**New Issue** **July 4, 2000**

# EZENET CORP.

# $51,876,000

**4,611,200 Common Shares and 2,305,600 Warrants Issuable Upon Exercise of 4,611,200 Special Warrants**

This prospectus qualifies the distribution of 4,611,200 common shares (the "Common Shares") of Ezenet Corp. ("Ezenet" or the "Corporation") and 2,305,600 Common Share purchase warrants (the "Warrants") issuable for no additional consideration, upon the exercise of 4,611,200 special warrants (the "Special Warrants") previously issued by the Corporation on March 23, 2000 (the "Closing Date") at a price of $11.25 per Special Warrant pursuant to a special warrant indenture dated as of the Closing Date (the "Special Warrant Indenture") between the Corporation and Montreal Trust Company of Canada (the "Trustee"). 4,611,200 Special Warrants were issued pursuant to applicable securities exemptions of which 166,700 Special Warrants were issued to Octagon Capital Corporation, Salman Partners Inc., and Acumen Capital Finance Partners Ltd. (the "Agents") as partial payment of their fee. See "Details of the Offering".

Each Special Warrant entitles the holder thereof to acquire one Common Share (subject to adjustment as hereinafter provided) and one-half of one Warrant at no additional cost, at any time until 5:00 p.m. (Toronto time) (the "Expiry Time") on the first to occur of: (i) the fifth Business Day following the date (the "Qualification Date") upon which a receipt for this prospectus is issued by the securities commissions in each of the Provinces of British Columbia, Alberta, Manitoba and Ontario (the "Qualifying Provinces"), and (ii) March 23, 2001. Any Special Warrants not exercised prior to the Expiry Time shall be deemed, by their terms, to have been exercised immediately prior to the Expiry Time without any further action on the part of the holder. The specific attributes of the Warrants are set forth in a warrant indenture dated as of the Closing Date (the "Warrant Indenture") which provides, among other things, that each whole Warrant will entitle the holder thereof to purchase one Common Share at a price of $12.00 per Common Share until 5:00 p.m. on the earlier of: (i) 14 months after the Qualification Date; and (ii) May 23, 2002.

If the Corporation has not received receipts for this prospectus from each of the securities commissions in the Qualifying Provinces on or prior to 5:00 p.m. (Toronto time) on July 21, 2000 (the "Qualification Deadline") each holder of Special Warrants, wherever resident, shall thereafter be entitled to receive, upon the exercise or deemed exercise of the Special Warrants, 1.1 Common Shares and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant otherwise receivable) at no additional cost.

If the Corporation has not received receipts for this prospectus from each of the securities commissions in the Qualifying Provinces prior to September 19, 2000 and the Corporation has not included the names of two independent directors approved by Octagon Capital Corporation, acting reasonably, on its slate of directors put forward to the shareholders of Ezenet in connection with its next annual and general meeting of shareholders, each holder of Special Warrants, wherever resident, shall thereafter have the right to receive, upon delivery prior to September 26, 2000 of an irrevocable written request that the Corporation purchase, for the Retraction Price (as hereinafter defined), a specified number of the Special Warrants represented by such Special Warrant certificate (such number not to exceed 60% of the number of Special Warrants represented by such certificate). Pursuant to the Special Warrant Indenture the Trustee holds in escrow $31,125,600 (together with interest thereon), which funds are not releasable to the Corporation prior to the Qualification Date (unless Special Warrants are exercised prior to such date). See "Details of the Offering".

| | Price to Public | | Agents' Fee[(1)] | | Net Proceeds to the Corporation[(2)] | |
|---|---|---|---|---|---|---|
| Per Special Warrant . . . . . . . . . . . . . . . . . . . . . . . . . | $ | 11.25 | $ | 0.84 | $ | 10.41 |
| Total Offering of Special Warrants . . . . . . . . . . . . . . | $ | 50,000,625 | $ | 1,874,672 | $ | 48,125,953[(3)] |

(1) The aggregate Agents' fee ($3,750,047) is equal to 7.5% of the proceeds from the sale of 4,444,500 Special Warrants less the portion of the Agent's fee ($1,875,375), paid on the election of the Agents to subscribe for 166,700 Special Warrants.
(2) Does not include expenses of the offering estimated at $250,000, which will be paid from general funds of the Corporation.
(3) Includes the proceeds ($1,875,375) from the subscription for 166,700 Special Warrants by the Agents from a portion of the Agents' fee.

The Special Warrants were sold on a best efforts basis to investors pursuant to prospectus exemptions under applicable securities legislation pursuant to an agency agreement dated March 23, 2000 (the "Agency Agreement") among Ezenet and the Agents. No commission or fee will be payable to the Agents by the Corporation in connection with the distribution of the Common Shares and Warrants upon the exercise of the Special Warrants. See "Details of the Offering". The issue price of $11.25 per Special Warrant was determined by negotiation between the Corporation and the Agents.

This prospectus also qualifies the distribution of compensation options to purchase an aggregate of 444,450 Common Shares and 222,225 Warrants for a two year period expiring at 4:30 p.m. (Toronto time) on March 23, 2002 (the "Compensation Options"), which are issuable upon the exercise of 444,450 outstanding compensation warrants (the "Compensation Warrants"). Each such Compensation Option will entitle the holder thereof to purchase one Common Share and one-half of one Warrant at any time and from time to time until March 23, 2002 upon payment to Ezenet of the sum of $11.25. The Compensation Warrants were issued to the Agents by Ezenet as compensation under the Agency Agreement in connection with the sale of Special Warrants. See "Details of the Offering".

**There is no market through which the Special Warrants may be sold.** The currently outstanding Common Shares are listed and posted for trading on the Canadian Venture Exchange (the "CDNX") under the trading symbol "EZE". On February 29, 2000, the date prior to the date on which the issue of the Special Warrants was announced, the closing price of the Common Shares on the CDNX (as reported by such exchange) was $15.95. On June 30, 2000, the closing price of the Common Shares on the CDNX (as reported by such exchange) was $9.90. See "Price Range and Trading Volume of Common Shares". The CDNX has approved the listing of the Common Shares issuable upon exercise of the Special Warrants, Warrants and Compensation Options, and the listing of the Warrants issuable on exercise of the Special Warrants and Compensation Options.

**The securities qualified hereby should be considered highly speculative due to the nature of the Corporation's business and involvement in the financial services software industry and its involvement in Internet and wireless communication. The financial services technology industry, particularly Internet and wireless communication services, is rapidly evolving and intensely competitive. Demand and market acceptance for recently introduced services and products related to the Internet and wireless communication are subject to a high level of uncertainty. In addition, the software development industry is susceptible to significant technological advances. The Corporation relies heavily on highly skilled personnel and the proprietary nature of its technology to remain competitive. The Corporation competes with other corporations which have greater technical and financial resources and name recognition. Investors must rely upon the ability, expertise, judgment and discretion of the management of the Corporation. See "Risk Factors". The effective offering price of $11.25 per Common Share for Special Warrants exceeds the net tangible book value per Common Share as at December 31, 1999, after giving effect to the issue of Common Shares upon exercise of the Special Warrants under this offering, by $7.99 per Common Share or approximately 71%. See "Dilution".**

Certificates for the Common Shares and Warrants will be available for delivery within five Business Days from the exercise or deemed exercise of the Special Warrants. Certain legal matters relating to the qualification for distribution of the Special Warrants and the Common Shares and Warrants issuable upon exercise thereof have been passed upon on behalf of the Corporation by Burnet, Duckworth & Palmer, Calgary, Alberta, and on behalf of the Agents by Goodman, Phillips & Vineberg, Toronto, Ontario.

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## GLOSSARY

The following are definitions of certain terms used throughout this prospectus.

**"Agency Agreement"** means the agency agreement between the Corporation and the Agents dated March 23, 2000 in respect of the offering of Special Warrants;

**"Agents"** means Octagon Capital Corporation, Salman Partners Inc. and Acumen Capital Finance Partners Limited;

**"banking system"** means a software package offered by Ezenet that manages deposits, loans, leases and annuities;

**"Bluetooth"** is a close proximity wireless networking standard which enables wireless devices, such as cellular telephones and PDAs to communicate within about a 30 foot radius;

**"Business Day"** means any day, other than Saturday, Sunday or a statutory holiday in Calgary, Alberta or Toronto, Ontario;

**"CDNX"** means the Canadian Venture Exchange;

**"Closing Date"** means March 23, 2000;

**"Common Shares"** means the common shares in the capital of the Corporation, as presently constituted and, where the context requires, the common shares to be issued by the Corporation upon the exercise of the Special Warrants, the Compensation Options and the Warrants;

**"Compensation Options"** means non-transferable options issuable on exercise of the Compensation Warrants, each of which entitles an Agent to purchase, subject to adjustment in certain events, one Common Share and one-half of one Warrant at a price of $11.25, exercisable before 5:00 p.m. (Toronto time) on March 23, 2002;

**"Compensation Warrants"** means the compensation warrants issued to the Agents on the Closing Date which entitle the Agents to acquire, in the aggregate, for no additional cost, 444,450 Compensation Options;

**"Expiry Date"** means the date which is the first to occur of: (i) the fifth Business Day following the Qualification Date; and (ii) March 23, 2001;

**"Expiry Time"** means 5:00 p.m. (Toronto time) on the Expiry Date;

**"Ezenet"** or the **"Corporation"** means Ezenet Corp., a corporation incorporated under the laws of Alberta and its subsidiaries, unless the context requires otherwise;

**"First Preferred Shares"** means the first preferred shares authorized to be issued in one or more series in the capital of the Corporation;

**"Java Applets"** means a Java program to run a downloaded application on a user's personal computer;

**"LAN"** means local area network;

**"legacy systems"** means operational software or hardware based on older generation technology;

**"LINUX"** means an open source operating system;

**"Oracle 8i"** means Oracle Corporation's enterprise database software;

**"PDA"** means a personal digital assistant;

**"Preferred Shares"** means the 3% cumulative convertible voting second preferred shares in the capital of the Corporation, as presently constituted;

**"Qualification Date"** means the date on which a receipt for this prospectus has been issued by the securities regulatory authorities in each of the Qualifying Provinces qualifying the Common Shares and Warrants issuable on exercise of the Special Warrants;

**"Qualification Deadline"** means July 21, 2000;

**"Qualifying Provinces"** means the Provinces of Ontario, Manitoba, Alberta and British Columbia;

**"Retraction Price"** means the aggregate of: (i) $11.25 per Special Warrant; and (ii) an amount equal to the interest earned by the Trustee on the subscription funds from the Closing Date to and including the day immediately preceding the date of payment (less any interest paid out by the Trustee pursuant to the Special Warrant Indenture prior to the date of payment) divided by the number of then outstanding Special Warrants;

**"Second Preferred Shares"** means the second preferred shares authorized to be issued in one or more series in the capital of the Corporation;

**"Servlets"** means server-side Java programs that are loaded and run within the framework of a web server;

**"SOHO"** means small office, home office;

**"Special Warrant Indenture"** means the special warrant indenture dated as of the Closing Date between the Corporation and the Trustee;

**"Special Warrants"** means the 4,611,200 special warrants issued by the Corporation on the Closing Date at a price of $11.25 per special warrant pursuant to the Special Warrant Indenture;

**"Third Party Transaction"** means a *bona fide* merger, amalgamation, acquisition or other major corporate restructuring;

**"Trustee"** means Montreal Trust Company of Canada;

**"VAR"** means value added reseller;

**"VPN"** means virtual private network;

**"WAN"** means wide area network;

**"WAP"** means wireless application protocol; and

**"Warrant Indenture"** means the warrant indenture dated as of the Closing Date between the Corporation and the Trustee.

Words importing the singular number, where the context requires, include the plural and vice versa and words importing any gender include all genders.

