Keenan Vision: October, 1999).

While portals can supply locations for e-merchants, a whole set of critical services are required to deploy the necessary technology to create an online presence. Management believes that many small e-merchants do not have the time or interest to become highly skilled information technology professionals. The Company intends to fulfil the critical needs of this emerging class of small businesses by: (i) presenting the online opportunity to the offline merchant via direct marketing; (ii) providing Internet access; and (iii) developing an entry-level website complete with text, graphics, a unique web address, e-mail, a directory listing and hosting for a monthly fee. The YellowPage.Net program has been designed to reduce the barrier to entry for small to medium-sized businesses interested in establishing an online presence by creating an easy and affordable solution.

After Zconnexx successfully migrates a sizable community of businesses to the Internet, and depending on market conditions and other variables that may or may not be in the control of the Company, management intends to roll out certain e-commerce technologies to the Company's subscriber base, such as individual merchant shopping carts and/or real-time transaction processing services. Management's goal is to add a thin e-commerce solution for the existing subscriber base while offering a more robust e-commerce solution to a new set of subscribers that are willing to pay an additional amount for enhanced functionality.

Bundling of Services

Currently, the YellowPage.Net portal is also known as The Internet Yellow Page NetworkSM. The Internet Yellow Page Network serves not only as a business portal, but also as a public directory and search engine of businesses that links public search queries to the websites of YellowPage Package subscribers. The site also hosts a variety of business related services and associated links, such as online credit reports, links to government regulatory information, travel information, mapping services, and a password protected members area where members will be able to access an online web editor, that enables members to change the basic business information (i.e. address, contact information, hours of operation) found on their websites.

The Company believes that there is a synergy between the successful migration of offline merchants to the Internet and the creation of a vibrant, self-sustaining online e-commerce marketplace, and intends to capitalize upon this synergy by fully integrating the Company's YellowPage.Net community with a stand-alone electronic marketplace currently in development. The Company is currently evaluating the viability of different e-commerce marketplace frameworks, such as a business-to-business digital barter economy, a business-to-business auction and a "request for purchase" or reverse auction clearinghouse.

The Company's marketing strategy is to initially aggregate diverse, horizontal markets distinguished by region and industry. Following this initial stage, Zconnexx intends to promote and reinforce individual vertical markets within the Company's established customer base. Management believes that value will be created for the Company's customers by highlighting each subscriber's business within a particular cross-section of the Zconnexx customer base. Management further believes that visitors to YellowPage.Net will benefit as a result of the organization of the Company's customer base and that Zconnexx, by creating the foundation upon which vertical marketplaces may be formed, can leverage natural synergies within distinct demographics.

Market

Management believes that instant interactivity in business has become critical, and is breeding accelerated change. In a world of instantaneous connection, there is a premium on instant response and the ability to learn from and adapt to the marketplace in real time. As such, management is of the further belief that more and more offline businesses, even small business, must create an online presence to compete.

Management believes that, eventually, infomediaries will replace intermediaries in the new digital economy. Traditional distributors and agents will be threatened by a networked economy in which buyers can deal directly with sellers. As the amount of data grows, these infomediaries are needed to turn data into usable information. They offer aggregated services, intelligent customer assistance, powerful technology-based buying aids or an attractive, community-based buying environment. Initially, YellowPage.Net will serve as the Company's entry-level, online community with a view to deploying a scalable transaction-based environment in the near future.

Management believes that for small businesses, e-commerce will represent an additional method of attracting potential customers and will represent a one-on-one opportunity between buyer and seller. As information is easier to customize than hard goods, the information aspect of any good or service is becoming a larger part of its total value. Suppliers will be able to customize their on-line marketing of products and services, and consumers will begin to demand this sort of customer-specific marketing. Zconnexx allows its small to medium-sized business customers an opportunity to target their on-line marketing efforts to their customers.

The Internet

The number of people utilizing the Internet is expected to continue to increase rapidly. One example of this is demonstrated in the public's access to news. According to Jupiter Communications, 76 percent of the media-consuming public still relies on broadcast or cable TV as a primary news source. While 9 percent still turn on the radio, just two percent wait for the paper to arrive on their doorstep. The Internet's share of the news market stands at 12 percent, but Jupiter projects it will increase as the U.S. online population increases. To date, Jupiter has estimated that there are 38 million U.S. households that have Internet access. Jupiter expects that number to reach 61 million by 2002. Management expects that with increased utilization of the Internet, there will be an increased potential for the sale of products and services online by the small to medium-sized business market Zconnexx has targeted.

Business-to-Business Market

Although Internet shopping is best known these days for the books, toys, and music it delivers to home consumers, management expects it is the business-to-business e-commerce market where the Internet will have its biggest long-term impact. Business-sector infomediaries are creating new networks where established market participants in an industry unite to develop new standards for handling transactions electronically.

With nearly nine million online shoppers worldwide, few retailers can afford to ignore e-commerce opportunities any longer. Estimates from Forrester Research now place U.S. online sales at \$7.8 billion (more than triple the \$2.4 billion of 1997). Internet retail sales in the United States are expected to hit \$108 billion by 2003, when more than 40 million households will buy online, accounting for six percent of the \$1.8 trillion in U.S. consumer retail spending.

The Company has targeted the small merchant market, with each merchant generating annual revenues anywhere between \$100,000 to \$10 million. Estimates of the size of this segment may vary depending on the size of the business included in estimating the market. For its purposes, management considers \$100,000 annual revenues, three or more employees and possession of a merchant bank account as the minimum criteria for a business to be categorized as a small business. Based on a survey of major Internet merchant service providers, Keenan Vision estimates that only 70,000 Internet merchants of the 7.6 million small businesses in the U.S. at such time were able to collect payments via the Internet in October, 1999 (Keenan Vision: October, 1999).

With the growing presence of the Internet, management believes that many small to medium-sized businesses will be receptive to the message being put out by the infrastructure companies that a Web presence is no longer a luxury but a necessity.

Products and Services

Management believes that bringing the Company's products to market quickly will be crucial for success. Zconnexx's market entry plan targets the small to medium-sized business community, with follow-on products and services to scale to transaction-based functionality. The products and services will be aggressively priced for these markets and distributed through a combination of direct and indirect sales channels.

The YellowPage Package

The YellowPage Package represents the first step towards building an online destination for businesses. The Company provides its customers with a comprehensive, turnkey bundle of Internet services with the added value of membership in an online community of businesses. Upon joining, each subscriber is mailed a Zconnexx Internet start-up CD-ROM. The CD-ROM is self-installing and will configure a user's software to connect to the

Internet from anywhere in the continental United States. Once connected, subscribers have access to their web-based e-mail accounts located at YellowPage.Net. Specifically, the YellowPage Package includes: (i) no set-up fee; (ii) a free first month of service; (iii) one entry-level website created and hosted by Zconnexx; (iv) one web-based e-mail account; (v) one limited Internet dial-up account with toll free access; (vi) membership in The Internet Yellow Page Network community of businesses, which includes a directory listing; (vii) monthly invoicing on the subscriber's existing local phone bill; (viii) one start-up CD-ROM; and (ix) toll free customer support.

Using a subscriber's information that has been verified by an independent third-party service, digitally voice recorded and entered into a database, each customer record is converted using proprietary templates to create an individualized website. The Company's in-house staff has built over 29,000 websites to date. Further, the Company has developed, tested and implemented a method of generating third-level unique website addresses ("URLs"), thereby identifying the subscriber's website with a unique and personal web address (e.g. www.merchant.ypn.net). Once the customer information is entered into the YellowPage.Net database, a website, e-mail account, user identification and password are automatically generated. The customer information is then sent to the Company's fulfillment team that sends the new subscriber a start-up CD-ROM that allows him or her to log on to the Internet and use the YellowPage.Net online resources.

The Company intends to allow its subscribers to have the ability to modify and customize their websites, in a limited manner, by using an online website editor that is currently under development and which Zconnexx expects to be deployed in the near future. Once deployed, the online editor will allow subscribers to change certain text information found on their website, in addition to images and photos. The Company is in the process of increasing the functionality of the online editor to include options such as allowing subscribers to change the website template colour and style as well. Currently, amendments to websites are handled through customer service requests. The Company hosts all subscriber websites.

YellowPage.Net also serves as the Company's online directory and business resource centre. YellowPage.Net provides business visitors with access to valuable tools such as a scrolling stock ticker; airline flight tracking information; local business search, people/address finder and map function; an online personal calendar; credit reports; a currency converter; 50 Megabytes of free drive space; office supplies; shipping resources; government information; telecom and utility resources; various desk reference links (e.g. dictionary, thesaurus, etc.); travel services; and computing resources. YellowPage.Net also provides access to consumer resources such as an online comparison shopper; TV listings; movie listings; weather reports; plus numerous retail services. Many of these features are provided to the Company at no charge through affiliate programs and the permitted use of hyperlinks.

YellowPage Package Marketing

In order to expedite the growth of its online community, the Company initiated a direct marketing campaign featuring outbound phone sales in September 1999 – well before all services were in place to begin the billing cycle. As such, the Company's goal was to build as many websites as possible, and host them for free, until the remainder of the services (i.e. Internet access and e-mail) became available as a complete package. Since September 1999, the Company has enrolled over 30,000 subscribers and has built over 29,000 subscriber websites.

Management believes that a diversified customer base will allow Zconnexx to capitalize through the aggregation of vertical markets, either through its own research and development of vertical communities, or through partnerships and affiliations. Management further believes that the best way to enter the small to medium-sized business market is to build out the membership base as quickly as possible in order to leverage the value of the YellowPage.Net community in the future.

Zconnexx America has entered into agreements with North American Marketing Tours, Inc. ("NAMT") of Abescan, New Jersey and Virtual Callcentres, Inc. ("Virtual") of Hollywood, Florida to provide Zconnexx with telemarketing services related to the YellowPage Package. NAMT and Virtual are responsible for purchasing databases of qualified sales leads in the geographic regions in which the YellowPage Package has been approved by regional local exchange carriers ("LECs"), and are paid a one-time fee for each verified sale of the YellowPage Package.

The Company has provided NAMT and Virtual with two performance incentives that are tied to sales performance in terms of the quality and volume of sales. The first incentive, the residual incentive, is a sales quality incentive comprised of a fixed fee for each active subscriber that has been billed and collected for the YellowPage Package for a consecutive period of no less than three months. Under the second incentive, each of NAMT and Virtual have the right to earn a total of 50,000 options to purchase Common Shares at a price of \$0.60 per share. These options are to vest only upon the attainment of verified subscriber milestones, such milestones being based in terms of the volume of verified sales.

Zconnexx has been successful in receiving the approval of numerous LECs to bill YellowPage Package subscribers directly on their local telephone bill. The Company has taken precautions to preserve its relationships with its billing partners, and, as a result, all telemarketing sales are made in strict compliance with the LEC-approved sales script. Similarly, all recorded verifications conform to the script approved by the Company's billing partners. Any failure on the part of the Zconnexx sales force to abide by the LEC policies or procedures affects their eligibility for the above enumerated performance incentives. As of the date of this prospectus, the Company has been approved for billing its Internet services on numerous LEC billing platforms, including:

- Ameritech;
- Bell South;
- GTE;
- Pacific Bell;
- Nevada Bell;
- Southwestern Bell; and
- Sprint United.

After agreeing with the Company's affiliated sales representatives to subscribe to the YellowPage Package, subscribers are transferred to a live, independent, third party verification representative. The verification representative asks each subscriber for an oral confirmation of the terms of service and cross references the billing information for each subscriber with the information collected by the sales representative. All verifications are contemporaneously digitally recorded, and all recordings are transferred electronically to the YellowPage.Net databases on a daily basis. The Company has entered into an agreement dated as of January 14, 2000 with Dotcom Telemarketing, Inc. ("Dotcom") for all live verification services. Under the terms of the agreement, the Company will pay Dotcom on a per verification basis, and has granted Dotcom 100,000 options to purchase Common Shares at a price of \$0.60 per Common Share. These options are to vest only upon the attainment of verified subscriber milestones, such milestones being based in terms of volume of verified sales processed.

Billing and Collections Cycle

To date, all subscribers have been offered their first month of service at no cost. Subscribers are obligated to pay the monthly service fees for the YellowPage Package in advance of the month for which they wish to receive the Package. The Company will submit the required billing information to a billing intermediary 30 days after having mailed the Zconnexx Internet start-up CD-ROM to its subscribers, unless the Company has received a notice of cancellation from the subscriber. Once the billing information is posted with the LECs, the subscriber will be billed on its regular LEC billing cycle (altogether the Company believes the subscriber will be billed within 30 days of LEC processing the Zconnexx subscriber information). The subscriber generally has a further 30 days to make payment on its LEC telephone bill. Given the foregoing, the Company's initial billing cycle is expected to be approximately 90 to 120 days from the date that the subscriber enrolls in the YellowPage Package.

Zconnexx America has entered into an agreement with Integretel Incorporated ("IGT") to act as the Company's billing intermediary with LECs. In return for a percentage of all billed and collected YellowPage Package fees, IGT will be responsible for submitting the Company's customer billing information to the various telecommunications companies, collecting funds from such telecommunications companies, distributing funds to the proper accounts and providing customer billing inquiry services to the Company's subscribers.

Twenty percent of all funds collected on behalf of the YellowPage Package are to be held back by the LECs and the Company's billing intermediary in true-up accounts. The LECs hold back 10% of all YellowPage Package funds and the billing intermediary initially holds back 10%, although this later amount eventually decreases to 6% once the billing program in question has matured. Such funds are to be used to reimburse the LECs for any

expenditures that may be made with respect to the handling of billing inquiries from YellowPage Package subscribers, such as per-call billing inquiry fees and subscriber refunds. The true-up accounts are to be settled on the earlier to occur of the LEC internal true-up date or 18 months from the date of holdback.

The true-up accounts are to be reconciled and settled in a manner consistent with the LECs' general reporting and accounting policies. This internal LEC reconciliation, or true-up, for any particular holdback period is to take place no later than 18 months from the date of the initial holdback. As a result of this rolling holdback account, the LECs are obligated to make monthly holdback remittances to the Company. This future stream of income has the potential of totalling a maximum of 20 percent of revenues collected in the month that is 18 months prior to the remittance, and continues until the Zconnexx holdback accounts have been fully reconciled and closed, even in the event that the YellowPage Package is no longer offered by the Company through the particular LEC.

Regulation

Although the Internet has been largely unregulated since its inception, the advent of e-commerce has forced governments to re-examine many policies, such as those touching on privacy and digital identity verification issues.

The Federal Communications Commission ("FCC") is the United States federal telecommunications regulator and has the mandate to approve or deny the terms, conditions, rates and charges applicable to services provided by LECs, as well as to dictate the terms of competition in the telecommunications market. Third party service providers, which do not own or operate, but merely lease transmission facilities or other services from carriers for resale, are not currently regulated directly by the FCC.

The LECs have been ordered by the FCC to allow third party service providers, such as Zconnexx, access to their billing platform via clearinghouse intermediaries. These regulations limit the fees that may be charged for billing services, and also provide a framework of policies designed to protect against consumer fraud. In FCC Report No. CC 99-12, the FCC announced its truth-in-billing principles and guidelines. The FCC recommends that the LECs and service providers adopt "Best Practices" that include: providing consumers with comprehensive and complete bills; verification of consumer authorization for third party services; and LEC screening of the business and marketing plans of third party service providers and the services they offer. The Company has worked closely with the clearinghouse intermediaries and LECs to strictly conform to these regulations, policies and guidelines and to provide Zconnexx subscribers with clear and concise billing information.

Customer Service

The Company is completing the final stages of developing its customer service operation. The Company has secured the permission of the LECs to have all YellowPage Package billing inquiries redirected from the LEC to Zconnexx's own customer service centre. In addition, the Company has secured the services of its billing intermediary to handle any overflow customer calls in the event the Company is unable to handle the capacity of client inquiries. Zconnexx America has outsourced all toll-free technical support services offered to the YellowPage subscribers in relation to the Zconnexx Internet start-up CD-ROM. Under an agreement between Zconnexx America and Slic.com Directcall LLC ("Slic.com"), Slic.com will provide YellowPage Package subscribers with toll-free technical support 24 hours per day, seven days per week, in exchange for a monthly non-refundable retainer plus any additional time-usage charges billed on a flat per-minute fee. The Company is also exploring a sub-contracted customer service solution in the event that the customer service facilities are required to be expanded.

Network and Information Systems

The Company has made a strategic decision to host the YellowPage.Net website from Zconnexx America's Florida office in order to increase control over the community and manage development more efficiently. Zconnexx now hosts its entire YellowPage.Net community on servers located at its network operation centre ("NOC") in Florida.