## SUMMARY

*The following summary information must be read in conjunction with the detailed information appearing elsewhere in this prospectus.*

## THE CORPORATION

Ezenet is engaged in the business of providing data processing outsourcing, network management and other related services to the financial services market. To provide these services, Ezenet designs, markets, installs, maintains and administers banking software and technology solutions suitable for financial institutions. Its banking software solutions include online systems that are designed to manage deposit accounts and certificates, loans, mortgages, leases, annuities and most financial instruments. In the past five years, Ezenet and its predecessor companies have grown the business by capitalizing on the trend of financial institutions towards outsourcing a portion of, or all of, their information technology needs. Ezenet's growth opportunities were previously restricted by the amount of capital available for expansion. In the past two years, most of Ezenet's growth has come from the outsourcing of programs by major Canadian chartered banks and management anticipates this trend will continue and accelerate.

Ezenet's software solutions provide secure transactions, Internet accessibility and scalable technology to consistently handle a growing number of transactions and clients. Ezenet's customers include Canadian chartered banks, trust companies, mortgage companies, insurance companies and leasing companies.

Management believes that its products and services offer the following competitive advantages: (i) Ezenet offers proven products and services; (ii) the Corporation has developed proprietary technology; (iii) the Corporation has an established base of referral clients from other customers; (iv) Ezenet's products can be deployed quickly; (v) Ezenet's products offer substantial reporting options and the programs are easily customized; (vi) Ezenet's products and services are priced competitively; and (vii) the development team has an excellent proven track record for meeting the needs of clients.

Ezenet is currently adding to its staff of 36 people to achieve its business plan objectives. In the past 18 months the number of Ezenet employees has increased by 200%. Currently, seven of Ezenet's employees spend the majority of their time on research and development and historically, the Corporation has developed its own proprietary software products for the financial sector and the SOHO market.

Ezenet plans to add additional sales, marketing, technical and research and development personnel. Initiatives are underway to expand its research and development programs to include WAP, automated teller machine applications and security software for the Internet and to integrate these applications to the financial back-end solutions currently offered by Ezenet. In addition, Ezenet is currently modifying certain aspects of its financial applications to accommodate expansion to the United States market (see "Business of Ezenet - Business Strategy - U.S. Expansion"). Ezenet also plans to add to its suite of SOHO applications by building applications that complement its INSTA line of software applications.

## THE OFFERING

**Issue**: 4,611,200 Common Shares and 2,305,600 Warrants issuable upon the exercise of 4,611,200 Special Warrants.

**Special Warrants**: On the Closing Date, a total of 4,611,200 Special Warrants were issued pursuant to prospectus exemptions under applicable securities legislation at a price of $11.25 per Special Warrant, for gross aggregate consideration of $51,876,000 of which 166,700 Special Warrants were issued to the Agents as payment for a portion ($1,875,375) of the aggregate Agents' fee ($3,750,047). The Special Warrants were issued pursuant to the Special Warrant Indenture. See "Details of the Offering". Since the date of issuance, no Special Warrants have been exercised.

**Exercise Details**: Each Special Warrant entitles the holder thereof to acquire (subject to adjustment as hereinafter provided) one Common Share at no additional cost, at any time until 5:00 p.m. (Toronto time) on the first to occur of: (i) the fifth Business Day following the Qualification Date, and (ii) March 23, 2001. Any Special Warrants not exercised prior to the Expiry Time shall be deemed, by their terms, to have been exercised immediately prior to the Expiry Time without any further action on the part of the holder.

If the Corporation has not received receipts for this prospectus from each of the securities commissions in the Qualifying Provinces prior to the Qualification Deadline each holder of Special Warrants, wherever resident, shall thereafter be entitled to receive, upon the exercise or deemed exercise of the Special Warrants, 1.1 Common Shares and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant otherwise receivable) at no additional cost.

If the Corporation has not received receipts for this prospectus from each of the securities commissions in the Qualifying Provinces prior to September 19, 2000, each holder of Special Warrants, wherever resident, shall thereafter have the right to receive, upon delivery prior to September 26, 2000 of an irrevocable written request that the Corporation purchase, for the Retraction Price, a specified number of the Special Warrants represented by such Special Warrant certificate (such number not to exceed 60% of the number of Special Warrants represented by such certificate). Pursuant to the Special Warrant Indenture the Trustee holds in escrow $31,125,600, which funds are not releasable to the Corporation prior to the Qualification Date (unless Special Warrants are exercised prior to such date). See "Details of the Offering".

**Use of Proceeds**: The net proceeds to the Corporation from the sale of the Special Warrants were $48,125,953 after deducting cash fees in the amount of $1,874,672 paid by the Corporation to the Agents and before deducting offering expenses estimated at $250,000. The Corporation also paid fees of $1,875,375 to the Agents by issuing 166,700 Special Warrants to the Agents, for aggregate Agents' fees of $3,750,047. The net proceeds of the offering are intended to be used by the Corporation to further develop the banking software and front-end wireless and Internet solutions for banks and financial service companies that complement Ezenet's existing back-end infrastructure. These intended expenditures include development of enhanced security software, marketing and sales force expansion into the United States, development of LINUX financial applications and strategic acquisitions. See "Use of Proceeds".

**Risk Factors**: The Special Warrants should be considered to be speculative due to the nature of the Corporation's business, its present stage of development and other factors. Investors must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. Investment in the securities offered hereby involves a significant degree of risk. Investors should carefully review the following factors, together with the other information contained in this prospectus:

- operating history
- competition
- wireless services
- key personnel
- developing markets
- technological change
- protection of intellectual property
- additional financing requirements
- management of growth
- expected losses in the future
- market for securities
- strategic alliances
- government regulation
- exchange rate fluctuations
- dilution
- conflicts of interest
- lengthy sales and implementation cycle
- limited number of financial institution customers
- expansion into international markets
- vulnerability to security breaches
- new technologies and acquisitions
- vulnerability to viruses and other disruptions
- resolution of product deficiencies

- volume of Internet and wireless use
- financial institution acceptance of the Internet
- license agreements with customers

See "Risk Factors".

**Dilution:** The effective issue price of $11.25 per Common Share issuable on exercise of the Special Warrants exceeds the net tangible book value per Common Share as at December 31, 1999, after giving effect to the issuance of the Common Shares upon exercise of the Special Warrants, by $7.99 per Common Share representing a dilution factor of approximately 71%. See "Dilution".

**Dividend Policy:** The Corporation has not paid any dividends on its Common Shares to the date hereof. It is the present policy of the board of directors of the Corporation to retain any earnings to finance the growth and development of the Corporation's business and, therefore, the Corporation does not anticipate paying any dividends in the immediate or foreseeable future other than those dividends in the amount of $67,500 which have accrued and become payable pursuant to the terms of the Preferred Shares. See "Dividend Record and Policy".

## SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial information for Ezenet for the periods indicated. **The following is a summary only and must be read in conjunction with the Consolidated Financial Statements for Ezenet contained in this prospectus.**

| | As at and for the | | As at and for the | | |
|---|---|---|---|---|---|
| | **Period Ended March 31, 2000** (unaudited) | **Period Ended March 31, 1999** (unaudited) | **Year Ended December 31, 1999** (audited)(1) | **Year Ended December 31, 1998** (audited)(2) | **Year Ended December 31, 1997** (audited)(2) |
| **Statement of Operations** | | | | | |
| Revenue | $ 854,168 | $ 659,014 | $ 3,206,448 | $ 2,345,708 | $ 1,842,167 |
| Expenses | 951,193 | 448,627 | 2,672,034 | 1,950,761 | 1,779,917 |
| Income taxes | (49,100) | 92,570 | 272,680 | 116,403 | 14,617 |
| Net earnings | (47,925) | 117,817 | 261,734 | 278,544 | 47,633 |
| **Earnings per share** | | | | | |
| Basic | $ (0.01) | $ 0.03 | $ 0.04 | $ 0.09 | $ 0.02 |
| Fully diluted | n/a | 0.02 | $ 0.02 | $ 0.09 | $ 0.02 |
| **Balance Sheet** | | | | | |
| Total assets | $ 19,284,942 | $ 2,250,191 | $ 2,434,562 | $ 1,231,770 | $ 620,513 |
| Long-term debt | – | – | – | – | 106,430 |
| Shareholders' equity | $ 18,757,866 | $ 1,726,446 | 1,890,361 | 949,034 | 369,140 |

Notes:

(1) 1999 financial statements were audited for Ezenet by new auditors, Daren, Martenfeld, Carr, Testa and Company LLP, appointed in October 1999.

(2) 1998 and 1997 financial statements are for Ezenet Inc. (see "The Corporation - History of the Corporation") and were audited by Rubin Cohen, Chartered Accountant.

## THE CORPORATION

Ezenet was incorporated under the laws of the Province of Alberta on May 7, 1998 as Norah Capital Corporation. On August 15, 1998 the Corporation deleted from its Articles the restrictions on share transfers, the limitation on the number of shareholders of the Corporation and the prohibition on any invitation to the public to subscribe for securities of the Corporation. By Articles of Amendment, the Corporation changed its name on March 5, 1999 to Ezenet Corp.

Ezenet currently has a total of 35 employees.

The head office of Ezenet is located at 5160 Yonge Street, 11th Floor, Toronto, Ontario, M2N 6L9, and its registered office is located at 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

Ezenet trades under the symbol EZE on the CDNX.

### Corporate Structure

Ezenet has two active wholly-owned subsidiaries: Ezenet Inc., a corporation incorporated under the laws of Canada and INSTAbase.com Inc., a corporation incorporated under the laws of Canada. On April 28, 2000 the Corporation also established Ezenet USA, Inc., a corporation incorporated under the laws of North Carolina through which it intends to carry on its U.S. operations.

In this prospectus, the "Corporation" and "Ezenet" refer to Ezenet, together with its subsidiaries, unless the context requires otherwise.

### History of the Corporation

The business of the Corporation was initiated by Ezer & Associates Ltd. ("Ezer"), a company founded by Haron Ezer in 1978. Ezer's first clients were mortgage companies requiring data processing of mortgage payments and subsequent reporting and tracking. In 1984, Ezer expanded into deposit processing beginning with guaranteed investment certificates and eventually expanded into all forms of deposit instruments. Over the next ten years, Ezer's client base grew and accordingly, as client requirements expanded, its offering of products was broadened to include all traditional forms of financial instruments.

In 1994, management of Ezer started a conversion project to port the software from a WICAT system, a 1984 operating system, to the faster and more powerful IBM RISC 6000 platform. This new platform allowed Ezenet's predecessor company to better service its customers.

On January 1, 1997, an amalgamation was completed of Ezer Data Systems Ltd. and Ezenet Inc. and the company continued under the name Ezenet Inc. Immediately following the amalgamation, Ezenet Inc. purchased all the assets and operations of Ezer.

At approximately the same time, Ezenet Inc. established an infrastructure to provide Internet services to its clients. Ezenet Inc. also continued to update its core banking system software which helped its customers manage various forms of financial instruments. Ezenet Inc.'s research and development department also began work on personal computer-based software products. In late 1998, the beta version of INSTAbase was released as a shareware product, meaning it was available to be downloaded to visitors of the shareware site for a fee of $69.00 (see "Business of Ezenet - Products and Services").

In 1998, Haron Ezer, Gordon W. Ramer, Kasra Meshkin and Terence W. Rogers took the initiative to incorporate Norah Capital Corporation, an Alberta Junior Capital Pool company, and the Common Shares were listed for trading on October 17, 1998 on The Alberta Stock Exchange. Concurrent with listing, the Corporation signed a letter of intent to acquire all of the issued and outstanding shares of Ezenet Inc. On January 15, 1999, Ezenet Inc. closed a private placement of 1,000,000 common shares at $0.50 per share. On March 5, 1999, the Corporation completed the acquisition of all of the issued and outstanding shares of Ezenet Inc. and the Corporation changed its name to Ezenet Corp.

Effective April 26, 2000, the Corporation purchased certain technology from netSTOR Technologies Inc. ("netSTOR"), which technology Ezenet plans to use to develop new WAP server hardware and software solutions. These assets include netSTOR Linux, a robust, secure and enterprise oriented distribution of the Linux operating system. The netSTOR assets also include the designs for two server appliances that can support Intel or UltraSPARC CPU architecture and a choice of Linux or Solaris on either Intel or UltraSPARC CPU's. As payment for the $750,000 purchase price, the Corporation issued 50,000 Common Shares to netSTOR.