The Company's core network infrastructure is built around a cluster of three ALR servers (Web Hosting 1, Web Hosting 2 and SQL Database), each with quadruple Pentium® III 550 Megahertz ("MHz") processors, 1 Gigabyte ("GB") Random-Access Memory ("RAM") and a Redundant Array of Inexpensive Disks ("RAID") Level 5 hard drive configuration, plus numerous ancillary servers for dial-up, the Domain Name System ("DNS"), firewall,

development and local area network (“LAN”) purposes. Redundant voice and data T1 lines, supplied via different access points, connect dial-up users to the Internet and connect visitors from the Internet to the YellowPage.net business community. The Company’s Toronto office hosts its own administrative LAN network at the Zconnexx corporate offices.

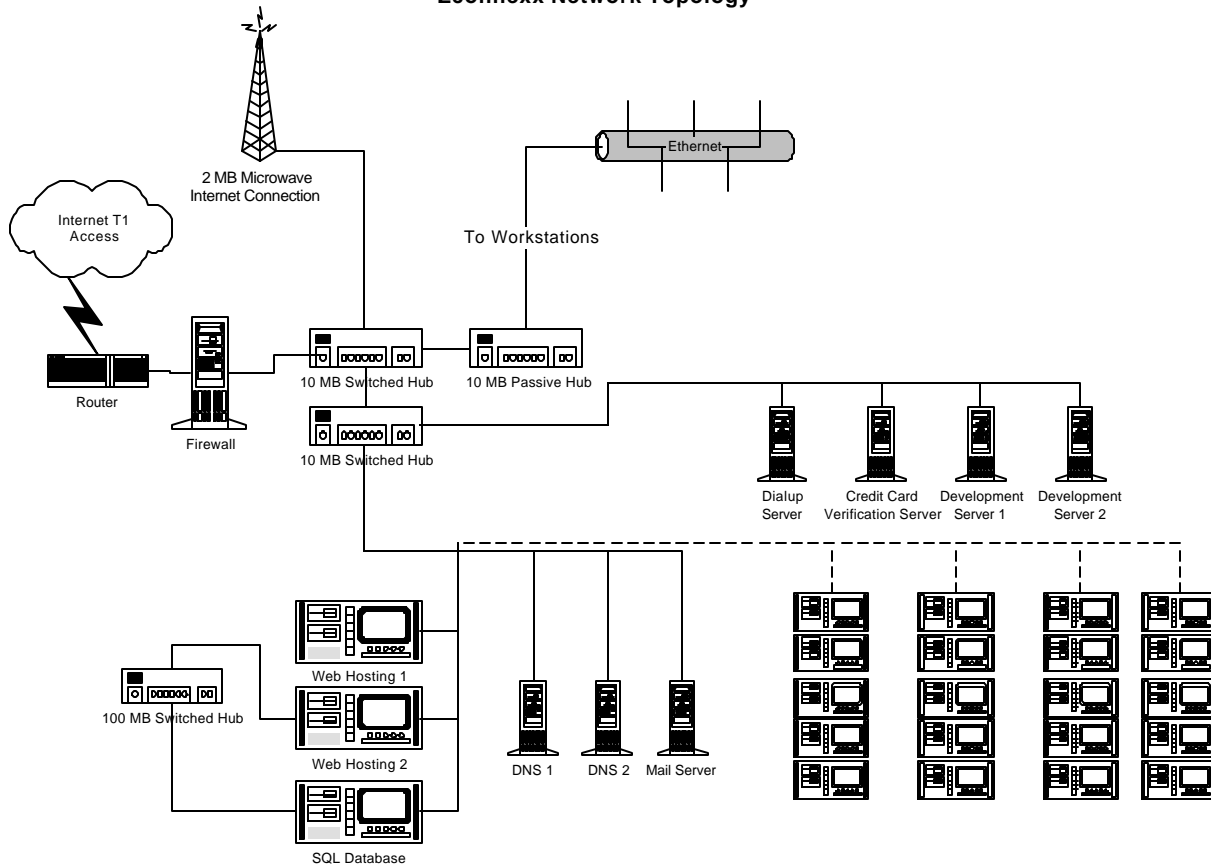
Zconnexx’s network infrastructure is based on a proprietary platform developed as a work for hire by contracted programmers using a variety of Microsoft® certified software. The platform is based on Microsoft NT Enterprise Edition 4.0 using Service Pack 6.0, ASP Server 2.0 and SQL Server 7.0. The Company plans to move to Windows 2000 Datacenter and Windows 2000 AS in the near future. All data is backed-up daily, while system-wide back-ups are performed weekly and tapes are stored at a secure offsite location.

The Company is currently in the preliminary planning stage of either developing in-house or contracting development to add transaction processing e-commerce features to its website. Merchants that want to be able to sell goods and services through their websites will pay an additional monthly fee once this planned service is available. Online e-commerce features planned to be offered by the Company include database hosting, credit card processing and advanced site search facilities. Zconnexx also plans to expand its own site to include an online business-to-business auction, a barter room, and e-credit facilities. Any e-commerce application layer of software developed or acquired to extend current Zconnexx technologies or applications of the YellowPage.Net community must provide a complete, low cost, easy-to-use Internet commerce solution for the particular needs of community.

The Company is also in the process of updating its information systems in order to centralize all departmental databases, including those of the sales and verification centres located in Hollywood, Florida and Abescan, New Jersey. Once completed, the third-party verification service provider will be able to simultaneously perform the online verification for a sale originating from either sales office, while keying customer information directly into the YellowPage.Net databases. The databases will, in turn, automatically (i) create a new and individualized customer website with a URL; (ii) create a personalized e-mail account; (iii) generate a dial-up access account; and (iv) attach the digital voice recording of the sale agreement to the customer record. The planned YellowPage.Net databases will be accessible online by the in-house customer service and billing departments, and will provide restricted remote access to outsourced operations such as Zconnexx technical support.

The following diagram illustrates the Company’s current network topology:

Zconnexx Network Topology



20 IBM Netfinity 5600 servers on order and will be arriving in the next 90 days for web hosting in a load balanced environment

Proprietary Protection

Zconnexx relies on a combination of copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect its proprietary information.

As part of the Company's confidentiality procedures, employees are generally required to enter into confidentiality and non-disclosure agreements before disclosure is made of any sensitive aspects of the Company's products or business plans. In addition, employees are generally required to agree to surrender to the Company any proprietary information, inventions or other intellectual property they generate or come to possess while employed by Zconnexx.

In order to further protect its proprietary interest, Zconnexx has made the following applications for trademarks or servicemarks:

Mark	Application	Jurisdiction
YellowPage.Net	75/707928	United States
E-Commerce Solutions for a new millennium	1028361	Canada
The Internet Yellow Page Network	75/707929	United States
YPN.Net	75/707927	United States

Mark	Application	Jurisdiction
Zconnexx	1013593	Canada
Zconnexx	75/739,807	United States
Zconnexx Design	1025472	Canada
Zconnexx Design	Filed February 4, 2000	United States

Although the Company believes that these precautions are adequate under the circumstances, they afford only limited protection. Despite efforts to protect the Company's proprietary rights, unauthorized parties may attempt to copy aspects of the Company's products or to obtain and use information that Zconnexx regards as proprietary and third parties may attempt to develop similar technology independently. These precautions may not prevent misappropriation or infringement of the Company's intellectual property. In addition, laws of some countries do not protect the Company's proprietary rights to the same extent as do the United States or Canada. The Company cannot be certain that protection of its proprietary rights will be adequate or that its competitors will not independently develop similar technology.

Competition

The Company faces competition in many areas. It competes primarily with those companies developing Internet business directories and it will also face competition from other Internet business portals and e-commerce marketplaces.

The Company has numerous competitors who are also building Internet yellow page directories, including the LECs and smaller Internet infomediary-type companies. The LECs generally have experience in packaging and promoting yellow page directories in print format, and also have the benefit of crossing-over their current yellow page advertisers to an online directory. Some of the LEC competitors are:

- www.yellowpages.net by Ameritech;
- www.smartpages.com by SBC Communications – representing the Southwestern Bell, Pacific Bell, Nevada Bell, Cellular One and SNET brands;
- www.uswestdex.com by US West; www.realpages.com by BellSouth;
- www.bigyellow.com by Bell Atlantic;
- www.superpages.com by GTE; and
- www.athand.com by the @Hand Network – jointly operated by Ameritech, BellSouth, SBC Communications and US West.

Despite the fact that LECs are now offering packages similar to the YellowPage Package to their existing customers, management believes that the Company has certain competitive advantages over the LEC packages, such as not being limited to a regional customer base. In addition, management believes that the YellowPage Package is priced competitively in relation to similar packages promoted by LECs.

The Company also faces competition from competitors that are trying to build an Internet yellow page directory, a business-to-business portal or e-commerce marketplace. These competitors, many of whom have longer operating histories or more experience than Zconnexx, include:

- www.worldpages.com, which claims direct access to 112 million U.S. and Canadian white and yellow pages listings, nine million e-mail addresses, 30 million URLs, and links to over 200 directories worldwide;
- www.quickpage.com, which offers subscribers a broad range of products from the promotion of a subscribers existing website in several "major" directories to full-blown e-commerce website hosting and development;
- www.yellow-page.net, offering small business subscribers an enhanced listing in its yellow page directory;

- www.yellowpagesinc.com, an online directory service offering subscribers four listing and two website packages; and
- www.yellowpages.com, offering small business subscribers an enhanced listing in its yellow page directory.

Management believes that the Company's turnkey e-commerce solution of Internet access, e-mail, and unique net identity with a customized website give the Company a competitive advantage in meeting the needs of the small to medium-sized business.

Acquisition of bounce2this.com Inc.

On January 16, 2000, the Company signed a binding term sheet for the acquisition of 65 percent of the issued and outstanding shares (the "B2T Shares") of bounce2this.com Inc. ("B2T"), a Toronto-based website design and software development company. The integration of a website design and software development unit into its core business is expected to enable the Company to lower its own product design and development costs. In consideration for the purchase of the B2T Shares, the Company has agreed to issue 250,000 Common Shares to the current shareholders of B2T upon completion of the acquisition. B2T was instrumental in the design and development of the Zconnexx back-end subscriber management software and Internet access configuration wizard. The Company plans to retain B2T to design and develop significant portions of an interactive, online marketplace that will service the YellowPage.Net community.

Pursuant to the terms of the B2T term sheet, the Company has agreed to enter into a development agreement, offering B2T a minimum of \$100,000 worth of development work within one year of closing. Zconnexx has agreed to pay B2T \$50,000 per quarter, for two consecutive quarters to be used as an advance against future development work. In addition, the Company will provide up to a total of \$100,000 as a loan to B2T, advancing \$25,000 per quarter to be secured by a floating charge over B2T's receivables, to B2T during the first year after the B2T acquisition closing. B2T and the Company have also agreed to enter into three-year employment agreements with B2T's two principal shareholders.

Upon closing of the acquisition of the B2T Shares, the Company will appoint David C. Mongeau to its board of directors. Mr. Mongeau has served as Managing Director and Global Head, Mergers & Acquisitions, CIBC World Markets since 1993. In addition, the Company will be entitled to elect three of the five members of B2T's board of directors.

Properties

The Company leases its principal executive offices located at 250 Consumers Road, Suite 509, Toronto, Ontario, M2J 4V6. The lease provides for a term of three years, from July 1, 1998 to June 30, 2001 and may be renewed, at the Company's option, for one separate and consecutive term of three years. Management is presently negotiating with the Toronto lessor to expand its current offices, and is also seeking alternate premises should current negotiations fail.

Zconnexx America leases its principal operating offices located at 751 Park of Commerce, Suite 112, Boca Raton, Florida, 33487. The lease provides for a term of 43 months, from June 1, 1999 to December 31, 2002 and may be renewed, at the Company's option, for one separate and consecutive term of three years.

Administration

The Chairman and Chief Executive Officer, President, Executive Vice President and Chief Financial Officer of the Company are located in the Zconnexx executive offices in Toronto, Ontario. The executive team manages the general corporate and administrative functions of Zconnexx and Zconnexx America and is also responsible for obtaining financing for operations. The executive team also actively participates in the daily decision-making process of its operating subsidiary through established lines of communication with the Zconnexx America management team.

The operations of Zconnexx America are distinguished by four distinct units: sales and marketing, billing and collection, customer service and network administration. The operations management team consists of the head

of each unit, and is based in Zconnexx America's Florida offices. The operations management team is responsible for all operations in connection with the YellowPage Package, and report to the executive team on a daily basis.

Key Operating Employees

As at February 21, 2000, the Company had ten full-time employees. None of these employees are covered by a collective bargaining agreement or represented by a union and management believes that the Company maintains a good relationship with its employees.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis includes financial information from, and should be read together with, the financial statements of the Company, including the notes and the other financial information appearing elsewhere in this prospectus.

General

The Company was incorporated under the *Business Corporations Act* (Ontario) on June 16, 1998 as an Ontario numbered company. Since April, 1999, the Company has focused its efforts on becoming the premiere, entry-level web hosting facility and Internet access provider for small to medium-sized businesses. Zconnexx sells a turnkey bundle of Internet services to its business subscribers for a monthly fee of US \$29.95, which is billed directly to the subscribers' local phone bill after a first month of free service. The Company, through its wholly-owned subsidiary, Zconnexx America, provides subscribers with: (i) limited toll free Internet dial-up access; (ii) an individualized website with a unique web address (e.g. www.merchant.ypn.net) developed from a proprietary template; (iii) entry-level website development services based on a proprietary platform; (iv) website hosting facilities; and (v) a web-based email account. The Company has initially targeted small and medium-sized businesses in the United States and has succeeded in procuring over 30,000 third party verified subscribers through an ongoing telemarketing campaign.

Overview

Since its inception, the Company has incurred losses primarily as a result of marketing, capital expenditures, debt repayments and other general corporate purposes. From inception through November 30, 1999, the Company accumulated losses of \$2,076,996. As the Company continues to expand its business, it expects to continue to incur losses until June, 2000. The Company has a limited operating history on which to base an evaluation of its future business prospects.

Six Months Ended November 30, 1999

Results from Operations

During the six months ended November 30, 1999, the Company recognized a net loss of \$1,667,000. The increased loss from the prior period is primarily attributable to the full implementation of the Company's business plan. Specifically, the Company incurred costs for development of the Company's Internet-based community of subscribers, the hiring of individuals and the issuance of the 1999 Units.

During the six month period ended November 30, 1999, expenses increased 305% to \$1,661,000, from \$410,000 in the prior period. The increase was primarily the result of marketing, salaries and wages, office and general, and professional fees incurred due to the implementation of the business plan.

During the six months ended November 30, 1999, the Company recognized net interest expense of \$111,000 as compared to nil in the prior period. The net change in interest expense is the result of the Company obtaining loans to fund operations.

During the six month period ended November 30, 1999, the Company generated cash flow of \$1,570,000, of which the entire amount represents the increase from the prior period. The funds generated primarily resulted from the Company obtaining \$2,970,000 from the issuance of securities pursuant to the 1999 Private Placement. The funds were used for the repayment of debt, the acquisition of capital assets and the implementation of the Company's operations.

Period from June 16, 1998 to May 31, 1999

Results from Operations

During the period ended May 31, 1999, the Company initiated operations and the implementation of its

business plan.

During the period ended May 31, 1999, the Company incurred a loss of \$410,000. The loss was primarily composed of consulting fees incurred.

Liquidity and Capital Resources

To November 30, 1999, the Company's activities were financed through the issuance of securities for net proceeds of \$3,340,380. The Company had a working capital of \$1,325,002 as at November 30, 1999.

Previous Financings

EcomPark Inc. Pursuant to the terms of a subscription agreement dated as of August 26, 1999 between the Company and EcomPark Inc. ("EcomPark"), EcomPark subscribed for 1,377,500 Common Shares for gross proceeds of US \$250,000. The gross proceeds of the subscription were satisfied by the cancellation of a previously issued convertible promissory note of Zconnexx in favour of EcomPark.

1999 Private Placement. The Company completed a private placement in November 1999. Pursuant to the terms of an underwriting agreement dated November 26, 1999 between the Company and Yorkton Securities Inc. (the "Underwriter"), the Company issued the 1999 Units for gross proceeds of \$3,420,000. Each 1999 Unit consisted of one Class B Special Share and one Series 1 Warrant or Series 2 Warrant. See "Proposed Amalgamation" and "Plan of Distribution".

2000 Private Placement. The Company completed a private placement in February, 2000. Pursuant to the terms of an agency agreement between the Company and the Underwriter, the Company issued the 2000 Units for gross proceeds of \$5,500,000. Each 2000 Unit was comprised of 0.8 of one Series 1 Preference Share, 0.2 of one Series 2 Preference Share and one Series 3 Warrant. See "Proposed Amalgamation" and "Plan of Distribution".

Capital Requirements

In November 1999, the Company completed the 1999 Private Placement generating net proceeds of \$2,970,000. In addition, in February 2000, the Company completed the 2000 Private Placement generating net proceeds of \$4,907,000. With the 1999 Private Placement, in the event that the closing price of the Common Shares is at least \$2.50 for 10 consecutive trading days following the date which is 60 days following the date of issuance of the last of the receipts for a prospectus qualifying, among other things, the issuance of the Common Shares to be issuable upon conversion of the Class B Special Shares, Zconnexx has the right to abridge the expiry date of the Series 1 and Series 2 Warrants, which would result in minimum gross proceeds to the Company of \$3,420,000.