## BUSINESS OF EZENET

Ezenet is engaged in the business of providing data processing outsourcing, network management and other related services to the financial services market. To provide these services, Ezenet designs, markets, installs, maintains and administers banking software and technology solutions suitable for financial institutions. Its banking software solutions include online systems that are designed to manage deposit accounts and certificates, loans, mortgages, leases, annuities and most financial instruments. In the past five years, Ezenet and its predecessor companies have grown the business by capitalizing on the trend of financial institutions towards outsourcing a portion of, or all of, their information technology needs. Ezenet's growth opportunities were previously restricted by the amount of capital available for expansion. In the past two years, most of Ezenet's growth has come from the outsourcing of programs by major Canadian chartered banks and management anticipates this trend will continue and accelerate.

Ezenet's software solutions provide secure transactions, Internet accessibility and scalable technology to consistently handle a growing number of transactions and clients. Ezenet's customers include Canadian chartered banks, trust companies, mortgage companies, insurance companies and leasing companies.

Ezenet is currently adding to its staff of 36 people to achieve its business plan objectives. In the past 18 months the number of Ezenet employees has increased by 200%. Currently, seven of Ezenet's employees spend the majority of their time on research and development and historically, the Corporation has developed its own proprietary software products for the financial sector and the SOHO market.

Ezenet plans to add sales, marketing, technical and research and development personnel. Initiatives are underway to expand its research and development programs to include WAP, automated teller machine applications and security software for the Internet and to integrate these applications to the financial back-end solutions currently offered by Ezenet. In addition, Ezenet is currently modifying certain aspects of its financial applications to accommodate expansion to the United States market (see "Business of Ezenet - Business Strategy - U.S. Expansion"). Ezenet also plans to add to its suite of SOHO applications by building applications that complement its INSTA line of software applications.

### Industry Background

The market for full service technology outsourcing in the financial services industry is potentially very large, as many financial institutions are currently using legacy systems. In order to remain competitive, these institutions will need to update such technology and software. In Canada, Canadian Business Information estimates there are over 6,000 credit unions, personal credit institutions and mortgage companies (Canadian Business Information, a subsidiary of American Business Information Inc. ("American"), June 1998)[1]:

| | |
|---|---|
| Credit Unions | 3,125 |
| Personal Credit Institutions | 2,007 |
| Mortgage Companies | 1,290 |

In the U.S. alone, there are approximately 17,000 small financial institutions (institutions with less than five branches) and management believes the majority of these institutions are currently using legacy systems. A profile of all financial institutions in the U.S., (American, June 1998), shows the following breakdown of financial institutions in the U.S. market:

| | |
|---|---|
| Savings and Loan | 3,077 |
| Credit Unions | 14,590 |
| Mortgage Companies | 24,264 |
| National Commercial Banks (branches) | 69,860 |

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[1] American Business Information Inc. has a large database of businesses in North America and provides extracts based on industry profiles as requested.

*Growth of Information Technology Outsourcing*

Management believes there are several indicators of the growing trend towards banks and other financial institutions outsourcing their information technology needs. Firstly, there is a growing number of technology companies offering outsourcing solutions to banks, such as 724 Solutions Inc. and Basis 100 Inc.

Secondly, banks are increasingly focused on decreasing their per transaction costs. In order to achieve this cost reduction, financial institutions, including major Canadian chartered banks, are seeking third party outsourcing for certain key services.

Thirdly, management believes the growth in outsourcing revenue, both as evidenced by Ezenet's own banking service revenue and competitors' banking service revenue, is indicative of the trend towards outsourcing in the industry. One competitor, Sanchez Computer Associates Inc., provides a full suite of bank outsourcing products and states in its 1999 annual report that its revenues from sales of software applications decreased in the past 12 months from $27 million to $19 million while its revenues from providing full outsourcing solutions, including network management, increased from $11 million to $27 million in the same period.

Fourthly, management believes there is a well recognized shortage of technology employees available to financial and other institutions to implement newly developed technologies. Smaller financial institutions without information technology departments, in particular, will require technology outsourcing in order to update banking solutions which are required to remain competitive.

Management believes that financial institutions will also require that outsourcing solutions be able to seamlessly interface with both developing wireless technology and conventional applications used to manage traditional bank products.

Other general trends, including Internet, wireless communication and online financial services growth, are affecting the way financial institutions provide services to their customers and accordingly, the extent of their outsourcing technology needs.

*Growth of the Internet*

The Internet continues to influence the nature of worldwide commerce. International Data Corporation estimates that there will be over 500 million users on the Internet by the end of 2003. Management believes that as the important issues of security and trust are resolved, the Internet will become the primary means of conducting financial and other commercial transactions. As this trend evolves small financial institutions, in particular, will require assistance to update their technology and conduct their business in a competitive manner.

*Growth of Online Financial Services*

Financial services such as bill payments, investments, financial transfers, mortgages and other loan applications are increasingly being conducted on the Internet sites of major financial institutions. Management believes that the traditional mode of providing financial services is completely changing and institutions that do not offer the ability to conduct financial transactions online may risk erosion of their market share. International Data Corporation estimates that in 1998 there were only 10 million consumers banking online and using wireless technology. Management believes the number of these consumers will grow significantly during the next three to five years. Many financial institutions are currently using legacy systems that they may have to be abandoned or modified to adapt to new technology. Management believes that those institutions using legacy systems will require assistance to efficiently modify their existing systems to be compatible with wireless and Internet based financial services.

*Growth of Digital Wireless Communications*

In addition to the growth in personal computers and use of the Internet, cellular phone usage has grown significantly. Furthermore, there are several other handheld and wireless devices offered to and embraced by consumers today. The establishment of worldwide protocols, such as WAP, that link existing Internet technologies with incubating wireless technologies has assisted in affirming the role of wireless communication. As the consumer market becomes more dependent on Internet technology, the demand to have the same technology in a portable format will also increase. Accordingly, banking solutions currently used by financial institutions will need to be adapted to be compatible with wireless technology.

*SOHO Industry*

Management believes that the growing number of small businesses and individuals operating from a home office, combined with large increase in the number of homes with personal computers, creates a need for software designed for the SOHO user. Working

Solo Inc., a corporate consulting firm which advises companies on how best to reach those working at home, estimates there are approximately 37 million SOHO businesses and approximately1,200 new SOHO businesses started each day in the U.S. market.

**Products and Services**

Ezenet provides a full suite of financial data processing outsourcing, Internet management and related products and services primarily to financial institutions. As a full service provider, Ezenet offers small financial institutions, in a cost efficient manner, everything that an in-house information technology department would provide. Larger financial institutions, with their own information technology departments, are offered a range of solutions and products tailored to be compatible with the institution's existing or planned systems. Accordingly, to effectively provide full service outsourcing to the financial services market, Ezenet offers the following specific banking products and services to its customers:

(1) financial software applications that manage any combination of deposits, loans, leases and annuities;
(2) integrated accounting packages for financial and regulatory reporting;
(3) specialized product applications for both large and small financial institutions;
(4) network security solutions;
(5) design, set up and monitoring of a client network; and
(6) full Internet access, web hosting and e-mail service.

The Corporation also develops software designed for SOHO users and is currently marketing INSTAbase, its database software package, to SOHO users.

*Segmented Revenues*

The following table summarizes the revenue generated by the Corporation from products and services during the periods indicated:

| | Periods Ended March 31, | | Years Ended December 31, | |
|---|---|---|---|---|
| | 2000 | 1999 | 1999 | 1998 |
| Banking services revenue | $ 812,027 | $ 659,014 | $ 2,933,774 | $ 2,345,708 |
| SOHO software products revenue | 42,141 | – | 272,674 | Nil |
| Total revenue | $ 854,168 | $ 659,014 | $ 3,206,448 | $ 2,345,708 |

Banking services revenue for the year ended 1999 was generated by software licensing (68%), professional services (12%), remote network management (17%) and systems integration (3%).

*The Banking System*

Ezenet's core business product, a complete banking system software, can be designed to meet individual customer needs by providing any combination of the following five distinct components:

(1) a deposit system which provides necessary calculations in multiple currencies, administration and support for GICs, RRSPs, RRIFs, savings and chequing accounts, and lines of credit;
(2) a loan system which provides all necessary mortgage and loan calculations in multiple currencies;
(3) online securitization application for mortgages, auto leases, retail leases and loans of all types;
(4) a lease system designed for auto and retail leases which processes all payments and produces reports on lease portfolio status; and
(5) an annuity system that provides all necessary calculations in multiple currencies.

The key advantages of Ezenet's core group of banking system products are as follows:

(1) easily customizable to meet individual customer needs;
(2) fully scalable to handle any number of accounts;
(3) automatic tie-in to the general ledger;
(4) easily adapts to converted data from other systems; and
(5) easily generates reports.

There is currently over $11.5 billion of assets and liabilities under administration by all of the applications used by Ezenet's clients in over 200,000 savings, loan, lease, RRSP, RIF, GIC and mortgage accounts. Management estimates this asset base has grown by at least 30% over the last year. The banking system software has been distributed by Ezenet's predecessors for over 20 years and Ezenet regularly updates and improves this product to provide its customers with a product that is compatible with the changes in the way financial institutions conduct business.

*Security Software*

The financial services industry requires that all of its transactions be secure and reliable. Accordingly, Ezenet provides its customers with software designed to provide secure transactions. Ezenet also offers consulting services to existing and new clients requiring advice about online security. Ezenet's security offering currently consists of 3 levels of security and is comprised of a combination of proprietary software including artificial intelligence algorithms, as well as up-to-date off the shelf software. The resulting standard security product, with sophisticated intrusion detection systems, is offered to all of Ezenet's clients.

In order to provide up-to-date product offerings, the Corporation intends to create a separate Internet security and network security department with the aim of offering additional security services to financial and other business clients. Similarly, the Corporation intends to offer a broader range of security expertise including, but not limited to, secure Internet applications, firewalls, intrusion detection and VPNs.

*Network Management and Internet Access*

In conjunction with the financial software provided by Ezenet, the Corporation provides a full network management service. This service includes the design, procurement and set up of LAN and WAN configurations and remote network management. Ezenet is an ISP and provides full redundant Internet access to its customers. This service is provided to Ezenet by two independent carriers to minimize access downtime.

Ezenet currently remotely manages networks for clients with offices in 7 cities in Canada including Toronto, Hamilton, Montreal, Vancouver and Calgary. Remote network management significantly reduces the information technology employees required to service networks. Ezenet's network management services are currently provided by 2 employees and Ezenet estimates that it is able to significantly reduce its customers' information technology personnel requirements.

*INSTAbase*

INSTAbase is a software package designed to be user friendly and simple for the software purchaser to install. INSTAbase allows the user to download a searchable database on the Internet without any programming and accordingly, users of INSTAbase can publish a database on their web site or use INSTAbase to create their own information manager. These features make INSTAbase a product suitable for use by web developers or users with a web page. In addition, INSTAbase has received many endorsements including, but not limited to, endorsements from the following publications:

(1) On March 23, 1999 CNN interactive named INSTAbase as one of the "Top 10 Database Tools";
(2) In the March 2, 1998 edition of "Business Week" INSTAbase was called a "first-rate software for small biz";
(3) In the June 1999 edition of "Windows Magazine" INSTAbase was placed on the list of the "Top 10 Shareware"; and
(4) In the February 1999 edition of "PC World On-line" INSTAbase was named "PC World On-line Editor's Pick".

**Sales and Marketing Strategy**

*Financial Services*

Until 1995, Haron Ezer, a founding shareholder of the Corporation, was responsible for the sales and marketing of financial services. Mr. Ezer's contacts and reputation in the financial services industry generated referrals and helped to grow the business. In 1996, Ezenet Inc. hired Terence W. Rogers as Chief Financial Officer, in part, to follow up on leads generated by the referrals and to seek new opportunities. During this period, Ezenet generated new business and was limited in taking on more work by a shortage of available capital and resources.