Management anticipates that the Company's current cash, together with net income and positive cash flow to be generated by the Company's operations will be sufficient to meet working capital requirements for the next 12 months.

Year 2000 Compliance

The Year 2000 problem arose from the fact that many computer programs indicated the year by only two digits, rather than four. As a result, it was generally thought that computer systems and software in a wide variety of industries would possibly produce some erroneous results unless they were modified or upgraded to process data information correctly. Prior to December 31, 1999, the Company conducted a Year 2000 compliance investigation covering all network equipment used to provide services to its customers, network operations and support systems used to support the operations of its network, and all administrative support systems. As of the date of this prospectus, the Company has not encountered any Year 2000 related problems. The Company continues to monitor developments in this area. Management believes that the Company's most significant Year 2000 risk lies with the Company's customers and major suppliers. The Company has developed a contingency plan to minimize operational problems if Year 2000 related problems arise. If the Company's network equipment or those of its customers and major suppliers are not Year 2000 compliant, the Company could experience unexpected expenses and delays, including delays in the Company's ability to conduct normal business operations and to sell its products and services.

MANAGEMENT

Directors, Executive Officers and Key Consultants

The following table provides certain information concerning the directors, officers and other key personnel of the Company. The articles of incorporation provide for a minimum of one and a maximum of ten directors. By special resolution of the shareholders, the number of directors has been set at seven.

<u>Name and Municipality of Residence</u>	<u>Position</u>	<u>Principal Occupation</u>
Benjamin Swirsky ⁽¹⁾ <i>Toronto, Ontario</i>	Chairman, Chief Executive Officer and Director	Chairman of PC DOCS Group International Inc. from August 1998 to July 1999 and as President and Chief Executive Officer of Slater Steel, Inc., from 1993 through 1997.
John Pozios <i>Toronto, Ontario</i>	President, Secretary and Director	President and Secretary of the Company. Mr. Pozios was Vice-President, Business Development of Questech Services Inc. from July 1997 to June 1998. Mr. Pozios practiced corporate and commercial law at the Toronto office of international firm Goodman Phillips & Vineberg from February 1997 to June 1997. Mr. Pozios articulated at the Toronto law firm Davies, Ward & Beck from July 1995 to June 1996.
Anthony Goldstein <i>Toronto, Ontario</i>	Executive Vice President and Director	Executive Vice President of the Company. Mr. Goldstein was the President and Chief Executive Officer of Future Technology Inc. from May 1993 to April 1999.
Michael Mammoliti <i>Toronto, Ontario</i>	Chief Financial Officer	Chief Financial Officer of the Company. Mr. Mammoliti was a manager at KPMG LLP from September 1995 to January 2000.
Bruce Light ^{(1), (2)} <i>Toronto, Ontario</i>	Director	President of Light and Associates Ltd. since 1976.
John McMahon ⁽¹⁾ <i>Toronto, Ontario</i>	Director	Chairman of EcomPark Inc. since September 1998. Mr. McMahon was the founder, President and Chief Executive Officer of Cellular Express from March 1989 to December 1995.
Jason Hawkins <i>Toronto, Ontario</i>	Director	Business development officer for EcomPark Inc. since March 1999. Prior to joining EcomPark Inc., Mr. Hawkins was a corporate finance officer at Yorkton Securities Inc. from May 1996 to March 1999.

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

Upon completion of the Amalgamation, John Hislop will be added as a first director of Amalco. Mr. Hislop, an independent financial consultant, has been a member of the board of directors of Capital Charter since its incorporation.

Under the terms of the proposed acquisition of the B2T Shares, the Company has agreed to appoint David C. Mongeau to its board of directors. See “Business of the Company – Acquisition of bounce2this.com Inc.”.

Biographical Information

Benjamin Swirsky. Benjamin Swirsky has served as the Chairman and Chief Executive Officer of the Company since its inception. Most recently, Mr. Swirsky has served as the Chairman of PC DOCS Group International Inc. Mr. Swirsky has also been President and Chief Executive Officer of Toronto, Canada based Slater Steel, Inc., a diversified public company with U.S. and Canadian interests in steel, steel service, forging, pole-line hardware and trucking from 1993 through 1997. Mr. Swirsky was previously President and Chief Executive Officer of Bramalea Limited, from 1985 to 1990, and from 1990 to 1992 Mr. Swirsky was President and CEO of Horsham Properties, Inc., a diversified industrial and commercial real estate development company. From 1971-1978 Mr. Swirsky was Senior Partner and Member of the Executive Committee of Peat Marwick Mitchell, Chartered Accountants. Mr. Swirsky is a member of the Institute of Chartered Accountants of Ontario and has written several books and articles on corporate finance and tax matters. Mr. Swirsky acted as Special Counsel to the Canadian Department of Finance during the implementation of major new tax legislation in the 1970’s. Mr. Swirsky is a Director of several public companies including The Four Seasons Hotels Inc., and CamVec Inc. Mr. Swirsky graduated from Dalhousie University with a Bachelors Degree in 1963 and from Queen's University Law School with an LL.B. in 1968.

John Pozios. John Pozios is a co-founder of the Company and has served as the President and Secretary of the Company since April 1999. Prior to co-founding Zconnexx, Mr. Pozios was Vice-President, Business Development of Toronto, Canada based Questech Services Inc., a value-added computer reseller, from July 1997 to June 1998. Mr. Pozios practiced corporate and commercial law at the Toronto office of international firm Goodman Phillips & Vineberg from February 1997 to June 1997. Previously, Mr. Pozios articulated at the Toronto law firm Davies, Ward & Beck from July 1995 to June 1996. Mr. Pozios holds an Honours Bachelor of Arts degree in Political Science from the University of Western Ontario and an LL.B. from the University of Manitoba, Faculty of Law. Mr. Pozios is a member of the Law Society of Upper Canada.

Anthony Goldstein. Anthony Goldstein is a co-founder of the Company and has served as the Executive Vice President of the Company since April 1999. Prior to joining Zconnexx, Mr. Goldstein was the President and Chief Executive Officer of Future Technology Inc., a custom software development firm based in Toronto, Canada from May, 1993 to April, 1999. Mr. Goldstein has a background in the development, implementation and management of advanced database solutions for a wide range of applications, including complex billing and collection systems. Mr. Goldstein holds an Honors Bachelor of Arts degree in Political Science from the University of Toronto.

Michael Mammoliti. Mr. Mammoliti joined the Company in January 2000 as its Chief Financial Officer. Mr. Mammoliti is a member of the Institute of Chartered Accountants of Ontario. He was formerly a manager at KPMG LLP having been with the firm since 1995. Mr. Mammoliti’s clientele spanned a broad range of industries and sizes, including both private and public companies. Mr. Mammoliti holds a Bachelor of Commerce degree from the University of Toronto.

Bruce A. Light. Mr. Light has been a member of the Company’s Board of Directors since May 13, 1999. Mr. Light is President of Light and Associates Ltd., a management consulting firm. For over 20 years, Light and Associates Ltd. has provided professional services in human resources and employee relations including mergers and acquisitions, compensation and personnel policy, organization management, collective bargaining, dispute resolution and administration in both the public and private sector. Mr. Light graduated from McGill Law School in 1967. Most recently, Mr. Light was a member of the Board of Directors of PC Docs Group International Inc.

John A. McMahan. Mr. McMahan has been a member of the Company’s Board of Directors since October 26, 1999. Mr. McMahan has been the Chairman of EcomPark Inc., a public company listed on the Canadian Venture Exchange, since September 1998. Previously, Mr. McMahan was the founder, President and Chief Executive Officer of Cellular Express, a cellular equipment distributor and reseller based in Atlanta, Georgia from March 1989 to December 1995. In 1998, Mr. McMahan was appointed to the Board of Directors of Diversinet Corp., a public

company listed on The Toronto Stock Exchange that is a developer of products based on public-key infrastructures and technologies required for corporate networks, intranets and the Internet.

Jason R. Hawkins. Mr. Hawkins has been a member of the Company's Board of Directors since August 26, 1999. Mr. Hawkins has been the business development officer for EcomPark since March 1999. Prior to joining EcomPark, Mr. Hawkins was a corporate finance officer at Yorkton Securities Inc. from May 1996 to March 1999, where he concentrated on financing high technology companies.

Committees of the Board of Directors

The Company's Board of Directors currently has two committees: an audit committee and a compensation committee.

Following the Amalgamation, the audit committee will consist of Messrs. Light, Hislop and Mongeau. The audit committee is responsible for making recommendations concerning the engagement of independent auditors, reviewing with the independent auditors the plans and results of the audit engagement, approving professional services provided by the independent auditors, reviewing the independence of the independent auditors, considering the range of audit and non-audit fees and reviewing the adequacy of all internal accounting controls.

The Company's compensation committee consists of Messrs. Swirsky, Light and McMahon. The compensation committee is responsible for the determination of compensation of the Company's executive officers and consultants and the administration of any employee incentive plans.

EXECUTIVE COMPENSATION

The following table sets forth information concerning compensation for services in all capacities paid to the Company's Chief Executive Officer, President and Executive Vice President during the six months ended November 30, 1999 and for the prior fiscal year ended May 31, 1999 (collectively, the "Named Executive Officers").

Summary Compensation Table

Name and Principal Position	Fiscal Year ⁽¹⁾	Annual Compensation			Long Term Compensation Common Shares	
		Salary	Bonus	Other Annual Compensation⁽⁴⁾	Underlying Options⁽⁵⁾	All Other Compensation
Benjamin Swirsky Chief Executive Officer	1999 ⁽²⁾	\$-	\$-	\$41,418	-	\$-
	1998 ⁽³⁾			41,607	-	-
John Pozios President	1999 ⁽²⁾	-	-	41,623	-	-
	1998 ⁽³⁾			80,208	-	-
Anthony Goldstein Executive Vice President	1999 ⁽²⁾	-	-	41,418	-	-
	1998 ⁽³⁾	-	-	80,208	-	-

(1) In 1999, the Company's fiscal year was changed to November 30th.

(2) Represents compensation paid during the period June 1999 to November 1999.

(3) Represents compensation paid during the period June 1998 to May 1999.

(4) The compensation listed was paid to Messrs Swirsky, Pozios and Goldstein under executive services agreements between the Company and such officers and their management companies. See "Employment Agreements, Executive Services Agreements".

(5) By resolution of the board of directors dated December 1, 1999, each of Benjamin Swirsky, John Pozios and Anthony Goldstein were granted options to purchase 260,000 Common Shares exercisable at a price of \$0.60 per Common Share at any time prior to December 1, 2005.

Stock Option Grants

During the fiscal year ended November 30, 1999, no stock options were granted to Named Executive Officers. By resolution of the board of directors of Zconnexx dated December 1, 1999, each of the Named Executive Officers were granted options to purchase 260,000 Common Shares at a price of \$0.60 per Common Share at any time prior to December 1, 2005.

Option Exercises and Option Year-End Value Table

No options were exercised during fiscal year ended November 30, 1999 by any of the Named Executive Officers. As at November 30, 1999, no Named Executive Officers held stock options.

Indebtedness of Directors and Executive Officers

During the period ended November 30, 1999, approximately \$947,000 was loaned to the Company by Benjamin Swirsky, the Chairman and Chief Executive Officer of Zconnexx. All outstanding amounts under these loans were repaid as of November 30, 1999, at which time a US \$60,000 fee, representing interest charges for loaned capital, was paid to Mr. Swirsky. As at the date of this prospectus, there are no amounts outstanding under these loans.

Stock Option Plan

The Company's stock option plan was approved by special resolution of the shareholders on November 16, 1999. By resolution of the Board of Directors of Zconnexx dated January 27, 2000, the number of Common Shares to be reserved for issuance under the stock option plan was increased to 4,500,000 Common Shares. At the next annual

and special meeting of the shareholders of the Company, the shareholders will be asked to approve of the amendments to the Zconnexx stock option plan.

Eligible persons under the stock option plan are the directors, officers, employees and key contributors of Zconnexx. The board of directors determines the exercise price for options granted under the stock option plan, which must not be less than the fair market value at the time of the grant, the term of the options and the vesting schedule, if any. As of February 21, 2000, 3,160,000 options to purchase Zconnexx Common Shares had been granted under the plan, and 1,700,000 Common Shares were available for future option grants, subject to shareholder approval of the proposed amendment to the plan.

The following table sets forth information as of February 21, 2000 concerning outstanding options granted to the Company's executive officers and key consultants, non-executive directors, employees and others.

	Number	Optioned Common Shares	Exercise Price⁽¹⁾	Expiration Date
Executive officers	5	860,000	\$0.60 to \$2.00	Dec. 1, 2005 to Dec. 20, 2005
Non-executive directors	4	250,000	\$0.60	Dec. 1, 2005
Employees	10	1,835,000	\$0.60 to \$2.00	Dec. 1, 2005 to Dec. 20, 2005
Others	4	<u>215,000</u>	\$0.60	Dec. 1, 2005 to Jan. 14, 2006
TOTAL		<u>3,160,000</u>		

(1) The exercise price equals the fair market value of the Common Shares, as determined by the board of directors, on the date of the grant.

Management Bonus Pools

The Company's Management Bonus Pool was approved by a the board of directors in January 2000. Under the terms of the Management Bonus Pool, the Company has agreed to contribute, on a monthly basis, an amount ranging from 8% to 12% (variable with the YellowPage Package Unit Cost of Goods Sold) of the Company's gross profits to a bonus pool for the senior management team of Zconnexx. No contribution will be made for those monthly periods where the Company has incurred a loss. The Management Bonus Pool has been divided into ten equal shares, with nine of ten shares having been allocated to the benefit of the founders and key employees of Zconnexx. The tenth pro-rated share will be allocated to a further Management Bonus Pool. Eligible persons under this Bonus Pool are the directors, officers, other employees and key contributors of Zconnexx.

Executive Employment Contracts

The Company has entered into an executive services agreement dated as of June 1, 1999 with Beswir Properties, Inc. and Benjamin Swirsky, as amended by an amending executive services agreement dated as of August 10, 1999. The agreement has a term of three years. In exchange for the services of Beswir Properties, Inc., and in particular the services of Benjamin Swirsky as Chief Executive Officer and Chairman of Zconnexx, the Company has agreed to pay Beswir Properties, Inc. US \$78,000 per annum plus a benefits package customary for executive management. In addition, Mr. Swirsky may be entitled to a bonus fee under the Management Bonus Pool, and may participate in any additional bonus fees paid by the Company to its senior executives. Mr. Swirsky is entitled to a termination payment and termination benefits in the event of an involuntary termination of the agreement or a change of control (as defined therein), other than the Amalgamation. In recognition of Mr. Swirsky's role as Chief Executive Officer and Chairman of Zconnexx since its inception, the Company has granted Mr. Swirsky options to purchase 260,000 Common Shares exercisable at \$0.60 per Common Share at any time prior to December 1, 2005.

The Company has entered into an executive services agreement dated as of June 1, 1999 with NewMedia Consulting Group and John Pozios, as amended by an amending executive services agreement dated as of August 10, 1999. The agreement has a term of three years. In exchange for the services of NewMedia Consulting Group, and in particular the services of John Pozios as President and Secretary of Zconnexx, the Company has agreed to pay NewMedia Consulting Group US \$78,000 per annum plus a benefits package customary for executive management. In addition, Mr. Pozios may be entitled to a bonus fee under the Management Bonus Pool, and may participate in any additional bonus fees paid by the Company to its senior executives. Mr. Pozios is entitled to a termination payment and termination benefits in the event of an involuntary termination of the agreement or a change of control (as

defined therein), other than the Amalgamation. In recognition of Mr. Pozios' role as President and Secretary of the Company, the Company has granted Mr. Pozios options to purchase 260,000 Common Shares exercisable at \$0.60 per Common Share at any time prior to December 1, 2005.

The Company has entered into an executive services agreement dated as of June 1, 1999 with Future Technology Inc. and Anthony Goldstein, as amended by an amending executive services agreement dated as of August 10, 1999. The agreement has a term of three years. In exchange for the services of Future Technology Inc., and in particular the services of Anthony Goldstein as Executive Vice-President and Treasurer of Zconnexx, the Company has agreed to pay Future Technology Inc. US \$78,000 per annum plus a benefits package customary for executive management. In addition, Mr. Goldstein may be entitled to a bonus fee under the Management Bonus Pool, and may participate in any additional bonus fees paid by Zconnexx to its senior executives. Mr. Goldstein is entitled to a termination payment and termination benefits in the event of an involuntary termination of the agreement or a change of control (as defined therein), other than the Amalgamation. In recognition of Mr. Goldstein's role as Executive Vice-President and Treasurer of Zconnexx, the Company has granted Mr. Goldstein options to purchase 260,000 Common exercisable at \$0.60 per Common Share at any time prior to December 1, 2005.

The Company has entered an employment agreement dated as of January 3, 2000, with Michael Mammoliti, the Company's Chief Financial Officer. Mr. Mammoliti is responsible for financial reporting, as well as operational and administration duties. The agreement is for a term of three years. The Company has agreed to pay Mr. Mammoliti \$80,600 per annum. In addition, Mr. Mammoliti may be entitled to a bonus fee from the Management Bonus Pool, and may participate in any additional bonus fees paid by Zconnexx to its other executives. Pursuant to the terms of an offer of employment dated December 1, 1999, Mr. Mammoliti was granted 5,000 options to purchase Common Shares, and is entitled to earn an additional 45,000 options (15,000 per year for each of the three years thereafter). All such options are exercisable at \$0.60 per Common Share for a period of six years from the date of the grant. The original 5,000 options vested upon Mr. Mammoliti commencing employment with Zconnexx on January 3, 2000.

Zconnexx America has signed employment agreements and amending employment agreements with four key/founding employees, each for a three-year term. In exchange for the services of these key employees in their respective fields of expertise of customer service, marketing, billing and collections, and network administration, the Company has agreed to pay each of the employees US \$78,000 per annum in salary, plus vehicle benefits, a potential pro-rata share of the Management Bonus Pool, and has granted each employee 260,000 stock options to purchase Common Shares at a price of \$0.60 per Common Share.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The following sets forth the interest of management and other related parties in material transactions affecting the Company since the incorporation of the Company. Other than as set out below, no insider of the Company, or associate of or affiliate thereof, had any material interest, direct or indirect, in any transaction since the date of incorporation or has any material interest, direct or indirect, in any proposed transaction which has or will materially affect the Company.

Loans from Benjamin Swirsky

During the period ended November 30, 1999, loans totalling approximately Cdn. \$947,000 were made to the Company by Benjamin Swirsky, the Chairman and Chief Executive Officer of Zconnexx. All amounts outstanding under such loans were repaid as of November 30, 1999, at which time a US \$60,000 fee, representing interest charges for loaned capital, was paid to Mr. Swirsky. As at the date of this prospectus, there are no amounts owing by the Company to Mr. Swirsky.

Loans from EcomPark Inc.

By way of promissory note dated August 26, 1999, EcomPark, a shareholder of the Company, loaned the Company US \$250,000. The promissory note provided for interest at a rate of five percent per annum and was repayable upon the earlier of: (i) August 26, 2000; and (ii) three business days following the completion of an equity financing of the Company in an amount of at least \$2,000,000. In accordance with the terms of the promissory note, the loan was repaid following completion of the offering of the 1999 Units by the issuance to EcomPark of 1,377,500 Common Shares. John McMahon and Jason Hawkins, each of whom are directors or officers of EcomPark, are members of the board of directors of the Company.

Private Placement Financings

Benjamin Swirsky, the Company's Chairman and Chief Executive Officer, purchased 350,000 1999 Units under applicable prospectus exemptions from applicable securities laws on November 26, 1999.

In connection with the private placement financing of the 2000 Units completed February 7, 2000, Benjamin Swirsky purchased 225,000 2000 Units and Bruce Light, a director of the Company, purchased 75,000 2000 Units, in each case under applicable prospectus exemptions from applicable securities laws at such time.

PRIOR SALES

Since the date of incorporation of the Company, 9,500,000 voting securities have been issued as follows:

Date	Number of Shares	Aggregate Issue Price	Nature of Consideration Received
July 17, 1998	100 Common Shares	\$1.00	Cash
May 18, 1999	5,509,900 Common Shares	\$55.10	Cash
August 26, 1999	1,377,500 Common Shares	US \$250,000	Cash
November 23, 1999	9,500,000 Class A Special Shares	Nil	Common Shares ⁽¹⁾

(1) On November 23, 1999, Zconnexx completed a reorganization pursuant to which all of the issued and outstanding Common Shares of the Company were exchanged for Class A Special Shares on the basis of 1.379 Class A Special Shares for each Common Share.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the persons or companies who, as at the date of this prospectus, own of record or beneficially, directly or indirectly, 10% or more of the voting securities of the Company:

<u>Name and Municipality of Residence</u>	<u>Type of Ownership</u>	<u>Number and Percentage of Class before giving effect to the Amalgamation</u>		<u>Number and Percentage of Class after giving effect to the Amalgamation ⁽¹⁾</u>	
EcomPark Inc. <i>Toronto, Ontario</i>	Registered and Beneficial	2,850,000	30%	2,850,000	13.0%
Beswir Properties Inc. <i>Toronto, Ontario</i>	Registered and Beneficial	1,689,655	17.79%	2,264,655	10.3%
Michael Anthony Tinari ⁽²⁾ <i>Boynton Beach, Florida</i>	Beneficial	965,517	10.16%	965,517	4.4%
William Joseph Gallo III ⁽³⁾ <i>Lake Worth, Florida</i>	Beneficial	965,517	10.16%	965,517	4.4%

(1) Before giving effect to the exercise of the Amalco 1999 Compensation Warrants, Amalco 2000 Compensation Warrants, Amalco Series 1 Warrants, Amalco Series 2 Warrants, Amalco Series 3 Warrants, but after giving effect to the conversion of the Amalco Class A Special Shares, Amalco Class B Special Shares, Amalco Class C Special Shares and Amalco Class D Special Shares and the exercise of the Amalco Special Warrants.

(2) The Class A Special Shares owned by Mr. Tinari are registered in the name of John Pozios, in trust for Michael Anthony Tinari.

(3) The Class A Special Shares owned by Mr. Gallo are registered in the name of John Pozios, in trust for Mr. William Joseph Gallo III.

To the knowledge of the Company, the board of directors and officers of the Company, beneficially own, directly or indirectly, 5,746,551 Class A Special Shares representing approximately 60.4% of the issued and outstanding Class A Special Shares. After giving effect to the Amalgamation and the conversion of all of the issued and outstanding Amalco Class A Special Shares, Amalco Class B Special Shares, Amalco Class C Special Shares, Amalco Class D Special Shares and Amalco Special Warrants, the board of directors and officers of the Company, as a group, will beneficially own, directly or indirectly, 6,396,551 Amalco Common Shares representing 29.2% of the issued and outstanding Amalco Common Shares.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Common Shares, an unlimited number of Class A Special Shares, an unlimited number of Class B Special Shares, an unlimited number of Series 1 Preference Shares and an unlimited number of Series 2 Preference Shares. As of February 21, 2000, there were issued and outstanding no Common Shares, 9,500,000 Class A Special Shares, 5,700,000 Class B Special Shares, 2,200,000 Series 1 Preference Shares and 550,000 Series 2 Preference Shares.

Common Shares

Each holder of Common Shares is entitled to receive notice of and to attend all meetings of shareholders of Zconnexx, except meetings at which only holders of other classes or series of shares are entitled to attend, and at all such meetings shall be entitled to one vote in respect of each Common Share held by such holder. The holders of the Common Shares are entitled to receive dividends if and when declared by the directors.

In the event of any liquidation, dissolution or winding-up of the Company or other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares are entitled, subject to the rights of holders of shares of any class ranking prior to the Common Shares, to receive the

remaining property or assets of the Company.

Class A Special Shares

Each holder of Class A Special Shares is entitled to receive notice of and to attend all meetings of shareholders of the Company, except meetings at which only holders of other classes or series of shares are entitled to attend, and at all such meetings shall be entitled to one vote in respect of each Class A Special Share held by such holder. The holders of the Class A Special Shares are entitled to receive, pro rata with the holders of the Class B Special Shares and Common Shares, and the Company shall pay thereon if, as and when declared by the board of directors of the Company, such dividends as the board of directors of the Company may determine.

In the event of the liquidation, dissolution of winding-up the Company or other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Class A Special Shares are entitled to receive, pro rata on a share-for-share basis with the holders of the Class B Special Shares and Common Shares, all of the remaining property and assets of the Company.

The Class A Special Shares are convertible at any time and will be automatically converted at 5:00 p.m. (Toronto time) on the earlier of (the "1999 Expiry Date"): (i) the fifth business day (the "Liquidity Date") following the later of (A) the issuance of a receipt for the (final) prospectus relating to the distribution of the Common Shares to be issued upon exercise of the Class A Special Shares or the Amalco Common Share to be issued upon conversion of the Amalco Class B Special Shares (as the case may be) by the securities regulatory authority in the provinces of Ontario and British Columbia; and (B) the listing of the Common Shares or the Amalco Common Shares for trading on the Canadian Venture Exchange; and (ii) one year after completion of the Amalgamation. No fractional Common Shares will be issued upon the conversion of the Class A Special Shares and no payment shall be made to the holders of Class A Special Shares in lieu thereof.

Class B Special Shares

The holders of the Class B Special Shares are not entitled to notice of or to attend or vote at any meeting of the shareholders of the Company. The holders of the Class B Special Shares are entitled to receive, pro rata with the holders of the Class A Special Shares and Common Shares, and the Company shall pay thereon if, as and when declared by the board of directors, such dividends as the board of directors may by resolution determine.

In the event of the liquidation, dissolution of winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of the Class B Special Shares are entitled to receive, pro rata on a share-for-share basis with the holders of the Class A Special Shares and Common Shares, all of the remaining property and assets of the Company.

Each holder of Class B Special Shares is entitled to have any or all of the Class B Special Shares held by such holder converted into Common Shares on the basis (the "Class B Conversion Basis") of one Common Share for each Class B Special Share which such holder may desire to convert, subject to adjustment in certain circumstances. The Class B Special Shares shall be automatically converted by Zconnexx on the holder's behalf, without further payment or action by the holder, into Common Shares on the Class B Conversion Basis, on the 1999 Expiry Date.

If the Liquidity Date has not occurred in the provinces of Ontario and British Columbia on or before 5:00 p.m. (Toronto time) on the Liquidity Deadline, the holders of Class B Special Shares resident in such province shall be entitled, without further payment or action by such holders, to receive 1.1 Common Shares (or 1.1 Amalco Common Shares) for each Class B Special Share (or Amalco Class B Special Share) converted following the Liquidity Deadline. No fractional Common Shares will be issued upon the conversion of the Class B Special Shares and no payment shall be made to the holders of Class B Special Shares in lieu thereof.

Preference Shares

The Company's Preference shares may be issued in one or more series, without further approval of the shareholders, upon the filing of articles of amendment. The board of directors may fix the number of shares that is to comprise each series and the designation, rights, privileges, restrictions, conditions and other provisions for the Preference shares of each series, including dividend terms and priority over any of the Company's shares ranking

junior to the Preference shares for purposes of dividends and distributions of assets upon liquidation or otherwise. The Preference shares are entitled to preference over any other shares of Zconnexx ranking junior to the Preference shares with respect to the payment of dividends and with respect to priority in the event of a distribution upon liquidation.

The Preference shares of each series rank on a parity with the Preference shares of every other series with respect to the payment of dividends, and with respect to priority in the event of a distribution upon liquidation. Except with respect to an amendment to the provisions of the articles relating to the Preference shares or as required by law, the holders of Preference shares are not entitled to vote, whether separately as a class, as a series or otherwise and are not entitled to dissent on a proposal to amend the articles, to change any maximum number of authorized Preference shares or to increase any maximum number of Preference shares of the class or series of a class having rights or privileges equal or superior to the Preference shares, to effect an exchange, reclassification or cancellation of the Preference shares, or to create a new class or series of a class of Preference shares equal or superior to the Preference shares. At any meeting of the holders of the Preference shares at which holders of the Preference shares are entitled to vote, each holder of Preference shares is entitled to one vote in respect of each Preference share held by such holder.

Series 1 Preference Shares

In addition to the rights, privileges, restrictions and conditions attaching to the Preference Shares as a class, the Series 1 Preference Shares are issuable for a subscription price of \$2.00 per Series 1 Preference Share (the “Series 1 Issue Price”). The holders of the Series 1 Preference Shares are entitled to receive, pro rata with the holders of the Class A Special Shares, the Class B Special Shares, the Series 2 Preference Shares and the Common Shares, if, as and when declared by the Board of Directors of the Company, such dividends as the Board of Directors of the Company may by resolution determine.

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Series 1 Preference Shares are entitled to receive, *pari passu* with the holders of the Series 2 Preference Shares but in preference to the holders of Class A Special Shares, Class B Special Shares and Common Shares, the Series 1 Issue Price (as the same may be from time to time adjusted) multiplied by the number of Common Shares issuable upon conversion of the Series 1 Preference Shares then outstanding before any amount shall be paid or any property or assets of the Company are distributed to the holders of any class of shares of the Company ranking junior to the Series 1 Preference Shares. After payment to the holders of Series 1 Preference Shares of the amount so payable to them, the holders of the Series 1 Preference Shares and the Series 2 Preference Shares are not entitled to share in any further distribution of the assets of the Company. If there are insufficient amounts to pay to the holders of Series 1 Preference Shares the full amount to which they are entitled to receive on the distribution of the assets of the Company, all such holders shall share in the distribution on a *pro rata* basis in proportion to the aggregate amount due to each of them.

The Series 1 Preference Shares may be converted into Common Shares on the basis (the “Series 1 Preference Conversion Basis”) of one Common Share for each whole Series 1 Preference Share which such holder may desire to convert, subject to adjustment in certain circumstances. The Series 1 Preference Shares will be automatically converted by the Company on the holder’s behalf, without further payment or action by the holder, into Common Shares on the Series 1 Preference Conversion Basis (as the same may be from time to time) on the 2000 Expiry Date. No fractional Common Shares will be issued upon the conversion of the Series 1 Preference Shares and no payment shall be made to the holders of Series 1 Preference Shares in lieu thereof.

Series 2 Preference Shares

In addition to the rights, privileges, restrictions and conditions attaching to the Preference Shares as a class, the Series 2 Preference Shares are issuable for a subscription price of \$2.00 per Series 2 Preference Share (the “Series 2 Issue Price”). The holders of the Series 2 Preference Shares are entitled to receive, pro rata with the holders of the Class A Special Shares, the Class B Special Shares, the Series 1 Preference Shares and the Common Shares, and the Company shall pay thereon if, as and when declared by the Board of Directors of the Company, such dividends as the Board of Directors of the Company may by resolution determine.

In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Series 2 Preference Shares are entitled to receive, *pari passu* with the holders of the Series 1 Preference Shares but in preference to the holders of Class A Special Shares, Class B Special Shares and Common Shares, the Series 2 Issue Price (as the same may from time to time be adjusted) multiplied by the number of Common Shares issuable upon conversion of the Series 2 Preference Shares then outstanding in respect of each whole Series 2 Preference Share before any amount is paid or any property or assets of the Company are distributed to the holders of any class of shares of the Company ranking junior to the Series 2 Preference Shares. After payment to the holders of Series 2 Preference Shares of the amount so payable to them, the holders of the Series 2 Preference Shares are not entitled to share in any further distribution of the assets of the Company. If there are insufficient amounts to pay to the holders of Series 1 Preference Shares and Series 2 Preference Shares the full amount to which they are entitled to receive on the distribution of the assets of the Company, all such holders shall share in the distribution on a pro rata basis in proportion to the aggregate amount due to each of them.

The Series 2 Preference Shares are convertible into Common Shares from time to time on the basis (the "Series 2 Preference Conversion Basis") of one Common Share for each whole Series 2 Preference Share which such holder may desire to convert, subject to adjustment in certain circumstances. The Series 2 Preference Shares (to the extent such Series 2 Preference Shares have not been previously converted or redeemed) will be automatically converted by the Company on the holder's behalf, without further payment or action by the holder, into Common Shares on the Series 2 Preference Conversion Basis (as the same may from time to time be adjusted) on the 2000 Expiry Date. No fractional Common Shares will be issued upon the conversion of the Series 2 Preference Shares and no payment shall be made to the holders of Series 2 Preference Shares in lieu thereof.

If receipts for the final prospectus relating to the distribution of the Common Shares or Amalco Common Shares, as the case may be, have not been issued by the securities regulatory authorities in the provinces of Ontario, Alberta and British Columbia and the Common Shares or the Amalco Common Shares, as the case may be, have not been listed for trading on the Canadian Venture Exchange (a "Default") on or before 5:00 p.m. (Toronto time) on April 7, 2000, the holders of Series 2 Preference Shares will be entitled, during the period commencing on the date of receipt of written notice of the Default from the Company and expiring at 5:00 p.m. on the day (the "Redemption Deadline") which is 10 business days following the date of receipt of such notice to have the whole or any part of the Series 2 Preference Shares held by such holder redeemed by the Company for an amount per Series 2 Preference Share (the "Redemption Price") equal to the Series 2 Issue Price plus all accrued interest thereon pursuant to the escrow agreement dated February 7, 2000 among the Company, Yorkton Securities Inc. and Wildeboer Rand Thomson Apps & Dellelce, LLP, as escrow agent. Following the Redemption Deadline, the holders of the Series 2 Preferred Shares shall no longer have the right to have the whole or any part of the Series 2 Preference Shares held by such holder redeemed by the Company.