Although Ezenet did not actively market its financial services products, one of the most important components of the Corporation's success was the continued investment in research and development to update and improve Ezenet's products.

Ezenet plans to grow its business by increasing its penetration in the Canadian market and by expanding into the U.S. market. In order to accomplish these goals, Ezenet plans to review acquisition opportunities and to leverage its existing client base as well as to continue to make system enhancements to its software to integrate all of its applications for both the Canadian and U.S. markets.

Ezenet also plans to execute a targeted marketing campaign to be prepared by Young and Rubicam, a major North American advertising and public relations agency, to build name recognition for Ezenet and its products.

The necessary infrastructure, including new equipment sites and additional computer programming employees, will be added as new business is secured. Ezenet has already increased its programming capacity by 100% in the latter part of 1999 and the training of these new employees is in progress and will be substantially completed to coincide with the execution of the marketing campaign.

Overall, it is estimated that Ezenet's sales represent less than 1% of the North American sales of financial services software. Ezenet has established the following more detailed plans to increase its market penetration in Canada, to expand into the U.S. market and capture a greater share of the market for financial services software.

Canadian Expansion

Ezenet plans to increase its penetration of the Canadian market by leveraging its existing customer base through:

(1) increasing current customer usage of its products; and
(2) using them as reference clients for new business opportunities.

Ezenet intends to target small financial institutions with less than 5 branches, as these institutions typically require assistance to adapt their current systems to be compatible with new technology or to adopt new, more recently developed solutions. In Canada, Ezenet intends to capitalize on its favorable reputation among federal and provincial regulators and its existing customer base. Both regulators and customers have referred new clients to Ezenet.

Ezenet also plans to hire senior bankers with sales experience to begin actively marketing Ezenet services to financial institutions. This strategy will be supported by a specific public relations and advertising plan targeted to small financial institutions.

Management will consider and evaluate acquisitions of wireless technology or wireless companies and the Corporation plans, as the need and opportunities arise, to consider the acquisition of related businesses and technologies, to satisfy its customer needs and grow its market base in Canada.

In order to assist management with such evaluations, Ezenet entered into a one year agreement with Octagon Capital Corporation ("Octagon") effective May 1, 2000 whereby Ezenet agreed to engage Octagon as its financial advisor in connection with the evaluation of Ezenet's strategic and financial alternatives and identification of strategic partners and potential acquisitions. In consideration for services rendered by Octagon, Ezenet agreed to pay to Octagon a monthly fee, which fee will be deducted from additional success fees, calculated on the total fair market value of any successful transaction.

U.S. Expansion

Ezenet intends to introduce its services and products to the U.S. market using a regional sales and marketing approach. A wholly owned U.S. subsidiary was incorporated on April 28, 2000 as Ezenet USA, Inc. (“Ezenet USA” or “the Subsidiary”) and all licenses and permits are being obtained for the Subsidiary to begin business operations. Ezenet USA has entered into a two-year employment agreement with Jeffrey C. Coyne, a U.S. resident and member of Ezenet’s board of directors, to act as President of the Subsidiary. Ezenet USA is establishing its central U.S. operations and sales office at Research Triangle Park, near Raleigh, North Carolina, where Nortel Networks Ltd., International Business Machines Inc., Ericsson Inc. and other high technology, wireless and Internet related companies have certain of their operations.

The Subsidiary is planning to open its North Carolina office in July 2000. Management plans that the office will contain onsite servers used to provide programming, data processing and network services to U.S. customers. The U.S. office will also be the headquarters for central U.S. sales coordination, recruiting and administration. Ezenet USA intends to hire technology, sales and business managers for the new U.S. office. Management currently anticipates hiring one technical employee for every four financial institutions added to the client base. The hiring process for managers in this office is already underway.

Initial contacts with banks and financial institutions have been made in the U.S., and management targets securing the first sale in the U.S. market within three to four months, after Ezenet's software has been customized to meet the needs of the U.S. market. Ezenet USA has targeted several potential clients within the small financial institution category and plans to market its software products and services to these institutions.

Ezenet USA has also commenced efforts to locate office space and recruit personnel for its regional offices. Management of the Subsidiary plans to open regional offices as necessary in other major centers such as New York, Chicago, Dallas, Denver, Seattle or Los Angeles. Each regional office would be established with a sales and service manager recruited from the banking industry. Ezenet USA plans to select managers with substantial contacts in the financial services industry and with a proven ability to manage and sell. In addition to managing sales, each office would be responsible for continuing contact with customers and customer satisfaction.

In addition to direct sales efforts, plans for the Subsidiary include attendance at industry events and execution of targeted marketing campaigns. Each manager will be paid a base salary plus a percentage of sales collected from clients. This type of compensation model encourages continuing contact between the sales staff and the customer. A residual payment schedule on a declining percentage of collections also encourages continuous attention to customer satisfaction.

Ezenet USA plans to begin its marketing campaign by targeting small financial institutions using legacy systems. There are approximately 17,000 financial institutions of this size in the U.S. (see "Business of Ezenet - Industry Background"). Management believes that a substantial percentage of these institutions are operating legacy systems that can not be easily adapted to Internet or wireless connectivity. Moreover, many of the larger financial institutions increasingly provide services on the Internet using wireless technology. Accordingly, smaller institutions will have to adapt to remain competitive. Ezenet plans to market its new products in the U.S. adapted for Internet applications and wireless connectivity once these products are completed and proven.

Ezenet USA also plans to utilize the LINUX platform software that it is currently developing as a demonstration tool for potential customers. Using this tool, potential clients can be provided with real time running demonstrations of its operating systems at a reduced cost of an IBM RISC 6000 server. Management anticipates that this LINUX platform software will be a valuable U.S. marketing tool.

Ezenet USA's ability to be a full service provider, including its ability to supply network set up, maintenance, security and support should enhance its ability to secure new business. The modular nature of Ezenet's software allows the Subsidiary to offer any combination of Ezenet's products and therefore, Ezenet USA, similar to Ezenet in Canada, will be able to supply specific applications to large financial institutions and full service offerings to small financial institutions, eliminating the need for an internal information technology department.

*SOHO Market*

Management believes the SOHO market is one of the fastest growing segments of business in North America today. Ezenet plans to enter into strategic alliances with technology suppliers to this industry and to market actively in the publications associated with this growing sector of the economy. Ezenet's products are designed to be easy-to-use and are specifically targeted to the relatively inexperienced entrepreneur starting a small business. Ezenet plans to enhance its existing products and develop new products that complement its INSTAbase product and develop brand awareness for the INSTA line of products.

In early 1999, Ezenet hired Daniel Ezer to lead the marketing effort for the SOHO products. In the past three months, Ezenet has increased the number of employees in the software sales area to two full time software product sales and marketing employees and one contract sales person. Ezenet has distributors in Canada, the U.S., the United Kingdom and Germany in connection with the distribution of INSTAbase.

Ezenet has a strategic alliance with FloridaNet, Inc., doing business as ValueWeb, a world-wide web hosting company. Pursuant to the terms of this strategic alliance, purchasers of INSTAbase receive a free coupon for one month free web hosting with ValueWeb, and visitors to the ValueWeb website can download and purchase INSTAbase. Ezenet pays to ValueWeb 15% of all sales generated in such a manner.

**Markets and Customers**

*Financial Services*

Ezenet offers two types of services to its financial institution customers: (i) a full service banking solution which eliminates the need for an internal information technology department; and (ii) any combination of specific applications, Internet service, or security advice, tailored to meet the needs of specific clients. As a result of its strategy, Ezenet has secured a blue chip client base to which it offers its proven line of products and services.

Full banking suite applications and services are provided to the following customers:

- Home Trust Company, Toronto, Hamilton, Calgary, St. Catherines, Vancouver;
- Effort Trust Company, Hamilton;
- Maple Trust Company, Toronto;
- Promutuel Trust Company, Montreal; and
- Peoples Trust Company, Vancouver, Calgary, Edmonton, Toronto.

Ezenet provides the following clients with services for specific applications:

- a major chartered Canadian bank, Toronto;
- First Marathon Mortgage Corporation, Toronto;
- AGF Trust Company, Toronto;
- IOF Foresters, Toronto;
- Westbury Insurance, a division of a major chartered Canadian bank, Hamilton; and
- CIT Financial Services, Toronto.

During the year ended December 31, 1999, one financial institution represented 12% of the Corporation's revenues and the next four largest financial institutional customers accounted for an additional 30% of revenue. Other than these five largest customers, Ezenet does not depend on any one customer for a larger portion of its revenue. Ezenet's other financial institution customers include trust companies, mortgage companies, insurance companies and leasing companies.

Ezenet intends to focus primarily on the small financial institutions with less than 5 locations as well as small independent mortgage and leasing companies. These small financial institutions represent the largest segment of the market requiring upgraded technology or new financial services. Furthermore, the lead-time required to implement service for small financial institutions is shorter.

*SOHO*

Management believes that the growing number of small businesses and individuals operating from a home office, combined with large increases in the number of homes with personal computers, create an opportunity to provide software for the SOHO user. Working Solo Inc. estimates there are approximately 37 million SOHO businesses and approximately1,200 new SOHO businesses started each day in the U.S. market.

Ezenet also targets customers in the SOHO market. In order to effectively reach consumers in this market, the Corporation has established four distributor relationships in Canada, the U.S., Germany and the United Kingdom to help market INSTAbase to the end user (see "Business of the Corporation - Sales and Marketing Strategy").

**Research and Development**

Ezenet’s historical research and development efforts have been focused on intra-bank software and systems, securities software and software designed for the SOHO market. More recently, the Corporation has initiated research and development of Internet related products and to a lesser extent, software and connectivity solutions for wireless applications. There are currently seven employees devoted primarily to research and development. Since the closing of the private placement of the Special Warrants, Ezenet has accelerated its recruitment of research and development personnel and currently plans to add 15 employees to its research and development division within the next 12 months.

The primary focus of Ezenet's ongoing research and development will fall into three specific categories. Each of these categories has common overlapping areas of research, as well as distinct elements of research. Specifically, Ezenet plans to focus on the following three areas of research and development, while developing wireless applications and services in each area:

- network services;
- banking applications; and
- consumer/SOHO products.

*Network Services*

<u>Wireless</u>

Ezenet's major focus over the coming year will be on the development of a wireless platform as a product offering to existing financial customers as well as to new customers in broader business areas. Ezenet is investing in this area in order to be able to provide software solutions for banking services via wireless transmissions and Ezenet intends to develop several wireless technologies, including WAP and Bluetooth.

Initially, Ezenet plans to focus its WAP integration on helping financial customers use data from legacy systems in a WAP compatible format. The Corporation intends to use its recently acquired netSTOR technology as a platform for this product offering. This technology should allow Ezenet to securely deploy WAP services on a more rapid basis than it could otherwise have achieved.

Emerging standard technologies in their infancy, such as Bluetooth, are intended to be developed by Ezenet for close proximity wireless networking. This type of networking allows devices to find and seamlessly communicate with other devices within a 30 foot radius. For example, a Bluetooth enabled cellular telephone would instantly and easily be able to share its phone book with a Bluetooth equipped personal computer. By developing its applications to incorporate technologies such as Bluetooth, Ezenet intends to maintain its reputation of offering products which incorporate the latest technology.

Ezenet also intends to partner with one or more wireless data providers to provide local wireless data connectivity for existing and new clients. Such a partnership would help to minimize costs associated with high capacity digital telecommunication lines for Ezenet clients and would also increase Ezenet revenue.

<u>Internet</u>

Ezenet intends to maintain its focus on the Internet, and plans to continue to integrate the Internet with its financial applications. The Corporation has also started implementing redundant Internet systems to fulfill its commitment to non-stop Internet operations. These new systems include redundant Internet feeds, a network with no single point of failure, and high-availability Internet servers (derived from the recently acquired netSTOR technology).

Currently Ezenet is also working on several e-commerce solutions for customers within the financial services sector. These e-commerce solutions are intended to run on a scalable and expandable technology engine, developed to be both Internet and wireless communication accessible.