DESCRIPTION OF SHARE CAPITAL OF AMALCO

The authorized capital of Amalco will consist of an unlimited number of Amalco Common Shares, an unlimited number of Amalco Class A Special Shares, an unlimited number of Amalco Class B Special Shares, an unlimited number of Amalco Class C Special Shares, an unlimited number of Amalco Class D Special Shares and an unlimited number of Preference shares issuable in series, of which 2,548,175 Amalco Common Shares, 9,500,000 Amalco Class A Special Shares, 5,700,000 Amalco Class B Special Shares, 2,200,000 Amalco Class C Special Shares, 550,000 Amalco Class D Special Shares and no Preference shares will be outstanding on the effective date of the Amalgamation.

Amalco Common Shares

Each holder of Amalco Common Shares will be entitled to receive notice of and to attend all meetings of shareholders of Amalco, except meetings at which only holders of other classes or series of shares are entitled to attend, and at all such meetings shall be entitled to one vote in respect of each Amalco Common Share held by such holder. The holders of the Amalco Common Shares are entitled to receive dividends if and when declared by the directors.

In the event of any liquidation, dissolution or winding-up of the Amalco or other distribution of the assets

of Amalco among its shareholders for the purpose of winding-up its affairs, the holders of the Amalco Common Shares are entitled, subject to the rights of holders of shares of any class ranking prior to the Amalco Common Shares, to receive the remaining property or assets of Amalco.

Amalco Class A Special Shares

Each holder of Amalco Class A Special Shares is entitled to receive notice of and to attend all meetings of shareholders of Amalco, except meetings at which only holders of other classes or series of shares are entitled to attend, and at all such meetings shall be entitled to one vote in respect of each Amalco Class A Special Share held by such holder. The holders of the Amalco Class A Special Shares are entitled to receive, pro rata with the holders of the Amalco Class B Special Shares and Amalco Common Shares, and Amalco shall pay thereon if, as and when declared by the board of directors of Amalco, such dividends as the board of directors of Amalco may determine.

In the event of the liquidation, dissolution of winding-up Amalco or other distribution of assets of Amalco among its shareholders for the purpose of winding up its affairs, the holders of the Amalco Class A Special Shares are entitled to receive, pro rata on a share-for-share basis with the holders of the Class B Special Shares and Amalco Common Shares, all of the remaining property and assets of Amalco.

Each holder of Amalco Class A Special Shares will be entitled to have any or all of the Amalco Class A Special Shares held by such holder converted into Amalco Common Shares on the basis (the "Amalco Class A Conversion Basis") of one Amalco Common Share for each Amalco Class A Special Share which such holder may desire to convert, subject to adjustment in certain circumstances. The Amalco Class A Special Shares will be automatically converted by Amalco on the holder's behalf, without further payment or action by the holder, into Amalco Common Shares on the Amalco Class A Conversion Basis, on the earlier (such earlier date being hereinafter referred to as the "Amalco Automatic Conversion Date") of: (i) the fifth business day (the "Amalco Liquidity Date") following the later of (A) the issuance of a receipt for a (final) prospectus in the province of Canada in which such holder is resident (non-residents of Canada being deemed to be residents of the Province of Ontario for such purpose) qualifying, among other things, the Amalco Common Shares issuable upon conversion of the Amalco Class A Special Shares and Amalco Class B Special Shares; and (B) the listing of the Amalco Common Shares for trading on the Canadian Venture Exchange; and (ii) the date which is 12 months following the issuance of the Amalco Class A Shares. No fractional Amalco Common Shares will be issued upon the conversion of the Amalco Class A Special Shares and no payment shall be made to the holders of Amalco Class A Special Shares in lieu thereof.

Amalco Class B Special Shares

The holders of the Amalco Class B Special Shares will not be entitled to notice of or to attend or vote at any meeting of the shareholders of Amalco. The holders of the Amalco Class B Special Shares are entitled to receive, pro rata with the holders of the Amalco Class A Special Shares and Amalco Common Shares, and Amalco shall pay thereon if, as and when declared by the board of directors, such dividends as the board of directors may by resolution determine.

In the event of the liquidation, dissolution of winding-up of Amalco or other distribution of assets of Amalco among its shareholders for the purpose of winding-up its affairs, the holders of the Amalco Class B Special Shares are entitled to receive, pro rata on a share-for-share basis with the holders of the Amalco Class A Special Shares and Amalco Common Shares, all of the remaining property and assets of Amalco.

Each holder of Amalco Class B Special Shares will be entitled to have any or all of the Amalco Class B Special Shares held by such holder converted into Amalco Common Shares on the basis (the "Amalco Class B Conversion Basis") of one Amalco Common Share for each Amalco Class B Special Share which such holder may desire to convert, subject to adjustment in certain circumstances. The Amalco Class B Special Shares will be automatically converted by Amalco on the holder's behalf, without further payment or action by the holder, into Amalco Common Shares on the Amalco Class B Conversion Basis, on the Amalco Automatic Conversion Date.

If the Amalco Liquidity Date has not occurred on or before the Amalco Liquidity Deadline, the holders of Amalco Class B Special Shares shall be entitled, without further payment or action by such holders, to receive 1.1 Amalco Common Shares for each Amalco Class B Special Share converted following the Amalco Liquidity Deadline.

No fractional Amalco Common Shares will be issued upon the conversion of the Amalco Class B Special Shares and no payment shall be made to the holders of Amalco Class B Special Shares in lieu thereof.

Amalco Class C Shares

The holders of the Amalco Class C Special Shares will not be entitled to notice of or to attend or vote at any meeting of the shareholders of Amalco.

In the event of the liquidation, dissolution or winding-up of Amalco or other distribution of assets of Amalco among its shareholders for the purpose of winding-up its affairs, the holders of the Amalco Class C Special Shares are entitled to receive, in priority to any other class or series of Amalco shares, \$2.00 per share, subject to adjustment in certain events.

Each holder of Amalco Class C Special Shares is entitled to have any or all of the Amalco Class C Special Shares held by such holder converted into Amalco Common Shares on the basis (the "Amalco Class C Special Share Conversion Basis") of one Amalco Common Share for each whole Amalco Class C Special Share which such holder may desire to convert, subject to adjustment in certain circumstances. The Amalco Class C Special Shares shall be automatically converted, by Amalco on the holder's behalf, without further payment or action by the holder, into Amalco Common Shares on the Amalco Class C Special Share Conversion Basis, on the date which is the earlier to occur of: (i) the fifth business day (the "Amalco Second Liquidity Date") following the later of (A) the issuance of a receipt for a (final) prospectus qualifying, among other things, the distribution of the Amalco Common Shares to be issued upon exercise of the Amalco Class C Special Shares; and (B) the listing of the Common Shares for trading on the Canadian Venture Exchange; and (ii) the date which is one year following the Amalgamation.

Amalco Class D Special Shares

The holders of the Amalco Class D Special Shares will not be entitled to notice of or to attend or vote at any meeting of the shareholders of Amalco.

In the event of the liquidation, dissolution or winding-up of Amalco or other distribution of assets of Amalco among its shareholders for the purpose of winding-up its affairs, the holders of the Amalco Class D Special Shares are entitled to receive, in priority to any other class or series of shares, \$2.00 per share, subject to adjustment in certain events.

Each holder of Amalco Class D Special Shares will be entitled to have any or all of the Amalco Class D Special Shares held by such holder converted into Amalco Common Shares on the basis (the "Amalco Class D Special Share Conversion Basis") of one Amalco Common Share for each one Amalco Class D Special Share which such holder may desire to convert subject to adjustment in certain circumstances. The Amalco Class D Special Shares shall be automatically converted by Amalco on the holder's behalf, without further payment or action by the holder, into Amalco Common Shares on the Amalco Class D Special Share Conversion Basis, on the Amalco Second Liquidity Date.

If receipts for the (final) prospectus relating to the distribution of the Amalco Common Shares have not been issued by the securities regulatory authorities in the provinces of Ontario, Alberta and British Columbia and the Amalco Common Shares have not been listed for trading on the Canadian Venture Exchange on or before 5:00 p.m. (Toronto time) on April 7, 2000, holders of Amalco Class D Special Shares shall be entitled to redeem their Amalco Class D Special Shares and 20% of their Amalco Series 3 Warrants at a redemption price of \$2.00 per unit, each unit to be comprised of one whole Amalco Class D Special Share and one whole Amalco Series 3 Warrant.

Preference Shares

Amalco's Preference shares may be issued in one or more series, without further approval of the shareholders, upon the filing of articles of amendment. The board of directors may fix the number of shares that is to comprise each series and the designation, rights, privileges, restrictions, conditions and other provisions for the Preference shares of such series, including dividend terms and priority over any of the Company's shares ranking junior to the Preference shares for purposes of dividends and distributions of assets upon liquidation or otherwise. The Preference shares are entitled to preference over any other shares of Amalco ranking junior to the Preference

shares with respect to the payment of dividends and with respect to priority in the event of a distribution upon liquidation.

The Preference shares of each series will rank on a parity with the Preference shares of every other series with respect to the payment of dividends, and with respect to priority in the event of a distribution upon liquidation. With the exception of the right to vote on an amendment to the provisions of the articles relating to the Preference shares or as required by law, the holders of Preference shares will not be entitled to vote, whether separately as a class or as a series or otherwise, and are not entitled to dissent on a proposal to amend the articles, to change any maximum number of authorized Preference shares or to increase any maximum number of Preference shares of the class or series of a class having rights or privileges equal or superior to the Preference shares, to effect an exchange, reclassification or cancellation of the Preference shares, or to create a new class or series of a class of Preference shares equal or superior to the Preference shares. At any meeting of the holders of the Preference shares at which holders of the Preference shares are entitled to vote, each holder of Preference shares is entitled to one vote in respect of each Preference share held by such holder.

ESCROW ARRANGEMENTS

In accordance with the policies of the Canadian Venture Exchange, Messrs Swirsky, Pozios, Goldstein and Mammoliti (collectively, the "Principal Shareholders") have agreed to enter into an agreement (the "CDNX Escrow Agreement") with Amalco and Montreal Trust, as escrow agent (the "Escrow Agent"), upon completion of the Amalgamation pursuant to which the Principal Shareholders will deposit an aggregate of • Amalco Class A Special Shares (collectively, the "CDNX Escrowed Shares"). The CDNX Escrowed Shares, each of which will be converted into one Amalco Common Share on the 1999 Expiry Date or 2000 Expiry Date, as the case may be, will not be able to be traded or dealt with in any manner whatsoever without the prior written consent of the Canadian Venture Exchange and will be released as to 10% at the time of the closing of the Amalgamation, and as to 15% on each six month anniversary after the closing of the Amalgamation until all the CDNX Escrowed Shares are released from escrow.

Pursuant to an escrow agreement (the "Voluntary Escrow Agreement") dated as of November 26, 1999 among Zconnexx, certain shareholders of Zconnexx, the Underwriter and Montreal Trust, as escrow agent, an aggregate of 6,420,689 Class A Special Shares (the "Voluntary Shares") were deposited in escrow with Montreal Trust in connection with the 1999 Private Placement. The Voluntary Shares, each of which will be exchanged for one Amalco Class A Special Share pursuant to the Amalgamation and will thereafter be converted into one Amalco Common Share on the 1999 Expiry Date or 2000 Expiry Date, as the case may be, are to be released from escrow on the following terms:

- (a) 25% of the Voluntary Shares will be released on the date which is six months after the date of issuance of a receipt for this prospectus (the "Receipt Date"), provided that during said six month period, the closing trading price of the Common Shares is at least \$2.50 for any period of 10 consecutive trading days;
- (b) 25% of the Voluntary Shares will be released on the date which is 12 months after the Receipt Date provided that during the six month period preceding such date the closing trading price of the Common Shares is at least \$3.00 for any period of ten consecutive trading days;
- (c) 25% of the Voluntary Shares will be released on the date that is 18 months after the Receipt Date provided that during the six month period preceding such date the closing trading price of the Common Shares is at least \$3.50 for any period of ten consecutive trading days; and
- (e) all remaining Voluntary Shares held in escrow will be released on the date which is 24 months after the Receipt Date.

In accordance with the policies of the Vancouver Stock Exchange, an escrow agreement (the "VSE Escrow Agreement") dated January 13, 1999 was entered into among Montreal Trust, Capital Charter, Donald A. Sharpe and John R. Hislop, pursuant to which 1,000,000 Capital Charter Common Shares (the "Capital Charter Escrowed Shares") were deposited in escrow with Montreal Trust. The Capital Charter Escrowed Shares, each of which will be exchanged for one Amalco Common Share pursuant to the Amalgamation, will be held in escrow subject to time release over three years in accordance with the policies of the Vancouver Stock Exchange.

CAPITALIZATION OF THE COMPANY

The consolidated capitalization of the Company as at the dates indicated is as follows:

Capital	Authorized	Outstanding as at November 30, 1999	Outstanding as at January 31, 2000
Common Shares	Unlimited	Nil	Nil
Class A Special Shares	Unlimited	\$370,381 (9,500,000)	\$370,381 (9,500,000)
Class B Special Shares	Unlimited	\$2,970,000 (5,700,000)	\$2,970,000 (5,700,000)
Series 1 Preference Shares	Unlimited	Nil	Nil
Series 2 Preference Shares	Unlimited	Nil	Nil

CAPITALIZATION OF AMALCO

Upon completion of the 2000 Offering and the Amalgamation, the capitalization of Amalco will be as follows:

Capital	Authorized	Outstanding	After Giving Effect to the conversion of the Special Shares
Common Shares	Unlimited	\$322,096 (2,548,175) ⁽¹⁾	\$8,576,604 (20,998,175)
Class A Special Shares	Unlimited	\$370,381 (9,500,000)	Nil
Class B Special Shares	Unlimited	\$2,970,000 (5,700,000) ⁽²⁾	Nil
Class C Special Shares	Unlimited	\$3,925,600 (2,200,000) ⁽³⁾	Nil
Class D Special Shares	Unlimited	\$981,400 (550,000) ⁽³⁾	Nil
Stock Options	4,500,000	3,410,000	3,410,000
Agent's Warrants		113,750	71,825
Deficit		\$(2,076,996)	N/A

- (1) Capital Charter issued 687,000 special warrants, each entitling the holder to acquire, for no additional consideration, one Capital Charter Common Share.
- (2) Pursuant to the 1999 Private Placement, the Company issued and sold 5,700,000 1999 Units, each 1999 Unit consisting of one Class B Special Share and one 1999 Warrant.
- (3) Pursuant to the 2000 Private Placement, the Company issued and sold 2,750,000 2000 Units, each 2000 Unit consisting of 0.8 of one Series 1 Preferred Share, 0.2 of one Series 2 Preferred Share and one Series 3 Warrant.

USE OF PROCEEDS

The net cash proceeds to the Company from the issue and sale of the 1999 Units and 2000 Units were \$7,877,000, after deducting the Underwriter's fees and the expenses of the offerings estimated to be \$1,043,000. The Company has used or intends to use the net proceeds: (i) as to approximately \$4,300,000, to fund marketing and sales efforts and payments due under strategic relationships; (ii) as to \$765,000, to fund further enhancements in the Yellow Page Package; (iii) as to \$250,000, to fund strategic investments; and (iv) as to the balance, for other general corporate purposes.

PLAN OF DISTRIBUTION

1999 Private Placement

On November 26, 1999, pursuant to the Underwriting Agreement, Zconnexx issued and sold a total of 5,700,000 1999 Units at a price of \$0.60 per 1999 Unit. The 1999 Units were issued and sold to certain purchasers on a private placement basis under applicable securities legislation. Each 1999 Unit issued and sold to a purchaser resident in a jurisdiction other than the Province of Ontario was comprised of one Class B Special Share and one Series 1 Warrant. Each 1999 Unit issued and sold to a purchaser resident in the Province of Ontario was comprised of one Class B Special Share and one Series 2 Warrant.

The Class B Special Shares are convertible at any time and will be automatically converted at 5:00 p.m. on the 1999 Expiry Date. In the event that a receipt for the (final) prospectus qualifying the distribution of the Common Shares to be issued upon conversion of the Class B Special Shares is not issued and the Common Shares or Amalco Common Shares, as the case may be, are not listed for trading on the Canadian Venture Exchange on or before March 24, 2000, each Class B Special Share converted thereafter shall entitle the holder to acquire 1.1 Common Shares (in lieu of one Common Share). See "Description of Share Capital – Class B Special Shares".