<u>Security</u>

Ezenet plans to further develop its security applications by including the deployment of firewalls and VPNs in its product offering. Furthermore, Ezenet intends to offer a secure and robust version of the LINUX operating system as a platform to run Ezenet financial services applications.

*Banking Applications*

<u>Legacy systems</u>

Management believes that the development of legacy banking applications must continue as there is still a strong market for these systems. Part of Ezenet's development of the legacy systems is planned to include an application bridge that will allow integration of IBM RISC/6000 legacy applications with new Internet and wireless communication technologies.

LINUX Platform

Ezenet is currently developing LINUX based software for financial services and data processing products. Financial applications will be transferred to the LINUX operating system and plans are also in place to use Oracle 8i as a database engine. Use of LINUX and Oracle 8i should provide lower capital and operating costs for Ezenet systems, and will also allow the Corporation to offer a shrink-wrapped financial services platform to customers. Sales of such a shrink-wrapped product would produce revenue from an initial installation fee and on-going royalties.

Another anticipated use for the LINUX platform software is as a demonstration tool for potential customers. With a LINUX based suite of software, the Corporation plans to provide potential clients with real time running demonstrations of its operating systems at a reduced cost of an IBM RISC 6000 server.

The adoption of Oracle 8i provides a strategic benefit for Ezenet as many handheld devices including cellular telephones and PDAs will soon feature Oracle 8i Lite as an embedded database engine.

*Consumer/SOHO Products*

INSTAbase

Ezenet intends to continue development of its INSTAbase personal database product as part of the Corporation's consumer and SOHO products division. Version 5.0 of INSTAbase, a product with more features than previous versions of INSTAbase, builds on the success of previous versions and maintains the easy-to-use philosophy. INSTAbase has always been Internet friendly, allowing the user to quickly and easily publish a database to the Internet with no programming skills. Over the next year, Ezenet plans to integrate INSTAbase with an emerging breed of wireless devices such as PDAs and cellular telephones, allowing an INSTAbase user to synchronize an INSTAbase-powered database with a wireless device.

INSTAbase has also triggered the development of several complementary products that build on the strengths of INSTAbase and management believes could provide new opportunities for revenue.

**Intellectual Property**

The Corporation has all of the necessary intellectual property rights to operate its business as currently conducted. The Corporation has registered the trademark INSTAbase in Canada and the U.S., the trademark Ezenet in Canada and has exclusive copyright for INSTAbase in Canada.

The Corporation has entered into an escrow agreement with its existing banking clients to lodge a copy of the source code for the banking systems with an escrow agent. The purpose of this arrangement is to provide Ezenet's clients with access to the source code used by Ezenet in its applications, if Ezenet should declare bankruptcy or be unable to continue to provide service. The Corporation must remit a copy of the source code to the escrow agent on a monthly basis and the Corporation is currently in compliance with the terms of the escrow agreement.

**Competition**

*Financial Services Market*

In the financial services market, Ezenet competes with internal information technology departments of financial institutions, software vendors targeting financial institutions, wireless and other network service providers that provide their customers with wireless financial services, and software and service vendors that provide the infrastructure and portals to link devices to carriers and the Internet and to enable other wireless applications. Management of Ezenet believes there are at least four other companies providing either a full range of financial products or major components licensed products in Canada: (i) Plexus Ltd., a Vancouver company offering a mortgage product line; (ii) Geac Ltd., providing full financial services; (iii) Sanchez Computer Associates Inc., providing a full banking application; and (iv) Basis 100 Inc., a Toronto based provider of technology and solutions used for Internet-based mortgage applications. There are at least 15 other companies providing specific financial components, such as 724 Solutions Inc., a Toronto based company offering front-end banking solutions.

Similarly in the U.S., management believes that at least three companies providing full custom software to bank and financial services customers: (i) Sanchez Computer Associates Inc.; (ii) Digital Insight; and (iii) Online Resources. There are also a large number of smaller software suppliers who offer software and licensed products to financial institutions.

Management believes that its products and services offer the following competitive advantages:

(1) Ezenet offers proven products and services;
(2) the Corporation has developed proprietary technology;
(3) the Corporation has an established base of referral clients from other customers;
(4) Ezenet's products can be deployed quickly;
(5) Ezenet's products offer substantial reporting options and the programs are easily customized;
(6) Ezenet’s products and services are priced competitively; and
(7) the development team has an excellent proven track record for meeting the needs of clients.

New competitors in the financial services market are faced with the following barriers to entry in this market:

(1) new competitors must develop name recognition and reputation with potential customers;
(2) substantial capital investments are required to customize each new customer's programs and to migrate data;
(3) substantial capital investments are required to buy and maintain new systems and not all these capital costs can be passed on to customers in a short period of time; and
(4) financial services applications are complex, conversion of existing data can be difficult and new untested applications present risks to financial services customers.

*SOHO Market*

There are several large competitors producing database software products. However, management believes that database software products produced by large software companies are largely targeted to corporate customers that require powerful and complex applications. Management believes that INSTAbase is a database software product that because of its web publishing feature and simplicity to operate, is suitable for the SOHO user and accordingly, Ezenet competes only indirectly with other database software producers which have mainly targeted the corporate market with their products.

**Properties and Facilities**

Ezenet currently operates from a 20,000 square foot leased facility located at 5160 Yonge Street, Toronto. Ezenet's five year lease for this facility expires June 30, 2005. The Corporation has leased a facility for its North Carolina operations.

**Capital Expenditures**

The following table summarizes capital expenditures made by Ezenet for the periods indicated:

| | As at and for the | | As at and for the | |
|---|---|---|---|---|
| | Period Ended March 31, 200 | Period Ended March 31, 1999 | Year Ended December 31, 1999 | Year Ended December 31, 1998 |
| Hardware and software | $ 70,637 | $ 33,371 | $ 222,698 | $ 7,110 |
| Product development costs (net of investment tax credit and cost sharing contribution) | $ 53,986 | $ 104,290 | $ 1,099,775 | $ 479,925 |
| Total | $ 124,623 | $ 137,661 | $ 1,322,473 | $ 487,035 |

In the year ended December 31, 1999 Ezenet purchased new personal computers for new research and development staff, two servers and two new IBM RISC 6000 machines for development purposes. The majority of the increased costs in product development cost can be attributed to salaries of research and development employees working on new products.

**Acquisitions and Dispositions**

There were no material acquisitions or dispositions undertaken by Ezenet or its subsidiaries within the last two years except as described under "The Corporation - History of Ezenet" and except for the 1998 acquisition of the rights to certain components of a mortgage application software, used by the Corporation in connection with its banking system software, from Municor Mortgage Corporation for $200,000. In consideration of the acquisition, Ezenet Inc. issued 400,000 common shares.

## USE OF PROCEEDS

The net proceeds to Ezenet from the sale of the Special Warrants were $48,125,953 ($31,125,600 of the net proceeds are currently held in escrow by the Trustee) after deducting fees in the amount of $3,750,047 paid by the Corporation to the Agents (including the 166,700 Special Warrants issued to the Agents and cash in the amount of $1,874,672) and before deducting the offering expenses estimated at approximately $250,000. The net proceeds from the sale of the Special Warrants have been, or are intended to be, used by the Corporation as follows:

| | |
|---|---|
| $ 14,000,000 | Financial software and wireless development including acquisitions; |
| $ 7,000,000 | Technology development; |
| $ 3,000,000 | Transition development to LINUX; |
| $ 6,000,000 | U.S. expansion; |
| $ 10,000,000 | Sales and marketing; and |
| $ 8,125,953 | Working capital. |
| $ 48,125,953 | Total |

## DETAILS OF THE OFFERING

On the Closing Date, the Corporation completed a private placement of an aggregate of 4,444,500 Special Warrants at a price of $11.25 per Special Warrant, for gross proceeds of $50,000,625 pursuant to prospectus exemptions available under applicable securities legislation , in accordance with the Agency Agreement between the Agents and the Corporation. Pursuant to the Agency Agreement, the Agents were paid a fee in the amount of $3,750,047 or 7.5% of the gross proceeds from the sale of 4,444,500 Special Warrants and the Agents were also reimbursed for expenses incurred in connection with the offering. The Agents elected to use a portion of their fee by subscribing for 166,700 Special Warrants, bringing the total number of Special Warrants issued to 4,611,200. The value of the Special Warrants issued to the Agents was $1,875,375 and the remainder of $1,874,672, was paid in cash.

The Agents' election to subscribe for an aggregate of 166,700 Special Warrants was paid for from a portion of the Agents' fee allocated as follows:

| Agent | Percent of Total Offering | Number of Special Warrants | Gross Proceeds |
|---|---|---|---|
| Octagon Capital Corporation | 2.5% | 117,650 | $1,323,562.50 |
| Salman Partners Inc. | 1.0% | 45,225 | 508,781.25 |
| Acumen Capital Partners | 0.1% | 3,825 | 43,031.25 |

The Agents have acquired all Special Warrants (those acquired as compensation and otherwise) for investment purposes and have no intention at this time to sell the Special Warrants or the Common Shares and Warrants to be acquired on the exercise or automatic exercise of such Special Warrants.

In addition, the Corporation created and issued Compensation Warrants to the Agents, which Compensation Warrants are exercisable, at no additional cost, into Compensation Options. The Compensation Options entitle the Agents to purchase, subject to adjustment, 444,450 Common Shares and 222,225 Warrants at a price of $11.25 per Common Share, exercisable before 5:00 p.m. (Toronto time) on March 23, 2002. The Agents will receive no additional fees in connection with the distribution of Common Shares and Warrants under this prospectus.

Each Special Warrant entitles the holder thereof to acquire one Common Share (subject to adjustment) and one-half of one Warrant at no additional cost and accordingly, an aggregate of 4,611,200 Common Shares and 2,305,600 Warrants are issuable on the exercise of the Special Warrants. The Warrants will be issued pursuant to the Warrant Indenture which provides, among other things, that each whole Warrant will entitle the holder thereof to purchase one Common Share at a price of $12.00 per Common Share until 5:00 p.m. on the earlier of: (i) 14 months after the Qualification Date; and (ii) May 23, 2002.

If the Corporation has not received receipts for this prospectus from each of the securities commissions in the Qualifying Provinces prior to the Qualification Deadline, each holder of Special Warrants, wherever resident, shall thereafter be entitled to receive, upon the exercise or deemed exercise of the Special Warrants, 1.1 Common Shares and 0.55 Warrants (in lieu of one Common Share and one-half of one Warrant otherwise receivable) at no additional cost.

If the Corporation has not received receipts for this prospectus from each of the securities commissions in the Qualifying Provinces prior to September 19, 2000, each holder of Special Warrants, wherever resident, shall thereafter have the right to receive, upon delivery by that holder prior to September 26, 2000 of an irrevocable written request that the Corporation purchase, for the Retraction Price, a specified number of the Special Warrants represented by such Special Warrant certificate (such number not to exceed 60% of the number of Special Warrants represented by such certificate). Pursuant to the Special Warrant Indenture the Trustee holds in escrow $31,125,600, which funds are not releasable to the Corporation prior to the Qualification Date.

This prospectus is being filed in the Qualifying Provinces to qualify the distribution of: (i) the Common Shares and Warrants to be issued upon the exercise of the Special Warrants; and (ii) one-half of the Compensation Options issuable upon exercise of the Compensation Warrants. All of the outstanding Common Shares are fully-paid and non-assessable and the Common Shares and Warrants issuable upon the exercise of the Special Warrants and the Compensation Options will, when issued, be fully-paid and non-assessable. See "Description of Share Capital".

None of the Agents are registered to act as an underwriter in Manitoba and accordingly, the Manitoba Securities Commission has issued Order No. 2933 pursuant to section 6(4) of the Manitoba *Securities Act* granting an exemption in favour of Octagon Capital Corporation ("Octagon"). Specifically, Octagon has undertaken and agreed that it shall not solicit, accept subscriptions or engage in any other act or activity that would be a trade or trading in Manitoba other than through an appropriate registrant, except for purposes of this offering; and that it has appointed an agent for purposes of accepting service in Manitoba.