The Series 1 Warrants were issued under and are governed by a warrant indenture dated as of November 26, 1999 between Zconnexx and Montreal Trust, as warrant agent. Each Series 1 Warrant entitles the holder thereof to acquire one Common Share at \$0.75 per share during the period commencing November 26, 1999 and expiring at 5:00 p.m. (Toronto time) on November 25, 2000 and at \$0.85 per share at any time commencing at 5:01 p.m. (Toronto time) on November 25, 2000 and expiring at 5:00 p.m. (Toronto time) on November 25, 2001. Each Series 2 Warrant entitles the holder thereof to acquire one Common Share at \$0.60 per share during the period commencing November 26, 1999 and expiring at 5:00 p.m. (Toronto time) on November 25, 2000 and at \$0.70 per share at any time commencing at 5:01 p.m. (Toronto time) on November 25, 2000 and expiring at 5:00 p.m. (Toronto time) on November 25, 2001. In the event that the closing price of the Common Shares or the Amalco Common Shares (as the case may be) is at least \$2.50 for 10 consecutive trading days following the date which is 60 days following the date of issuance of the last of the receipts for the final prospectus qualifying, among other things, the issuance of the Common Shares or Amalco Common Shares (as the case may be) to be issued upon conversion of the Class B Special Shares, Zconnexx has the right to abridge the expiry date of the 1999 Warrants to a date which is 30 days following the date upon which the redemption notice is mailed to the holders of the 1999 Warrants.

As additional consideration, Zconnexx issued compensation warrants (the "1999 Compensation Warrants") to the Underwriter exercisable to acquire, for no additional consideration, up to 570,000 compensation options (the "1999 Compensation Options") of Zconnexx, each 1999 Compensation Option entitling the holder thereof upon payment of the exercise price of \$0.60 to acquire a unit consisting of one Common Share and one Series 1 Warrant at any time and from time to time on or before 5:00 p.m. (Toronto time) on November 26, 2001. This prospectus qualifies for distribution 285,000 of the 1999 Compensation Options issuable upon exercise of the 1999 Compensation Warrants in the Province of Ontario and all of the 1999 Compensation Options in the provinces of Alberta and British Columbia.

MDI Investments Ltd. will also be granted 500,000 Class B Special Shares (the "Fiscal Advisory Shares") for fiscal advisory services provided in connection with the Amalgamation. This prospectus qualifies for distribution the Common Shares issuable upon conversion of the Fiscal Advisory Shares.

The offering price of the 1999 Units was determined by negotiation between the Company and the Underwriter.

2000 Private Placement

On February 7, 2000, pursuant to the Agency Agreement, Zconnexx issued a total of 2,750,000 2000 Units at a price of \$2.00 per 2000 Unit. The 2000 Units were issued to certain purchasers on a private placement basis under applicable securities legislation. Each 2000 Unit was comprised of 0.8 of one Series 1 Preference Share, 0.2 of one Series 2 Preference Share and one Series 3 Warrant. An aggregate cash commission of \$550,000 or \$0.20 per 2000 Unit was paid to the Underwriter in connection with the sale of the 2000 Units.

The Preference Shares are convertible at any time and will be automatically converted at 5:00 p.m. (Toronto time) on the 2000 Expiry Date.

In accordance with the terms of an escrow agreement dated February 7, 2000 among the Company, the Underwriter and Wildeboer Rand Thomson Apps & Dellelce, LLP, as escrow agent, \$1,100,000 of the proceeds of the 200 Unit offering (the "Escrowed Proceeds") were deposited in escrow as interest bearing funds. The Escrowed Proceeds, plus interest accrued thereon, will be released to the Company on the earlier of: (a) the Second Liquidity Date; and (b) the date which is 18 months following the closing of the 2000 Unit offering. In the event that: (i) a receipt for the (final) prospectus relating to the distribution of the Common Shares to be issued upon conversion of the Preference Shares is not obtained from the securities regulatory authorities in the provinces of Ontario, Alberta and British Columbia on or prior to 5:00 p.m. (Toronto time) on April 7, 2000 and (ii) the Common Shares (or the Amalco Common Shares) have not been listed on the Canadian Venture Exchange (or another recognized stock exchange in Canada acceptable to the Underwriter and the Company) on or before the Qualification Deadline, then each holder of 2000 Units shall be entitled to have the Company redeem its Series 2 Preference Shares and 20% of its Series 3 Warrants at a redemption price of \$2.00 per unit, each unit consisting of one whole Series 2 Preference Share and one whole Series 3 Warrant, together with accrued interest.

The Series 3 Warrants were issued pursuant to a warrant indenture dated February 7, 2000 between Zconnexx and Montreal Trust, as warrant agent. Each Series 3 Warrant entitles the holder thereof to acquire one Common Share at a price of \$2.35 per share at any time until 5:00 p.m. (Toronto time) on February 7, 2002.

As additional consideration, Zconnexx issued compensation warrants (the "2000 Compensation Warrants") to the Underwriter exercisable to acquire, for no additional consideration, up to 412,500 compensation options (the "2000 Compensation Options") of Zconnexx, each 2000 Compensation Option entitling the holder thereof upon payment of the exercise price of \$2.00 to acquire a unit consisting of one Common Share and one Series 3 Warrant at any time and from time to time on or before 5:00 p.m. (Toronto time) on February 7, 2002. This prospectus qualifies for distribution 137,500 of the 2000 Compensation Options issuable upon exercise of the 2000 Compensation Warrants in the Province of Ontario and all of the 2000 Compensation Options in the provinces of Alberta and British Columbia.

The offering price of the 2000 Units was determined by negotiation between the Company and the Underwriter.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Wildeboer Rand Thomson Apps & Dellelce, LLP, counsel to the Company and Cassels Brock & Blackwell LLP, counsel to the Underwriter and the Agent, the following summary fairly describes the principal Canadian federal income tax considerations generally applicable to a holder who acquires Common Shares on conversion of Class A Special Shares, Class B Special Shares or Preference Shares, or on exercise of Series 1 Warrants, Series 2 Warrants or Series 3 Warrants, or who acquires Amalco Common Shares pursuant to the Amalgamation or on conversion of Amalco Class A Special Shares, Amalco Class B Special Shares, Amalco Class C Special Shares or Amalco Class D Special Shares, or on exercise of Amalco Series 1 Warrants, Amalco Series 2 Warrants or Amalco Series 3 Warrants. This summary applies to holders who, for the purposes of the Income Tax Act (Canada) (the "Tax Act"): (i) are resident in Canada; (ii) deal at arm's length with the Company and will deal at arm's length with Amalco; (iii) are not "financial institutions" for the purposes of the mark-to-market rules; and (iv)

hold their Class A Special Shares, Class B Special Shares and Preference Shares as capital property, and will hold their Common Shares, Amalco Common Shares, Amalco Class A Special Shares, Amalco Class B Special Shares, Amalco Class C Special Shares and Amalco Class D Special Shares as capital property. Such securities will generally be capital property to a holder unless they are held in the course of carrying on a business of trading or dealing in securities or have been acquired in a transaction or transactions considered to be an adventure in the nature of trade.

This summary does not address the retraction by their holders of Series 2 Preference Shares or Amalco Class D Special Shares.

This summary is based on the current provisions of the Tax Act and the regulations thereunder (the “Regulations”), all specific proposals (the “Proposed Amendments”) to amend the Tax Act or the Regulations publicly announced by the Ministry of Finance prior to the date hereof, and the published administrative practice of the Canada Customs and Revenue Agency (the “CCRA”). Except for the foregoing, this summary does not take into account or anticipate any other changes in law, whether by legislative, governmental or judicial decision or action or changes in administrative practices of the CCRA, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations.

This summary is of a general nature only, is not exhaustive of all Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. Therefore, investors should consult their own tax advisers with respect to their particular circumstances.

Conversion of Shares

A holder will not realize a capital gain or a capital loss upon the conversion of Class A Special Shares, Class B Special Shares or Preference Shares into Common Shares, or upon the conversion of Amalco Class A Special Shares, Amalco Class B Special Shares, Amalco Class C Special Shares or Amalco Class D Special Shares into Amalco Common Shares. The holder’s cost of the Common Shares or Amalco Common Shares received on any such conversion will equal the holder’s adjusted cost base immediately prior to the conversion of the converted securities.

For the purpose of determining the adjusted cost base to the holder of the Common Shares or Amalco Common Shares so acquired, the cost of the Common Shares or Amalco Common Shares acquired on conversion will be averaged with the adjusted cost base of all other Common Shares or Amalco Common Shares, as the case may be, held by the holder immediately prior to the conversion.

The Amalgamation

Holders of Common Shares, Class A Special Shares, Class B Special Shares, Preference Shares, Series 1 Warrants, Series 2 Warrants or Series 3 Warrants will realize neither a capital gain nor a capital loss on the Amalgamation as a result of which their securities are converted into Amalco Common Shares, Amalco Class A Special Shares, Amalco Class B Special Shares, Amalco Class C or Class D Special Shares, Amalco Series 1 Warrants, Amalco Series 2 Warrants and Amalco Series 3 Warrants, respectively. The adjusted cost base of the Amalco securities received upon the amalgamation will be equal to the adjusted cost base to the holder of the Company’s securities so converted by virtue of the amalgamation.

Exercise or Expiry of Warrants

No gain or loss will be realized by a holder upon the exercise of a Series 1 Warrant, Series 2 Warrant, Series 3 Warrant, Amalco Series 1 Warrant, Amalco Series 2 Warrant or Amalco Series 3 Warrant (inclusively referred to in this paragraph as a “share purchase warrant”) to acquire a Common Share or Amalco Common Share, as the case may be. When a share purchase warrant is exercised, the holder’s cost of the share acquired thereby will be the aggregate of the holder’s adjusted cost base of such share purchase warrant, and the exercise price paid for the share. The holder’s adjusted cost base of the share so acquired will be determined by averaging such cost with the adjusted cost base to the holder of all identical shares owned by the holder immediately prior to such acquisition. In the event of the expiry of an unexercised share purchase warrant, the holder will realize a capital loss equal to the holder’s adjusted cost base of such share purchase warrant.

Dividends

Since the Company does not intend to pay dividends on any of its shares this summary does not address the tax consequences to a holder of receiving dividends. In particular, holders of Preference Shares, Amalco Class C Special Shares and Amalco Class D Special Shares should consult their own advisers with respect to the tax consequences of receiving dividends on such shares.

Capital Gains and Capital Losses

Upon a disposition or deemed disposition of a Common Share, Class A Special Share, Class B Special Share, Preference Share, Amalco Common Share, Amalco Class A Special Share, Amalco Class B Special Share, Amalco Class C Special Share or Amalco Class D Special Share (otherwise than as a result of a conversion of any such share into Common Shares or Amalco Common Shares) or of a Series 1 Warrant, Series 2 Warrant, Series 3 Warrant, Amalco Series 1 Warrant, Amalco Series 2 Warrant or Amalco Series 3 Warrant (other than on the exercise or expiry of any such share purchase warrant) a holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such security, as applicable, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such security, as applicable, to the holder. Three-quarters of any capital gain will be included in income as a taxable capital gain in the year of disposition and three-quarters of a capital loss may normally be deducted against taxable capital gains realized in the year of disposition, the three preceding taxation years or any subsequent taxation year, subject to the provisions of the Tax Act in that regard.

The amount of any capital loss realized on the disposition of any such shares by a holder that is a corporation may be reduced by the amount of dividends, if any, received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation, trust or partnership is a member of a partnership or beneficiary of a trust that owns such shares.

A holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) also may be liable to pay an additional refundable tax of 6 2/3% on its “aggregate investment income” for the year, which will include taxable capital gains.

Qualified Investments and Foreign Property

Amalco Common Shares, Amalco Class A Special Shares, Amalco Class B Special Shares, Amalco Class C Special Shares, Amalco Class D Special Shares, Amalco Series 1 Warrants, Amalco Series 2 Warrants and Amalco Series 3 Warrants will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“RRSPs”), registered retirement income funds (“RRIFs”) and deferred profit sharing plans (“DPSPs”) and, under the Proposed Amendments, will also be qualified investments for trusts governed by registered education savings plans.

In the opinion of counsel, which is based in part upon a certificate of an officer of the Company as to certain factual matters, provided Amalco incurs more than \$250,000 for certain qualifying expenses during the 2000 calendar year, the Amalco Common Shares, Amalco Class A Special Shares, Amalco Class B Special Shares, Amalco Class C Special Shares, Amalco Class D Special Shares, Amalco Series 1 Warrants, Amalco Series 2 Warrants and Amalco Series 3 Warrants will not be foreign property under the Tax Act for trusts governed by RRSPs, RRIFs, DPSPs or for certain other persons to whom Part XI of the Tax Act is applicable.

RISK FACTORS

In evaluating the Company and its business, prospective investors should consider carefully the following risk factors in addition to other information contained in this prospectus:

Variability of Operating Results. As a result of the timing of the significant expenses associated with the deployment of Zconnexx's network and marketing plan, it is anticipated that the operating results of the Company could vary from period to period. Such variability could have a material adverse effect on Zconnexx's business, financial condition and results of operations.

Successful Implementation of the Business Plan. If the Company fails to execute its strategy in a timely or effective manner, it may be unable to compete successfully in its target markets. The business strategy of Zconnexx requires it to achieve certain objectives. In order to implement the business plan, Zconnexx must:

- design, deploy, operate and maintain its network infrastructure;
- maintain support systems such as the billing system and customer care systems;
- attract and retain customers and skilled employees;
- expand its sales presence in existing and new markets;
- acquire and integrate existing businesses that contribute to the growth strategy of Zconnexx; and
- develop and provide enhanced services.

If the Company is unable to achieve these objectives, Zconnexx's business may suffer or possibly fail. See "Business of Company – Business Strategy."

Maintenance of Subscription Rates. There can be no assurance that the Company will be able to maintain the rate of new subscribers that it has been able to achieve in the past. The failure to maintain the subscription rates could have a material adverse effect on the Company's business, operating results and financial condition.

Limited Experience. The Company is currently marketing its services to customers and has only recently started fulfilling service orders. Zconnexx is still deploying the initial phase of its network and has limited experience designing, deploying and operating a network. See "Business of Zconnexx". There can be no assurance that the Company will be able to effectively design, deploy, operate and maintain its network, or that its network will function as planned. Once the network is deployed, the Company may encounter unanticipated difficulties in operating and maintaining it. If Zconnexx is unable to implement, deploy or operate its network effectively, or if the network does not function as planned, the Company's business may suffer or possibly fail.

Difficulties in implementing products. The Company's success depends upon the ability of its employees and clients to implement its products into Internet solutions. This implementation typically involves working with sophisticated software, computing and communications systems. If Zconnexx experiences implementation difficulties or does not meet project milestones in a timely manner, the Company could be obligated to devote more customer support, engineering and other resources to a particular project than anticipated. If new or existing clients require more time to deploy the Company's products than is originally anticipated, or require significant amounts of the Company's customized features, the Company's revenue recognition could be further delayed and the Company's costs could increase, causing increased variability in the Company's operating results.

Rapid Technological Changes. The Internet and related industry is subject to rapid and significant changes in technology. Zconnexx cannot predict the effect that changes in technology will have on Zconnexx's business or whether such changes will require Zconnexx to expend more resources to develop its network than are currently expected. Any such changes could have a material adverse effect on Zconnexx business, operating results and financial condition. See "Business of the Company – Market" and "Business of the Company - Competition".

Extensive Competition. The Company has numerous competitors who are also building Internet yellow page directories, including many LECs and smaller Internet infomediary-type companies. The LECs generally have experience in packaging and promoting yellow page directories in print format, and also have the benefit of crossing-over their current yellow page advertisers to an online directory. The Company also faces competition from competitors that are trying to build an Internet yellow page directory, a business-to-business portal or e-commerce marketplace. See "Business of the Company – Competition".

Delays in introducing new and enhanced products. The development of proprietary technologies and necessary service enhancements entails significant technical and business risks and requires substantial expenditures and lead time. Delays in bringing to market new products or product enhancements could be exploited by our competitors. If we were to lose market share as a result of lapses in our product development, our business would suffer.

Risks Associated with Domain Names. The Company currently holds certain web domain names relating to its brand, including the www.yellowpage.net domain name. The acquisition and maintenance of domain names generally is regulated by governmental agencies and their designees. For example, in the United States, the National Science Foundation has appointed Network Solutions, Inc. as the currently exclusive registrar for the “.com”, “.net” and “.org” generic top level domains. The regulation of domain names in the United States and in foreign countries is expected to change in the near future. Such changes in the United States are expected to include a transition from the current system to a system which is controlled by a non-profit corporation and the creation of additional top level domains. Requirements for holding domain names will also be affected. As a result, there can be no assurance that the Company will be able to acquire or maintain relevant domain names in all countries in which it conducts business.

Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. Zconnexx, therefore, may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of its trademarks and other proprietary rights. Any such inability can have a material adverse affect on the Company’s business.

Increases in Customer Attrition Rates. The Company cannot be certain that its customers will continue to purchase Internet access and related services from it or purchase additional services from it or that customers will migrate to its network in accordance with the business plan of Zconnexx. Zconnexx could lose customers as a result of national advertising campaigns, telemarketing programs, customer incentives or new technologies provided by major competitors as well as for other reasons outside of the control of Zconnexx. Increases in Zconnexx’s customer attrition rates could have a material adverse effect on Zconnexx’s business, operating results and financial condition.