**Special Warrants**

The Special Warrants were issued pursuant to the Special Warrant Indenture between the Corporation and the Trustee. Since the date of issuance, no Special Warrants have been exercised. Each Special Warrant entitles the holder thereof to acquire (subject to adjustment as hereinafter provided) one Common Share and one-half of one Warrant at no additional cost, at any time until 5:00 p.m. (Toronto time) on the first to occur of: (i) the fifth Business Day following the Qualification Date; and (ii) March 23, 2001. Any Special Warrants not exercised prior to the Expiry Time shall be deemed, by their terms, to have been exercised immediately prior to the Expiry Time without any further action on the part of the holder.

Holders of Special Warrants who wish to exercise their Special Warrants and acquire Common Shares and Warrants prior to the deemed exercise of the Special Warrants should complete the exercise forms on the special warrant certificates and deliver the certificates and the executed exercise forms to the Trustee at its principal offices in Calgary, Alberta or Toronto, Ontario.

Common Shares and Warrants obtained on the exercise of Special Warrants prior to the issuance of a receipt for this prospectus will be subject to applicable hold periods under applicable securities legislation.

## DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares, an unlimited number of First Preferred Shares, issuable in series, and an unlimited number of Second Preferred Shares, issuable in series. The following is a description of the rights, privileges, restrictions and conditions attaching to each class of shares of the Corporation.

**Common Shares**

The holders of Common Shares are entitled to dividends if, as, and when declared by the board of directors of the Corporation, to one vote per share at meetings of shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributed to the holders of the Common Shares. All of the outstanding Common Shares are fully-paid and non-assessable.

**First Preferred Shares**

The First Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of First Preferred Shares as determined by the board of directors of the Corporation who may also fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of First Preferred Shares. The First Preferred Shares of each series shall, with respect to the payment of dividends and distributions of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary of involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, rank on a parity with the First Preferred Shares of every other series and shall be entitled to preference over the Ezenet Common Shares and the shares of any other class ranking junior to the First Preferred Shares.

**Second Preferred Shares**

The Second Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Second Preferred Shares as determined by the board of directors of the Corporation who may also fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Second Preferred Shares. The Second Preferred Shares of each series shall, with respect to the payment of dividends and distributions of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of the winding-up of its affairs, rank subsequent to the First Preferred Shares and on a parity with the Second Preferred Shares of every other series and shall be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Second Preferred Shares.

**Preferred Shares**

In addition to the provisions attaching to the Second Preferred Shares as a class, the Preferred Shares have attached thereto provisions to the following effect:

*Dividends*

Holders of the Preferred Shares are entitled to payment of a fixed cumulative cash dividend of 3.0% per annum, payable semi-annually, on the first day of January and July in each year. The payment due January 1, 2000 in the amount of $54,000 and the payment accrued as at March 31, 2000 and declared on April 4, 2000 in the amount of $13,500 was paid as of April 28, 2000.

*Conversion Privilege*

Holders of the Preferred Shares have the right to convert these shares into Common Shares any time up to the second anniversary of the issuance of the Preferred Shares on the basis and at the rate of one Common Share for each Preferred Share. Pursuant to the Agency Agreement, the current holders of Preferred Shares are required to use their best efforts to convert such shares to Common Shares. The requisite consents have been obtained and conversion of the Preferred Shares will occur shortly (see "Escrowed Shares").

*Voting Rights*

Holders of the Preferred Shares shall be entitled to receive notice of and to vote at meetings of the Corporation. Holders of Preferred Shares shall be entitled to one vote per share at any meeting.

## CAPITALIZATION

The following table sets forth the capitalization of Ezenet as at December 31, 1999, March 31, 2000 and as at June 15, 2000, both before and after giving effect to the exercise of the Special Warrants.

| Description | Authorized | Outstanding as at December 31, 1999 | Outstanding as at March 31, 2000 | Outstanding as at June 15, 2000 before giving effect to the exercise of the Special Warrants | Outstanding as at June 15, 2000 after giving effect to the exercise of the Special Warrants |
|---|---|---|---|---|---|
| | | (audited) | (unaudited) | (unaudited) | (unaudited) |
| Bank Debt[1] | $250,000 | Nil | Nil | Nil | Nil |
| Shareholders' Equity<br>Common Shares | Unlimited | $953,060<br>(7,660,000 shs) | $953,060<br>(7,660,000 shs) | $1,800,480<br>(8,709,997 shs) | $49,926,433<br>(13,321,197 shs) |
| First Preferred Shares | Unlimited | Nil | Nil | Nil | Nil |
| Second Preferred Shares | Unlimited | $292,262<br>(3,000,000 shs) | $292,262<br>(3,000,000 shs) | $194,842<br>(2,000,003 shs) | $194,842<br>(2,000,003 shs) |
| Special Warrants | 4,611,200 | Nil | $48,125,953<br>(4,611,200 Special Warrants) | $48,125,953<br>(4,611,200 Special Warrants) | Nil |

Notes:

(1) As at June 15, 2000, Ezenet had available a secured $250,000 demand revolving operating facility bearing interest on outstanding principal amounts at the bank's prime rate plus 2%.

(2) At December 31, 1999, the Corporation had retained earnings of $645,039.

## MANAGEMENT'S DISCUSSION OF OPERATING RESULTS

The following management's discussion and analysis is a summary of the Corporation's operating results for the periods indicated and should be read in conjunction with the consolidated financial statements of Ezenet and the accompanying notes and the financial statements of Ezenet Inc. and the accompanying notes included elsewhere in this prospectus.

### Comparison of Three Month Periods Ended March 31, 2000 and March 31, 1999

*Revenue*

Ezenet's revenue increased to $854,168 in the first quarter of 2000, as compared to $659,014 in the first quarter of 1999, an increase of 29.6%. The majority of the increase in revenue was from the licensing fees for the use of the banking system. These increased licensing fees can be attributed to a combination of yearly price increases and the addition of new customers.

*Operating Expenses*

**Direct Product and Service Costs** - There were a number of factors that increased this expense compared to the same period in 1999. In an effort to increase sales of Ezenet's computer software products, a complete repackaging and marketing campaign was undertaken. This campaign included attendance at a number of trade shows with costs of approximately $50,000 incurred. In addition, repairs on Ezenet operating systems in the amount of approximately $20,000 were necessary. Direct manufacturing costs relating to the production of the software accounted for approximately $50,000. In 1999, the software products were in the development stage and there were no direct manufacturing expenses incurred.

**Research and Development** - Research and development was conducted during the first eight months of 1999. During 1999, approximately $1,100,000 was expended in research on a number of products, including introduction of a new software product in September 1999. In the last quarter of 1999, four months of deferred development costs were amortized in the amount of $181,400. Ezenet is currently amortizing the deferred development costs over a three-year period and the research and development costs recorded in the first quarter of 2000 represent three months of amortization.

**Salaries and Benefits** - Two factors contributed to the increase in this expense. Firstly, the number of staff increased from 19 in the first quarter of 1999 to 27 in the first quarter of 2000, an increase of 42%. In preparation for Ezenet's strategy of expansion of product software development and expansion of the marketing and sales of the banking system in Canada and the United States, additions have been made to the financial systems, the information systems and the research and development departments. Secondly, the competitiveness in the high tech profession for qualified personnel continues to be intense. In order to attract new staff, Ezenet has had to be competitive in the marketplace and as a result, Ezenet has also had to increase salaries to retain its present staff.

**Investor Relations** - The Corporation incurred expenses of $18,527 in the first quarter of 2000. During the same period in 1999, there was no expense because Ezenet was not publicly traded until March 1999.

**Administration, Professional Fees and Amortization** - Expenses incurred for administration, professional fees and amortization increased from $160,323 in the first quarter of 1999 to $174,257 in the first quarter of 2000. This increase of 8.7% is volume driven, relating to increased sales volume and increased personnel.

**Comparison of Year Ended December 31, 1999 and December 31, 1998**

*Overview*

For the year ended December 31, 1999, the Corporation had net earnings after taxes of $261,734. During the last quarter of the year, the Corporation commenced the expansion of its banking services with the addition of four research and development employees and the purchase of equipment necessary to support this effort. These additional costs reduced the net earnings in the quarter by approximately $75,000. Effective January 1, 2000, new prices came into effect for most client services. The revenues for the year continued twelve quarters of continuous revenue growth. The Corporation continued to invest heavily in research and development and expansion with internally generated funds and funds from the private placement of Common Shares completed in the early part of 1999.

*Revenues*

During the year ended December 31, 1999, revenues increased by 36%. Much of this increase was from the licensing fees associated with the increased use of the banking system by existing clients. In the last half of the year, revenues from test marketing INSTAbase were $263,000. Many of Ezenet's clients had indicated they were delaying implementation of new projects until after the Y2K issue was resolved. Since the end of the year, Ezenet has had requests for new development from several clients that may result in increased revenues in 2000. In addition, price increases were implemented on existing services effective January 1, 2000.

*Operating Expenses*

**Direct Product and Service Costs** - These costs increased by 30% over 1998 and are related primarily to hardware maintenance and software packaging costs. In the fourth quarter, Ezenet used internally generated cash flows to launch the new packaging and marketing for the newest version of INSTAbase.

**Research and Development** - During the year ended December 31, 1999, Ezenet invested approximately $1,100,000 in research and development expenditures. These funds were generated both internally and from a private placement of Common Shares completed in January of 1999. During the period, Ezenet amortized deferred research and development costs of $181,400, consistent with the Corporation's accounting policy.

**Salaries and Benefits** - Salary and benefits costs increased during the period by $218,409 or 19.6%. The costs in the high tech profession are increasing rapidly and therefore, to attract new staff, existing staff must be kept at or near current salary levels in the industry.

**Administration** - Administration costs increased during the period by $89,881 or 31%. It is expected that these costs will increase substantially in 2000 as Ezenet increases its sales and marketing efforts in the United States. Ezenet will add three to four new employees in this area during the year.

**Investor Relations** - With the listing of the Corporation for trading on the CDNX in October 1998, the Corporation engaged the services of an investor relations firm. It is expected that these costs will increase as well in 2000 as the number of investors increases.

**Interest Income** - Ezenet did not have material amounts of interest income in 1999. It is expected that the Corporation's income from this source will increase significantly in 2000, largely as a result of interest income generated from the proceeds of this offering.

**Comparison of Year Ended December 31, 1998 and December 31, 1997**

*Overview*

For the year ended December 31, 1998, Ezenet had record revenues and cash flow. Revenues were $2,345,708, an increase of 27% over the previous year. Cash flows for the year from operations were $619,086, an increase of $488,554 over the prior year. The net earnings after taxes increased to $278,544 from $47,633. The increase was attributable to the addition of several new clients and increased revenues from existing clients.

In 1998, Ezenet began to invest heavily in research and development and expansion which was funded from internally generated cash.

*Revenues*

During the period, Ezenet revenues increased by 27%. Much of this increase was from the licensing fees associated with increased use of the system by existing and new clients.

*Operating Expenses*

**Research and Development** - During the period, Ezenet invested $479,925 in new research on a number of products from working capital funds.

**Salaries and Benefits** - Salary and benefits costs increased during the period ended December 31, 1998 by $140,192 or 14.4%. The costs in the high tech profession increased rapidly during the year.

**Liquidity and Capital Resources**

As at December 31, 1999, the Corporation had $170,469 in cash in hand, an increase of 78% over 1998. During the year, the Corporation received the balance of cash of $418,651 associated with the private placement of 1,000,000 Common Shares at an issue price of $0.50 per share in early 1999. In addition, cash flow from operations was $926,506. These funds were used to fund ongoing research and development projects ($1,099,775) and the purchase of capital assets of $222,698 associated with the initiation of the expansion of bank services. The funds from the proceeds of the private placement of Special Warrants raised an additional $47,800,000 of capital (net of costs) which will provide Ezenet with sufficient capital to fund operations and expansion for the next 18 to 24 months. It is expected that revenues from the expansion will commence in 2000.

## DIRECTORS AND OFFICERS

The names, municipalities of residence, positions with Ezenet and the principal occupations of the directors and officers of Ezenet are set out below.

| Name and Municipality of Residence | Office Held | Principal Occupation |
|---|---|---|
| Haron Ezer[(1)(2)]<br>Thornhill, Ontario | Chairman of the Board and Director | Chairman of the Board, Ezenet |
| Kasra Meshkin<br>North York, Ontario | President, Chief Executive Officer and Director | President and Chief Executive Officer, Ezenet |
| Terence W. Rogers<br>Toronto, Ontario | Vice President Financial Systems and Director | Vice President Financial Systems, Ezenet |
| Jeffrey C. Coyne[(1)(2)]<br>Chapel Hill, North Carolina | President, EzenetUSA Inc. and Director | President, EzenetUSA Inc. |

| Name and Municipality of Residence | Office Held | Principal Occupation |
|---|---|---|
| W. David Murray[(1)(2)] Toronto, Ontario | Director | President, Helmsdale Financial Inc. |
| Gerald M. Soloway Toronto, Ontario | Director | President of Home Capital Group Inc. |
| Peter J. Kidnie Etobicoke, Ontario | Director | President and Chief Executive Officer, Bank of Montreal Finance Ltd. |
| Gary Guthro Toronto, Ontario | Chief Financial Officer | Chief Financial Officer, Ezenet |
| Marc Nicholas Toronto, Ontario | Chief Technology Officer | President of Hippocampus Ltd. |
| Daniel Ezer Toronto, Ontario | Vice President, Marketing and Communications | Vice President, Marketing, Ezenet |
| Jonathon S. Benjamin Glanbrook, Ontario | Vice President, Sales and Marketing | Vice President, Sales, Ezenet |

Notes:

(1) Member of the Audit Committee, which committee is required pursuant to the *Business Corporations Act* (Alberta).
(2) Member of the Compensation Committee.
(3) The Corporation does not have an executive committee of its board of directors.

All of the above directors and officers have held their present principal occupations or other positions with the same organizations listed above for at least the last five years except as described under "Management" below.

As at June 15, 2000, the directors and officers of the Corporation, as a group, beneficially owned, directly or indirectly, 5,076,800 voting securities or approximately 47.4% of the issued and outstanding voting securities of Ezenet prior to giving effect to the offering and 33.1% after giving effect to the exercise of the Special Warrants.

## MANAGEMENT

***Haron Ezer, Chairman and Director***

Mr. Ezer is the founder and the Chairman of the Board of the Corporation. Since 1978 and prior to February 2000, he also served as President of the Corporation, or one or more of its predecessor companies. Mr. Ezer started the Ezenet business by designing a mortgage portfolio management program in 1978. Mr. Ezer has developed an expertise in computer communications and financial services security issues through his more than 20 years of experience in the financial services market. Prior to founding Ezer & Associates Ltd. in 1978 Mr. Ezer studied in the actuarial field and worked in the insurance industry. Mr. Ezer graduated from Concordia University in 1967 with a B.Sc. in Mathematics.

***Kasra Meshkin, President, Chief Executive Officer and Director***

Mr. Meshkin has been President of Ezenet since February 2000. He was also appointed Chief Executive Officer of Ezenet in May 2000. Prior thereto, he was Vice President Research and Development from 1993 until his appointment as President and Chief Operating Officer. From 1990 to 1993, Mr. Meshkin worked in Ezenet's research and development division. He completed a year of his technical education at Middle East Technical University in Turkey, as well as a degree in Microelectronics Engineering at Herzing Institute in Toronto, and Computer Science and Software Development at Control Data Institute, also in Toronto. Mr. Meshkin's interest in advanced computing systems led him to attend Advanced Studies in Artificial Intelligence at the Massachusetts Institute of Technology (MIT).

Mr. Meshkin has extensive knowledge of software development and the telecommunications industry. He has been involved in the research and development of advanced applications for the Internet and personal computers. He has had substantial exposure in the fields of software and hardware development with an expertise in the fields of software engineering, Internet and computer network development and security.

***Terence W. Rogers, Vice President Financial Systems and Director***

Mr. Rogers joined Ezenet in 1995 and served as Chief Financial Officer from 1997 until May 2000 with responsibilities for business development, sales, system design and client relations. On May 1, 2000 Mr. Rogers was appointed Vice President Financial Systems and assumed full responsibility for Ezenet's financial services business. Prior to joining Ezenet, Mr. Rogers worked as the executive director of a major Vancouver law firm from 1982 to 1995. During this period, he also served as a member of the international executive of his professional association and was an instructor for the Continuing Legal Education Society of the Law Society of British Columbia and author of articles and a manual for law practice management. In 1983, he also founded and was a director and officer of PMS Data Systems Ltd., a company which designed and sold an accounting software package. From 1982 to 1984, Mr. Rogers was employed with a small manufacturing and retail company. From 1974 to 1980, Mr. Rogers was employed as the controller of an international forest products company with 22 manufacturing and wholesale divisions in Canada and the United States and sales in excess of $100 million. Mr. Rogers also worked from 1969 to 1974, with Coopers Lybrand and was admitted to the Institute of Chartered Accountants of British Columbia in 1972. From 1966 to 1969 Mr. Rogers served in various capacities with a major Canadian chartered bank. Mr. Rogers graduated from Concordia University in 1966 with a B.Comm in Accounting and Economics.

***Gary Guthro, CA, Chief Financial Officer***

Mr. Guthro joined the Corporation on May 1, 2000 as Chief Financial Officer. For the years 1987 to 1994 and 1997 to May 1, 2000, he was Vice President, Finance of Home Capital Group Inc., a financial services company and major client of Ezenet. He has been responsible for all of the financial and regulatory reporting for this major TSE listed client of the Corporation. From 1994 to 1997, he was with Philip Services Inc., holding increasingly senior positions within that organization, including his last assignment which included acquisitions in the metals division. He qualified as a Chartered Accountant with Peat Marwick Thorne in 1984 and has extensive experience in regulatory reporting in the financial services industry, preparation of filings for TSE listed companies and in integrating acquisitions.

***Marc Nicholas, Chief Technology Officer and Director***

Mr. Nicholas is president of Hippocampus Ltd., a computer communication software and hardware developer and has served in that position since 1995. On May 15, 2000, Mr. Nicholas will join Ezenet in a full-time position as Chief Technology Officer. Mr. Nicholas has 10 years experience in the information technology arena and his accomplishments include the startup of one of the United Kingdom's first Internet service providers. From 1995 to 2000, Mr. Nicholas also operated an Internet and telecom consulting firm. During his consulting career, Mr. Nicholas has provided services to numerous Internet service providers and telecom companies including Bell Canada, Fonorola Inc., Sprint Canada and Telsystem International Wireless Inc. Most recently, he has completed an engagement with a startup wireless communication cellular company in Europe.

***Jeffrey C. Coyne, President, EzenetUS Inc. and Director of Ezenet***

Mr. Coyne, who resides in North Carolina, U.S.A., graduated with a Bachelor of Arts degree from the University of California at Berkeley in 1976 and a Juris Doctor degree from Duke University, School of Law, in 1979. He has been a senior lecturing fellow at Duke University School of Law, from 1994 to the present. He was also a former partner of Coudert Brothers, Attorneys at Law, New York and Graham and James, Attorneys at Law, San Francisco.

Mr. Coyne is Chairman of the Board of Directors of Valu-net International, Ltd., a Toronto-based Internet-related business and Chairman of the Board of Directors and Chief Executive Officer of Rebel Asset Management, Ltd., of Chapel Hill, North Carolina. Mr. Coyne has been involved with a number of companies active in research and development including companies which produce laser products for military applications, construct condominium projects in California and Aruba and shopping malls in Aruba and Southern California. Mr. Coyne was formerly Chairman of the Board of Directors and Chief Executive Officer of Divi Hotels, Inc., and owner and operator of 17 hotels, casinos and timeshare clubs in the Caribbean. Mr. Coyne has represented more than 100 financial institutions and has had dealings with U.S. banking and regulatory authorities.

***Daniel Ezer, Vice President, Marketing and Communications***

Mr. Ezer joined Ezenet on a full-time basis in March 1999 and is responsible for the marketing, sales and public relations of Ezenet's products and services. Prior thereto, he had been employed on a part-time basis at Ezenet since 1995. From August 1998 to March 1999, Mr. Ezer was employed by William M. Mercer Inc. as an actuarial analyst. Mr. Ezer is a graduate of the University of Western Ontario with a B.Sc. (Hons.) in Actuarial Science.

***Jonathon S. Benjamin, Vice President, Sales and Marketing***

Mr. Benjamin joined Ezenet in June 2000 and serves as Vice President of Sales. With 14 years of IT-related sales, management and marketing experience at companies such as Keylink Systems Canada, a division of Pioneer-Standard Electronics Inc., Inacom Canada Inc., Computer Associates International Inc. and ONYX Computers Inc., Mr. Benjamin has a solid understanding of technology integration, LANs/WANs and network operating systems.

## EXECUTIVE COMPENSATION

***Compensation***

The following table sets forth information concerning the compensation paid to the Chief Executive Officer and the other three most highly paid executive officers of the Corporation (the "Named Executive Officers").

| | | Annual Compensation | | | Long-Term Compensation | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Awards | | Payouts | |
| Name and Principal Position | Year | Salary ($) | Bonus ($) | Other Annual Compensation ($) | Securities Under Stock Options Granted (#) | Restricted Shares or Restricted Share Units ($) | LTIP Payouts ($) | All Other Compensation ($) |
| Haron Ezer<br>Chairman | 1999<br>1998<br>1997 | 200,000<br>192,000<br>165,000 | -<br>20,000<br>- | -<br>-<br>- | 115,000<br>162,500<br>- | -<br>-<br>- | -<br>-<br>- | -<br>-<br>- |
| Kasra Meshkin<br>President and Chief Executive Officer | 1999<br>1998<br>1997 | 230,000<br>200,000<br>156,601 | -<br>25,000<br>14,000 | -<br>-<br>- | 100,000<br>122,500<br>- | -<br>-<br>- | -<br>-<br>- | -<br>-<br>- |
| Gordon J. Ramer<br>Vice President | 1999<br>1998<br>1997 | 165,000<br>144,000<br>144,000 | -<br>25,000<br>10,000 | -<br>-<br>- | 110,000<br>82,500<br>- | -<br>-<br>- | -<br>-<br>- | -<br>-<br>- |
| Terence W. Rogers<br>Vice President<br>Financial Systems | 1999<br>1998<br>1997 | 120,000<br>92,000<br>80,000 | -<br>30,000<br>10,000 | -<br>10,000<br>- | 75,000<br>57,500<br>- | -<br>-<br>- | -<br>-<br>- | -<br>-<br>- |

**Stock Options**

The following table sets forth the options to purchase Common Shares granted to the Named Executive Officers during the most recently completed financial year.

| Name | Common Shares Under Stock Options Granted (#) | % of Total Stock Options Granted to Employees in Financial Year | Exercise Price ($/Common Share)[(1)] | Market Value of Common Shares Underlying Stock Options on the Date of Grant ($/Common Share) | Expiration Date |
|---|---|---|---|---|---|
| Haron Ezer | 115,000 | 20.2% | $1.35 | $2.90 | September 24, 2004 |
| Kasra Meshkin | 100,000 | 17.5% | $1.35 | $2.90 | September 24, 2004 |
| Gordon J. Ramer | 110,000 | 19.3% | $1.35 | $2.90 | September 24, 2004 |
| Terence W. Rogers | 75,000 | 13.2% | $1.35 | $2.90 | September 24, 2004 |

Note:

(1) The exercise price was reserved effective March 5, 1999, the closing date of the major transaction and the options were granted on September 24, 1999.