Migration of Customers. Zconnexx cannot be certain that it will be able to migrate its customers to its Network in accordance with its business plan. Customers could object to being migrated to Zconnexx’s network and may encounter technical difficulties in doing so. A failure to migrate customers to Zconnexx’s own network could have a material adverse effect on Zconnexx’s business, results of operations and financial condition.

Failure of Zconnexx’s Information Systems. The accurate and prompt billing of customers is essential to the operations and future profitability of Zconnexx. Zconnexx’s billing and collection activities are dependent upon it gathering accurate customer data records. If Zconnexx does not receive accurate customer data records in an accurate and timely manner, Zconnexx’s business, financial condition and operating results could be materially adversely affected. Zconnexx cannot be certain that its billing and management systems will be sufficient to provide it with accurate and efficient billing and other necessary processing capabilities. Zconnexx may not identify all of its information and processing needs and may not be able to upgrade its information systems as needed. Either of these could have a material adverse effect on Zconnexx’s business, financial condition and operating results.

Zconnexx is in the final stages of developing and testing a new information system to integrate important facets of its operations, such as sales, billing and customer service operations. The development and implementation of this system relies in part on the products and services of third party vendors, over which Zconnexx has no control. Furthermore, such products and services must be successfully integrated. The failure of Zconnexx to accomplish the transition to this new system on schedule, or unanticipated problems with the new system, could have a material adverse effect on Zconnexx’s business, financial condition and operating results.

Reliability of the Networks, Services and Equipment of Third Party Providers. At present, Zconnexx depends entirely on others for voice and data transmission facilities for its network. Zconnexx cannot be sure that any third party voice or data transmission facilities will be available to it when needed or on acceptable terms.

Most of the services currently offered by Zconnexx are subject to physical damage, power loss, capacity limitations, software defects, breaches of security and other factors which may cause interruptions in service or reduced capacity for Zconnexx’s customers. These problems, although not within the control of Zconnexx, could adversely affect customer confidence and damage Zconnexx’s reputation. As such, Zconnexx may suffer disruptions in the development and expansion of its Network or the operation of its business, or incur higher than expected capital costs. Such physical damage, power loss, capacity limitations, software defects, breaches of security and other factors which may cause interruptions in service or reduced capacity for Zconnexx’s customers could have a material adverse effect on Zconnexx’s business, financial condition and operating results.

Dependence on LECs and Third-party Billing Intermediaries. Zconnexx uses the LECs’ billing platform, through a

third-party billing intermediary, to bill Zconnexx's own subscribers. While the LECs and third-party billing intermediaries currently are not entitled to discriminate against service providers such as Zconnexx in the rates or billing services they provide, or in respect of access to their billing facilities, Zconnexx is vulnerable to changes in these arrangements with the LECs and third-party billing intermediaries as well as changes in FCC policy. The ability of Zconnexx to bill for its services through the LECs' billing platforms will require it to negotiate or renew billing agreements with LECs and third-party billing intermediaries. This can take considerable time, effort and expense, and these agreements are subject to United States federal regulation. Zconnexx may not be able to effectively negotiate necessary billing agreements, and the failure to maintain existing billing arrangements or to negotiate or renew necessary billing agreements could have a material adverse effect on Zconnexx's business, financial condition and operating results. See "The Business of Zconnexx - Regulation".

Dependence on Telemarketing and Verification Services. Zconnexx uses third-party telemarketing and verification services to enroll new subscribers into Zconnexx's service plan. While the third-party telemarketing and verification service providers are under contract with incentives such as a residual for active, paying subscribers (for telemarketers only) and a stock option earn-out schedule, Zconnexx is nonetheless vulnerable to changes in these arrangements. The ability of Zconnexx to enroll new subscribers for its services through third-party telemarketing service providers will require it to negotiate or renew the telemarketing and verification agreements with third-party service providers. This can take considerable time, effort and expense. Zconnexx may not be able to effectively negotiate necessary telemarketing or verification agreements, and the failure to maintain existing telemarketing and verification agreements or to negotiate or renew necessary telemarketing and verification agreements could have a material adverse effect on Zconnexx's business, financial condition and operating results.

Management of Business Growth. The Company may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage its growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse affect on its business, operations and prospects.

Protection of Proprietary Information. Despite efforts to protect the Company's proprietary rights, unauthorized parties may attempt to copy aspects of the Company's products or to obtain and use information that Zconnexx regards as proprietary and third parties may attempt to develop similar technology independently. These precautions may not prevent misappropriation or infringement of the Company's intellectual property. In addition, laws of some countries do not protect the Company's proprietary rights to the same extent as do the United States or Canada. The Company cannot be certain that protection of its proprietary rights will be adequate or that its competitors will not independently develop similar technology.

There Has Been No Prior Public Market for the Zconnexx Shares. There is no public market for the Common Shares issuable upon conversion of the Class A Special Shares, Class B Special Shares or Preference Shares, and there can be no assurance that an active public market for such shares will develop.

The Market Price of the Amalco Common Shares Could be Volatile. The trading price of the Amalco Common Shares could be subject to wide fluctuations in response to certain factors beyond Amalco's control affecting Amalco and its competitors. In addition, in recent years the stock market has experienced extreme price and volume fluctuations. These fluctuations have had a substantial effect on the market prices for many emerging growth and technology companies, often unrelated to the operating performance of the specific companies. Such market fluctuations could have a material adverse effect on the market price of the Amalco Common Shares.

Changes in the Value of the Canadian Dollar. For the purposes of financial reporting, any change in the value of the Canadian dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange loss or gain on the translation of any U.S. cash and cash equivalents and a deferred loss or gain on the translation of U.S. dollar-denominated long term monetary items into Canadian currency. Therefore, the reported earnings of Zconnexx could fluctuate materially as a result of foreign exchange translation losses or gains and amortization of deferred losses or gains. Changes in the currency exchange rate could have a material adverse effect on the Company.

Absence of Cash Dividends. The Company does not intend to pay cash dividends on its shares for the foreseeable future. Zconnexx currently intends to retain earnings for reinvestment in the business. The Company currently does

not anticipate making distributions in respect of its share capital. However, if such determination were made, there can be no assurance that Zconnexx's subsidiaries will generate sufficient cash flow to pay or distribute such a dividend. See "Dividend Policy".

Dependence on Personnel. Management believes that the success of the Company depends upon the abilities and continued efforts of its management, particularly members of the senior management team. The loss of the services of any of these individuals could have a material adverse effect on Zconnexx's business operating results and financial condition. The success of the Company will also depend upon its ability to identify, hire and retain additional highly skilled management, sales, and marketing, service and technical personnel. Demand for skilled personnel with computer experience is high and competition for their services is intense.

Year 2000. The Year 2000 problem arose from the fact that many computer programs indicated the year by only two digits, rather than four. As a result, it was generally thought that computer systems and software in a wide variety of industries would possibly produce some erroneous results unless they were modified or upgraded to process data information correctly. If the Company's network equipment or those of its customers and major suppliers are not Year 2000 compliant, the Company could experience unexpected expenses and delays, including delays in the Company's ability to conduct normal business operations and to sell its products and services.

DILUTION

The following table sets forth the dilution for the Common Shares that will be issuable upon conversion of the 2000 Private Placement based upon the net tangible book value attributable to each Common Share as at November 30, 1999.

		Per Common Share
Offering Price		\$2.00
Net tangible book value before the issue and distribution ⁽¹⁾	\$0.10	
Increase in net tangible book value attributable to the issue and distribution of the Common Shares	0.26	
Net tangible book value after the issue and distribution of the Common Shares ⁽²⁾		<u>0.36</u>
		<u>\$1.64</u>
Dilution to subscribers		
Percentage of dilution in relation to the Net tangible book value per share prior to the issue and distribution of the Common Shares		82%

 (1) The amount assumes that the outstanding Class A special shares and the Class B special shares are all converted to common shares.

(2) Represents proceeds from the issue less cash commission.

DIVIDEND POLICY

To date, the Company has not paid any dividends to its shareholders. The Company intends to retain its earnings and does not currently expect to pay cash dividends.

MATERIAL CONTRACTS

Except for agreements entered into in the ordinary course of business, the only material agreements or other contractual arrangements entered into by or on behalf of the Company within the two years preceding the date of this prospectus are as follows:

- (a) the Underwriting Agreement described under "Plan of Distribution";
- (b) the Warrant indenture relating to the issuance of the Series 1 Warrants and Series 2 Warrants

- described under “Plan of Distribution”;
- (c) the Agency Agreement described under “Plan of Distribution”;
 - (d) the Warrant Indenture relating to the issuance of the Series 3 Warrants described under “Plan of Distribution”;
 - (e) the Amalgamation Agreement referred to under “Proposed Amalgamation”;
 - (f) the VSE Escrow Agreement referred to under “Escrow Arrangements”;
 - (g) the CDNX Escrow Agreement referred to under “Escrow Arrangements”;
 - (h) the Voluntary Escrow Agreement referred to under “Escrow Arrangements”; and
 - (i) the binding term sheet dated January 16, 2000 between B2T and Zconnexx providing for the purchase by the Company of 65% of the issued and outstanding shares of B2T by Zconnexx.

Copies of these agreements, or the relevant provisions thereof, will be available for inspection at the head office of the Company during normal business hours until 30 days following the date on which a final receipt is issued for this prospectus.

PROMOTER

Messrs. Swirsky, Pozios and Goldstein, each an officer and director of the Company, took the initiative in founding and organizing the Company and, as such, may be considered to be a “promoter” of the Company within the meaning of securities legislation of certain provinces of Canada.

LEGAL MATTERS

Certain legal matters relating to the distribution of the Common Shares qualified hereby will be passed upon on behalf of the Company by Wildeboer Rand Thomson Apps & Dellelce, LLP, on behalf of the Underwriter by Cassels Brock & Blackwell LLP and on behalf of Capital Charter by Clark Wilson.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of the Company are KPMG LLP, Chartered Accountants, 4120 Yonge Street, Suite 500, Toronto, Ontario, M2P 2B8.

The registrar and transfer agent for the Common Shares is Montreal Trust Company of Canada at its principal offices in the cities of Vancouver, British Columbia and Toronto, Ontario.

The warrant agent for the Series 1 Warrants, Series 2 Warrants and Series 3 Warrants is Montreal Trust Company of Canada at its principal offices in Toronto, Ontario.

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, applicable securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment thereto contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of such province. A purchaser should refer to any applicable provisions of the securities legislation of his or her province for the particulars of these rights or consult with a legal adviser.

STATUTORY RIGHT OF ACTION FOR RESCISSION

In the event that a holder of Class A Special Shares, Class B Special Shares, Class C Special Shares or Class D Special Shares that acquires Common Shares upon the conversion of the Class A Special Shares, Class B Special Shares, Class C Special Shares or Class D Special Shares as provided for in this prospectus, is or becomes entitled under applicable securities legislation to the remedy of rescission by reason of this prospectus or any amendment hereto containing a misrepresentation, any such holder shall be entitled to rescission not only of the holder's conversion of its Class B Special Shares, Class C Special Shares or Class D Special Shares but also of the private placement transaction pursuant to which the Class B Special Shares, Class C Special Shares and Class D Special Shares were initially acquired, and shall be entitled in connection with such rescission to a full refund of all consideration paid on the acquisition of the Class B Special Shares, Class C Special Shares or Class D Special Shares.

In the event such holder is a permitted assignee of the interest of the original Class B Special Shares, Class C Special Shares or Class D Special Share subscriber, as the case may be, such permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if such permitted assignee was such original subscriber. The foregoing rights are in addition to any other right or remedy available to a holder of Class A Special Shares, Class B Special Shares, Class C Special Shares or Class D Special Shares under section 130 of the *Securities Act* (Ontario) or otherwise at law.

Consolidated Financial Statements of

ZCONNEXX CORPORATION

Six months ended November 30, 1999 and
period from inception on June 16, 1998 to May 31, 1999



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

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

AUDITORS' REPORT

To the Board of Directors of Zconnexx Corporation

We have audited the consolidated balance sheets of Zconnexx Corporation as at November 30, 1999 and May 31, 1999 and the consolidated statements of operations and deficit and cash flows for the six months ended November 30, 1999 and the period from inception on June 16, 1998 to May 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 1999 and May 31, 1999 and the results of its operations and its cash flows for the six months ended November 30, 1999 and the period from inception on June 16, 1998 to May 31, 1999 in accordance with generally accepted accounting principles.

Chartered Accountants

Toronto, Canada

January 14, 2000, except as to
notes 9(b) and 9(c), which are
as of February •, 2000

ZCONNEXX CORPORATION

Consolidated Balance Sheets

November 30, 1999 and May 31, 1999

	November 30, 1999	May 31, 1999
Assets		
Current assets:		
Cash	\$ 1,567,725	\$ 243
Deposits and other assets	137,862	37,952
	<u>1,705,587</u>	<u>38,195</u>
Capital assets (note 3)	155,205	96,702
	<u>\$ 1,860,792</u>	<u>\$ 134,897</u>

Liabilities and Shareholders' Equity (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities	\$ 380,585	\$ 173,413
Advances from related company (note 4)	—	154,889
	<u>380,585</u>	<u>328,302</u>
Shareholders' equity (deficiency):		
Capital stock (note 5)	3,340,381	1
Contributed capital (note 5)	216,822	216,822
Deficit	(2,076,996)	(410,228)
	<u>1,480,207</u>	<u>(193,405)</u>
Commitments (note 6)		
Subsequent events (note 9)		
	<u>\$ 1,860,792</u>	<u>\$ 134,897</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(signed) Benjamin Swirsky Director _____

(signed) John Pozios Director _____

ZCONNEXX CORPORATION

Consolidated Statements of Operations and Deficit

Six months ended November 30, 1999 and period from inception on June 16, 1998 to May 31, 1999

	November 30, 1999	May 31, 1999
Expenses:		
Amortization	\$ 21,096	\$ 17,156
Bank charges	2,448	545
Consulting fees	227,201	289,767
Equipment rental	12,407	6,813
Insurance	4,369	757
Interest	111,105	—
Office and general	116,768	12,702
Professional fees	94,507	26,773
Rent	62,593	45,894
Repairs and maintenance	16,273	2,624
Salaries and wages	179,390	—
Marketing	756,897	—
Telephone	38,507	4,471
Travel and entertainment	17,293	2,726
	1,660,854	410,228
Foreign exchange translation	5,914	—
Loss for the period	(1,666,768)	(410,228)
Deficit, beginning of period	(410,228)	—
Deficit, end of period	\$ (2,076,996)	\$ (410,228)

See accompanying notes to consolidated financial statements.

ZCONNEXX CORPORATION

Consolidated Statements of Cash Flows

Six months ended November 30, 1999 and period from inception on June 16, 1998 to May 31, 1999

	November 30, 1999	May 31, 1999
Cash provided by (used in):		
Operations:		
Loss for the period	\$ (1,666,768)	\$ (410,228)
Amortization not involving cash	21,096	17,156
Change in non-cash operating working capital:		
Deposits and other assets	(99,910)	(37,952)
Accounts payable and accrued liabilities	204,979	173,413
Advances from related company	(154,889)	371,711
	<u>(1,695,492)</u>	<u>114,100</u>
Financing:		
Convertible debenture	370,325	—
Issuance of shares	2,970,055	1
Increase in promissory notes	1,243,100	—
Repayment of promissory notes	(1,243,100)	—
	<u>3,340,380</u>	<u>1</u>
Investments:		
Acquisition of capital assets	(79,599)	(113,858)
Effect of exchange rates	2,193	—
Increase in cash	1,567,482	243
Cash, beginning of period	243	—
Cash, end of period	<u>\$ 1,567,725</u>	<u>\$ 243</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 111,105	\$ —
Non-cash investing and financing activities:		
Reduction of advances to related company through contribution to capital	\$ —	\$ 216,822
Conversion of convertible debenture to common shares	370,325	—

See accompanying notes to consolidated financial statements.

ZCONNEXX CORPORATION

Notes to Consolidated Financial Statements

Six months ended November 30, 1999 and period from inception on June 16, 1998 to May 31, 1999

1. Incorporation:

The Company was incorporated under the Ontario Business Corporations Act on June 16, 1998 under the name 1300534 Ontario Inc. The Company changed its name to Nextel Group Inc. on June 22, 1998. On January 28, 1999, the Company changed its name to Nexcom Canada Inc. The Company changed its name to Zconnexx Corporation on April 27, 1999. The Company is in the business of providing internet, web site creation and hosting services to small and medium size businesses.

2. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Zconnexx America, Inc. All significant intercompany transactions and balances have been eliminated.

(b) Capital assets:

Capital assets are recorded at cost and are amortized on the declining-balance basis at rates over the estimated useful lives of the assets as follows:

Furniture and fixtures	20%
Computer equipment	30%

(c) Foreign currency translation:

The Company's foreign subsidiary, Zconnexx America, Inc. is an integral part of the Company's operations and has therefore been translated using the temporal method. Under the temporal method, amounts relating to the profit and loss accounts have been translated into Canadian dollars at the year's average exchange rate, monetary assets and liabilities at the year-end rate, and non-monetary assets and liabilities at their historical exchange rates. Differences arising from currency translation are adjusted through the consolidated statement of income.

ZCONNEXX CORPORATION

Notes to Consolidated Financial Statements (continued)

Six months ended November 30, 1999 and period from inception on June 16, 1998 to May 31, 1999

2. Significant accounting policies (continued):

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(d) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

3. Capital assets:

November 30, 1999	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 80,397	\$ 9,964	\$ 70,433
Computer equipment	113,060	28,288	84,772
	<u>\$ 193,457</u>	<u>\$ 38,252</u>	<u>\$ 155,205</u>

May 31, 1999	Cost	Accumulated amortization	Net book value
Furniture and fixtures	\$ 24,303	\$ 3,520	\$ 20,783
Computer equipment	89,555	13,636	75,919
	<u>\$ 113,858</u>	<u>\$ 17,156</u>	<u>\$ 96,702</u>

ZCONNEX CORPORATION

Notes to Consolidated Financial Statements (continued)

Six months ended November 30, 1999 and period from inception on June 16, 1998 to May 31, 1999

4. Advances from related company:

During the period ended May 31, 1999, advances totalling approximately \$947,000 were made to the Company by a company owned by a shareholder of the Company. These advances are unsecured with no specific repayment terms. These advances were repaid during the period ended November 30, 1999, including an amount of \$88,000 representing interest charges on the advances.

5. Capital stock:

	November 30, 1999	May 31, 1999
Authorized:		
Unlimited Class A special shares, voting		
Unlimited Class B special shares, non-voting		
Unlimited preference shares, issuable in one or more series, non-voting		
Unlimited common shares		
Issued:		
9,500,000 Class A special shares (May 31, 1999 - nil)	\$ 370,381	\$ -
5,700,000 Class B special shares (May 31, 1999 - nil)	2,970,000	-
Nil preference shares	-	-
Nil common shares (May 31, 1999 - 100)	-	1
	<u>\$ 3,340,381</u>	<u>\$ 1</u>

ZCONNEXX CORPORATION

Notes to Consolidated Financial Statements (continued)

Six months ended November 30, 1999 and period from inception on June 16, 1998 to May 31, 1999

5. Capital stock (continued):

	Common shares		Class A special shares		Class B special shares	
	Number	Amount	Number	Amount	Number	Amount
Date issued:						
June 17, 1998, for cash	100	\$ 1	–	\$ –	–	\$ –
Balance, May 1, 1999	100	1	–	–	–	–
Date issued:						
May 18, 1999 (b)	5,509,900	55	–	–	–	–
August 26, 1999 (c)	1,377,500	370,325	–	–	–	–
November 16, 1999 (d)	(6,887,500)	(370,381)	9,500,000	370,381	–	–
November 25, 1999 (e)	–	–	–	–	5,700,000	2,970,000
Balance, November 30, 1999	–	\$ –	9,500,000	\$ 370,381	5,700,000	\$ 2,970,000

ZCONNEXX CORPORATION

Notes to Consolidated Financial Statements (continued)

Six months ended November 30, 1999 and period from inception on June 16, 1998 to May 31, 1999

5. Capital stock (continued):

- (a) During the period ended May 31, 1999, a shareholder of Zconnexx provided debt funding for the Company. In April 1999, this shareholder forgave the debt. This amount has been classified for accounting purposes as contributed capital.
- (b) In May 1999, the Company issued 5,509,900 common shares and received \$55 as consideration.
- (c) In August 1999, the Company issued 1,377,500 common shares upon the conversion of a convertible note in the principal amount of U.S. \$250,000 (\$370,325).
- (d) In November 1999, the Company amended the Articles of Incorporation to create Class A and Class B special shares. By special resolution, the shareholders approved the exchange of all the issued and outstanding common shares for Class A special shares on the basis of 1.379 Class A special share for each common share. The Class A special shares are convertible, for no additional consideration, to common shares at any time and will automatically be converted as follows: (a) on the earlier of the fifth business day after (i) the issuance of a receipt for a final prospectus qualifying the distribution of the common shares to be issued upon exercise of the Class B special shares and (ii) the listing of the common shares for trading on the Canadian Venture Exchange (the "CDNX") (or such other recognized stock exchange or quotation system in Canada acceptable to the underwriter and Zconnexx); and (b) the first anniversary of the issuance of the Class B special shares.
- (e) On November 26, 1999, the Company entered into an underwriting agreement to complete a private placement of 5,700,000 Units, each Unit consisting of one Class B special share and one common share purchase warrant. Accordingly, 5,700,000 Class B special shares, 3,600,000 Series 1 warrants and 2,100,000 Series 2 warrants were issued for gross proceeds of \$3,420,000 (\$2,970,000 net of underwriter's commission and professional fees).

As additional compensation to the underwriter, the Company granted Underwriter Compensation Warrants to acquire up to 570,000 Compensation Options at a price of \$0.60 per Option. Each Compensation Option entitles the underwriter to acquire one common share of the Company for no additional consideration and to acquire one Series 1 warrant.

ZCONNEXX CORPORATION

Notes to Consolidated Financial Statements (continued)

Six months ended November 30, 1999 and period from inception on June 16, 1998 to May 31, 1999

5. Capital stock (continued):

In consideration for various fiscal advisory services being provided, the Company has agreed to issue 500,000 Class B special shares to the financial advisor upon a merger of the Company by way of a share exchange take-over bid or amalgamation with a public company acceptable to the Underwriter and the Company.

Each Series 1 warrant entitles the holder to purchase one common share at a price of \$0.75 during the first year subsequent to November 26, 1999 and at a price of \$0.85 during the second year subsequent to November 26, 1999. Each Series 2 warrant entitles the holder to purchase one common share at a price of \$0.60 during the first year subsequent to November 26, 1999 and at a price of \$0.70 during the second year subsequent to November 26, 1999. However, in the event the common shares are listed for trading on a stock exchange and the closing price of the common shares is at least \$2.50 for ten consecutive trading days following the date which is 60 days following the date of issuance of a receipt for a final prospectus, the Company has the right to abridge the warrant expiry date to a date which is 30 days following the date on which a redemption notice is mailed to the warrant holders.

The Class B special shares are convertible to common shares at any time and will automatically be converted as follows: (a) on the earlier of the fifth business day after (i) the issuance of a receipt for a final prospectus and (ii) the listing of the common shares for trading on the CDNX and (b) the first anniversary of the issuance of the Class B special shares.

If a receipt has not been issued for a final prospectus or if the common shares have not been listed on the CDNX on or before March 24, 2000, then the holders of the Class B special shares shall be entitled to receive, for no additional consideration, 1.1 common share for each Class B special share converted.

(f) Stock option plan:

In November 1999, the Board of Directors approved a Share Option Plan for its directors, officers and employees. Pursuant to this plan, 2,800,000 common shares are reserved for issue to eligible employees at a price of \$0.60 per share. No options have been issued under this plan.

ZCONNEXX CORPORATION

Notes to Consolidated Financial Statements (continued)

Six months ended November 30, 1999 and period from inception on June 16, 1998 to May 31, 1999

6. Commitments:

The Company is required to make minimum annual payments for premises and equipment pursuant to various operating lease agreements as follows:

2000	\$ 38,000
2001	28,000
2002	7,000
2003	2,000
	<hr/>
	\$ 75,000

7. Financial instruments:

The fair values of cash and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

The fair value of the advances from related company is not determinable due to their related party nature.

8. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

ZCONNEXX CORPORATION

Notes to Consolidated Financial Statements (continued)

Six months ended November 30, 1999 and period from inception on June 16, 1998 to May 31, 1999

9. Subsequent events:

(a) Proposed reverse takeover of Capital Charter Corp. ("Capital Charter"):

The Company and Capital Charter have indicated their intention to undertake a "qualifying transaction" subject to the approval of the Canadian Venture Exchange, whereby the shareholders of the Company will, subject to closing conditions, exchange their shares in the Company for an equal number of shares in Capital Charter with similar attributes. Capital Charter is a venture capital pool company listed on the Vancouver Stock Exchange.

The proposed transaction will be accounted for under the purchase method and as the shareholders of the Company will acquire control of Capital Charter, the business combination will be accounted for as a reverse takeover with the Company being identified as the acquirer. Application of the reverse takeover accounting results in the consolidated financial statements of the combined entity being issued under the name of the legal parent, Capital Charter, but are considered to be a continuation of the financial statements of the legal subsidiary, Zconnexx Corporation.

(b) Private placement:

On February 7, 2000, the Company entered into an underwriting agreement to complete a private placement of 2,750,000 Units at a price of \$2.00 per unit for gross proceeds of \$5,500,000. An aggregate cash commission of \$550,000 was paid in connection with the sale of these Units.

Each Unit was comprised of 0.8 of one Series 1 preference share, 0.2 of one Series 2 preference share and one Series 3 warrant. Each whole Series 1 preference share, or whole Series 2 preference share is convertible, for no additional consideration, into one common share of the Company. Each whole Series 3 warrant entitles the holder to acquire one common share for a price of \$2.35 per share for a period of two years from the closing date.

The Company has also issued compensation warrants to the underwriter exercisable to acquire, for no additional consideration, up to 412,500 compensation options. Each compensation option entitles the holder, upon payment of the exercise price of \$2.00, to acquire a unit consisting of one common share and one Series 3 warrant at any time until February 7, 2002.

ZCONNEX CORPORATION

Notes to Consolidated Financial Statements (continued)

Six months ended November 30, 1999 and period from inception on June 16, 1998 to May 31, 1999

9. Subsequent events (continued):

If the Company has not listed the common shares on the CDNX or another recognized stock exchange in Canada acceptable to the Company and the Underwriter within 60 days of closing, and if a receipt for a final prospectus qualifying the common shares to be issued upon conversion of the Series 1 and Series 2 preference shares is not issued within 60 days following the closing, the holders of the Series 1 and Series 2 preference shares will be entitled to have the Company redeem their Series 2 preference shares and 20% of their Series 3 common share purchase warrants at a redemption price of \$2.00 per unit, each unit consisting of one whole Series 2 preference share and one Series 3 warrant plus accrued interest thereon.

The Company has escrowed \$1.1 million of the gross proceeds of the offering in order to meet its obligations, if any, to redeem the units comprised of one Series 2 preference share and one Series 3 warrant.

(c) Acquisition of bounce2this.com, Inc.:

In accordance with the terms of a term sheet dated January 16, 2000, the Company has agreed to acquire 65% of the issued and outstanding shares of bounce2this.com, Inc., a website design and software development company. The purchase will be settled by the issuance of 250,000 common shares of the Company at an ascribed value of \$1.00 per share.

(d) On _____, 2000, the Board of Directors of the Company approved the filing of the final prospectus dated _____, 2000 relating to the qualification of 18,450,000 common shares.

Pro Forma Consolidated Balance Sheet of

ZCONNEXX CORPORATION

November 30, 1999
(Unaudited)



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

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

COMPILATION REPORT

To the Board of Directors of Zconnexx Corporation

We have reviewed, as to compilation only, the accompanying pro forma consolidated balance sheet of Zconnexx Corporation as at November 30, 1999. This pro forma balance sheet has been prepared for inclusion in the prospectus relating to the new issue of 18,450,000 common shares of Zconnexx Corporation. In our opinion, this balance sheet has been properly compiled to give effect to the proposed transactions and the assumptions described in the notes thereto.

Chartered Accountants

Toronto, Canada

February 7, 2000

ZCONNEXX CORPORATION

Pro Forma Consolidated Balance Sheet

November 30, 1999
(Unaudited)

	Capital Charter Corp. November 30, 1999	Zconnexx Corporation November 30, 1999	Pro forma adjustments (Note 2)	Zconnexx Corporation Pro forma November 30, 1999
Assets				
Current assets:				
Cash	\$ 493,426	\$ 1,567,725	\$ 3,850,000 (b)	\$ 5,911,151
Deposits and other assets	3,033	137,862	—	140,895
	496,459	1,705,587	3,850,000	6,052,046
Cash held in escrow	—	—	1,100,000 (b)	1,100,000
Capital assets	—	155,205	—	155,205
	\$ 496,459	\$ 1,860,792	\$ 4,950,000	\$ 7,307,251

Liabilities and Shareholders' Equity

Current liabilities:				
Accounts payable and accrued liabilities	\$ 19,671	\$ 380,585	\$ —	\$ 400,256
Shareholders' equity:				
Capital stock	583,047	3,340,381	(583,047) (a)	8,767,169
			476,788 (a)	
			4,950,000 (b)	
Contributed capital	—	216,822	— (a)	216,822
Deficit	(106,259)	(2,076,996)	106,259 (a)	(2,076,996)
	476,788	1,480,207	4,950,000	6,906,995
	\$ 496,459	\$ 1,860,792	\$ 4,950,000	\$ 7,307,251

See accompanying notes to pro forma consolidated balance sheet.

ZCONNEXX CORPORATION

Notes to Pro Forma Consolidated Balance Sheet

November 30, 1999
(Unaudited)

1. **Basis of presentation:**

The accompanying pro forma consolidated balance sheet has been prepared by the management of Zconnexx Corporation ("Zconnexx") for inclusion in the prospectus of Zconnexx relating to the new issue of 18,450,000 common shares. This pro forma consolidated balance sheet has been prepared in accordance with Canadian generally accepted accounting principles and reflects (a) the proposed amalgamation of Capital Charter Corp. ("Capital Charter") and Zconnexx; and (b) the February 7, 2000 private placement of 2,750,000 Units of Zconnexx at a price of \$2.00 per unit; as if these transactions had occurred on November 30, 1999.

This pro forma consolidated balance sheet should be read in conjunction with the financial statements of Capital Charter and the consolidated financial statements of Zconnexx as at November 30, 1999 (included elsewhere in the prospectus).

This pro forma consolidated balance sheet has been compiled from the audited financial statements of Capital Charter and the audited consolidated financial statements of Zconnexx. For the purposes of this pro forma balance sheet, no attempt has been made to conform to the accounting policies of these companies.

This pro forma consolidated balance sheet does not purport to represent the financial position that might have occurred had the proposed transactions actually taken place on the date indicated.

ZCONNEXX CORPORATION

Notes to Pro Forma Consolidated Balance Sheet (continued)

November 30, 1999
(Unaudited)

2. Pro forma assumptions and adjustments:

(a) Proposed reverse takeover of Capital Charter:

Capital Charter and Zconnexx have indicated their intention to undertake a "qualifying transaction" subject to the approval of the Canadian Venture Exchange, whereby they will amalgamate, subject to shareholder and regulatory approval, and continue as Zconnexx.

The transaction between Capital Charter and Zconnexx will be accounted for under the purchase method of accounting. As the former shareholders of Zconnexx will acquire control of Capital Charter upon completion of this transaction, the business combination has been accounted for as a reverse takeover, with Zconnexx being identified as the acquirer. Application of reverse takeover accounting results in the following:

- (i) Zconnexx is deemed to be the acquirer for accounting purposes and its assets and liabilities are included in the pro forma consolidated balance sheet at their historical carrying values.
- (ii) Control of the net assets and operations of Capital Charter is considered to be acquired by Zconnexx. For the purposes of the pro forma consolidated balance sheet, the consideration is deemed to be the fair value of the net assets of Capital Charter acquired, being \$476,788, consisting primarily of cash of \$493,426.

(b) Private placement:

On February 7, 2000, the Company entered into an underwriting agreement to complete a private placement of 2,750,000 Units at a price of \$2.00 per unit for gross proceeds of \$5,500,000. An aggregate cash commission of \$550,000 was paid in connection with the sale of these Units.

In the event the Company does not meet certain public company listing criteria, the holders of these Units will be entitled to have the Company redeem up to \$1,100,000 worth of equity instruments included in the Units. The Company has escrowed \$1,100,000 of the gross proceeds of the offering in order to meet such obligations, if any, to redeem.

CERTIFICATE OF THE COMPANY AND THE PROMOTERS

Dated: February 23, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities qualified by this prospectus as required by Part 7 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

(Signed) BENJAMIN SWIRSKY
Chief Executive Officer

(Signed) MICHAEL MAMMOLITI
Chief Financial Officer

On behalf of the Board of Directors

(Signed) JOHN POZIOS
Director

(Signed) ANTHONY GOLDSTEIN
Director

PROMOTERS

(Signed) BENJAMIN SWIRSKY

(Signed) JOHN POZIOS

(Signed) ANTHONY GOLDSTEIN

CERTIFICATE OF THE UNDERWRITER

Dated: February 23, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the Common Shares issuable upon conversion of the Class B Special Shares and the Preference Shares as required by Part 7 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

YORKTON SECURITIES INC.

By: (Signed) NELSON SMITH