The following table sets forth the aggregate options exercised in the year ended December 31, 1999 and number of unexercised stock options and the value of in-the-money stock options held by the Named Executive Officers at December 31, 1999.

| Name | Common Shares Acquired on Exercise (#) | Aggregate Value Realized ($) | Unexercised Stock Options as at December 31, 1999 (#) Exercisable / Unexercisable | Value of Unexercised in-the-Money Stock Options as at December 31, 1999 Exercisable / Unexercisable |
|---|---|---|---|---|
| Haron Ezer | Nil | Nil | 277,500/ - | $938,500 / - |
| Gordon J. Ramer | Nil | Nil | 192,500/ - | $613,250 / - |
| Kasra Meshkin | Nil | Nil | 222,500/ - | $742,750 / - |
| Terence W. Rogers | Nil | Nil | 132,500/ - | $423,000 / - |

Note:
(1) The value of in-the-money options (market value of Common Shares minus option exercise price) was based upon a closing market price on December 31, 1999 of $4.00, which was the last date that Common Shares traded prior to the 1999 year end.

**Employment Agreements**

Each of the Named Executive Officers have employment agreements with Ezenet Inc., the main operating subsidiary of the Corporation, for a period of five years from November 1998. The agreements specify the respective salary, benefits and job responsibilities of each of the Named Executive Officers. Mr. Coyne has also entered into a similar employment agreement with EzenetUSA, for a period of two years from January, 2000. None of the employment agreements include provisions for severance payments or payments on a change of control.

**Directors' Remuneration**

No remuneration is paid to directors of Ezenet in their capacities as directors of the Corporation other than the granting from time to time of options to purchase Common Shares pursuant to the Corporation's stock option plan. Directors are reimbursed for expenses incurred to attend directors' meetings, meetings of committees of directors and in carrying out their duties as directors. The Corporation carries directors’ and officers’ insurance with a $5,000,000 coverage limit.

## STOCK OPTIONS

Ezenet has adopted a stock option plan (the "Plan") for directors, officers, full-time employees and any other person the board of directors of the Corporation determines is providing key services to the Corporation or any of its subsidiaries or affiliates. Since adoption of the Plan, the board of directors has approved certain amendments, and the Plan, as amended, was approved by the shareholders of Ezenet at the May 30, 2000 annual and general shareholders meeting. The Plan permits the granting of options to purchase up to 2,450,000 Common Shares. The number of options granted, the exercise price thereof, vesting of options, the date of expiry of the options, provided that the date of expiry shall not exceed seven years from the date of the grant of the options, and the determination of which persons shall be granted options is made by the board of directors of the Corporation, or by a committee appointed by the board, if any.

The following table sets forth information concerning options granted by Ezenet that were outstanding as at June 15, 2000.

| Group (number of persons) | Number of Common Shares Under Option | Date of Grant | Date of Expiry | Exercise Price per Common Share | Trading Price at Date of Grant |
|---|---|---|---|---|---|
| Executive Officers (7) | 342,500<br>330,000<br>820,000 | September 19, 1998<br>September 24, 1999<br>April 27, 2000 | September 17, 2003<br>September 24, 2004<br>April 27, 2005 | $0.10<br>$1.35<br>$14.00 | N/A<br>$2.90<br>$16.75 |
| Employees (9) | 55,000<br>10,000<br>27,000 | September 24, 1999<br>January 21, 2000<br>April 27, 2000 | September 24, 2004<br>January 20, 2005<br>April 27, 2005 | $1.35<br>$4.15<br>$14.00 | $2.90<br>$4.35<br>$16.75 |
| Directors (4) | 101,500<br>135,000<br>25,000<br>25,000 | September 17, 1998<br>September 24, 1999<br>January 21, 2000<br>April 27, 2000 | September 17, 2003<br>September 24, 2004<br>January 20, 2005<br>April 27, 2000 | $0.10<br>$1.35<br>$4.15<br>$14.00 | N/A<br>$2.90<br>$4.35<br>$16.75 |
| Total | 1,871,000 | | | | |

Note:

(1) The exercise price was reserved effective March 5, 1999, the closing date of the major transaction (as defined in Alberta Securities Commission Policy 4.11) and the options were granted on September 24, 1999.

## INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

No director, executive officer or other officer of the Corporation, or any associate of any such director or officer is, or has been at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation or any of its subsidiaries, nor is, or at any time since the beginning of the most recently completed financial year of the Corporation has, any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

## PRINCIPAL SHAREHOLDERS

As at the date hereof, no person beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares as at the date hereof except as set forth below.

| Name and Municipality of Residence | Designation of Class | Number of Voting Securities Owned | Type of Ownership | Percentage of Voting Securities | Percentage of Class After Giving Effect to the Exercise of the Special Warrants |
|---|---|---|---|---|---|
| Haron Ezer<br>Thornhill, Ontario | Common Shares<br>Preferred Shares | 2,441,799[(1)]<br>1,000,001[(1)] | Direct and Indirect | 32.1% | 22.5% |
| Gordon J. Ramer<br>Hartington, Ontario | Common Shares<br>Preferred Shares | 1,022,500<br>500,000 | Direct | 14.2% | 9.9% |

Notes:

(1) Includes 1,239,000 voting securities held by Mr. Ezer, 2,137,050 voting securities held by Ezer & Associates Limited, a corporation controlled by Mr. Ezer, and 20,750 voting securities held by 551419 Ontario Ltd., a corporation controlled by Mr. Ezer.

## PROMOTERS

Haron Ezer, Kasra Meshkin, Gordon J. Ramer and Terence W. Rogers may be considered to be promoters of the Corporation under applicable securities laws in that they took the initiative in founding Ezenet. Prior to the conversion of 999,999 Preferred Shares Mr. Ezer directly, or indirectly, beneficially owns or exercises control or direction over 1,941,800 Common Shares, 1,500,000 Preferred Shares and holds options to acquire an additional 277,500 Common Shares at an exercise price of $0.10 and $1.35 per share. Mr. Meshkin, directly or indirectly, beneficially owns or exercises control or direction over 525,900 Common Shares and 450,000 Preferred Shares and holds options to acquire 172,500 Common Shares at an exercise price of $0.10 and $1.35 per share. Mr. Ramer directly or indirectly, beneficially owns or exercises control or direction over 772,500 Common Shares, 750,000 Preferred Shares and holds options to acquire 192,500 Common Shares at an exercise price of $0.10 and $1.35 per share. Mr. Rogers, directly or indirectly, beneficially owns or exercises control or direction over 205,900 Common Shares, 150,000 Preferred Shares and holds options to acquire an additional 132,500 Common Shares at an exercise price of $0.10 and $1.35 per share. The aforementioned shares include the 681,800, 180,900, 298,700 and 65,900 Common Shares and 1,500,000, 450,000, 750,000 and 150,000 Preferred Shares which Mr. Ezer, Mr. Meshkin, Mr. Ramer and Mr. Rogers respectively received from treasury on the acquisition by Norah Capital Corporation of all the issued and outstanding shares of Ezenet Inc. on the same basis as the other shareholders of Ezenet Inc.

## DIVIDEND RECORD AND POLICY

The Corporation has not paid any dividends on its Common Shares to the date hereof. It is the present policy of the board of directors of the Corporation to retain any earnings to finance the growth and development of the Corporation's business and, therefore, the Corporation does not anticipate paying any dividends in the immediate or foreseeable future, other than the Preferred Share dividends for the year ended December 31, 1999 in the amount of $54,000 and for the period ended March 31, 2000 as declared on April 4, 2000 in the amount of $13,500.

## PRIOR SALES

There have been no securities issued by the Corporation within the 12 months prior to the date of this prospectus, other than as follows:

| Date of Issuance | Number and Nature of Securities (Common Shares) | Issue Price Per Security | Gross Consideration | Description |
|---|---|---|---|---|
| May 30, 2000 | 6,000 | $ 0.10 | $ 600 | Exercise of options |
| May 29, 2000 | 333,333 | $ 0.60 | N/A | Conversion of Preferred Shares to Common Shares |
| April 26, 2000 | 50,000 | $ 15.00 | $ 750,000 | Asset acquisition from netSTOR Technologies Inc. |
| April 19, 2000 | 666,666(1) | $ 0.60 | N/A | Conversion of Preferred Shares to Common Shares |

Note:

(1) The Preferred Shares were converted to Common Shares on a one for one basis at a deemed value of $0.60 per share.

## PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

| | Price Range ($) | | |
|---|---|---|---|
| | High | Low | Volume Trading |
| **1998** | | | |
| Fourth Quarter (from October 19) | $0.70 | $0.21 | 1,752,100 |
| **1999** | | | |
| First Quarter | $2.15 | $0.56 | 1,356,130 |
| Second Quarter | $3.60 | $1.60 | 935,667 |
| Third Quarter | $3.95 | $2.50 | 427,635 |
| Fourth Quarter | $4.10 | $2.70 | 472,500 |
| **2000** | | | |
| January | $4.30 | $3.40 | 145,050 |
| February | $16.50 | $3.90 | 1,227,206 |
| March | $39.45 | $15.20 | 1,287,702 |
| April | $22.00 | $12.00 | 365,712 |
| May | $16.50 | $9.00 | 225,632 |
| June | $12.50 | $9.00 | 186,404 |

## ESCROWED SHARES

Pursuant to an agreement dated August 14, 1998 (the "JCP Escrow Agreement") among the Corporation, Montreal Trust Company of Canada and Haron Ezer, Terence W. Rogers, Gordon J. Ramer, Kasra Meshkin, W.T. David Murray and Maryam Meshkin, 2,500,000 Common Shares (the "JCP Escrowed Shares") have been deposited in escrow and, except as provided in the JCP Escrow Agreement, may not be sold, assigned, transferred or hypothecated. Pursuant to the JCP Escrow Agreement, the JCP Escrowed Shares are to be released from escrow as to 331/3% of the JCP Escrowed Shares on the first, second and third anniversaries of April 7, 1999, the date on which Ezenet completed all of the documentation in connection with its major transaction (as defined in Alberta Securities Commission Policy 4.11). To date, 833,333 JCP Escrowed Shares have been released from escrow.

Pursuant to an agreement dated March 5, 1999 (the "Time Escrow Agreement") among the Corporation, Montreal Trust Company of Canada and Haron Ezer, Gordon Ramer, Terence Rogers, Kasra Meshkin, Maryam Meshkin, Irene Ezer and Bretman Financial Corporation, 1,500,000 Common Shares and 2,000,000 Preferred Shares (the "Escrowed Shares") have been deposited in escrow and, except as provided in the Time Escrow Agreement, may not be sold, assigned, transferred or hypothecated. Pursuant to the Time Escrow Agreement, the Escrowed Shares were to be released from escrow as to 33 a% of the Escrowed Shares on the first, second and third anniversaries of April 7, 1999, the date on which Ezenet completed all of the documentation in connection with its major transaction (as defined in Alberta Securities Commission Policy 4.11). To date, 500,000 Common Shares and 666,665 Preferred Shares have been released from escrow. On April 19, 2000, the 666,665 Preferred Shares which were released were converted to Common Shares.

Pursuant to an agreement dated March 5, 1999 (the "Performance Escrow Agreement") among the Corporation, Montreal Trust Company of Canada and Haron Ezer, Gordon Ramer, Terence Rogers, Kasra Meshkin and Maryam Meshkin, 1,000,000 Preferred Shares (the "Performance Escrow Shares") are required to have been deposited in escrow and, except as provided in the Performance Escrow Agreement may not be sold, assigned, transferred or hypothecated. Ezenet has met the requirement to achieve a certain amount of cash flow and 333,333 of the Preferred Shares have been released from escrow. The balance of the Performance Escrow Shares are releasable on the same basis as the Time Escrow Agreement.

Pursuant to the Agency Agreement, all Preferred Shares held pursuant to the Escrow Agreement and the Performance Escrow Agreement are to be converted to Common Shares. CDNX has consented to such conversion subject to shareholder approval and Ezenet received approval of this conversion at its annual and general shareholders meeting held on May 30, 2000. Management expects the conversion of those Preferred Shares to be completed shortly, but the Common Shares will remain subject to escrow.

## RISK FACTORS

An investment in the Common Shares should be considered highly speculative due to the nature of the Corporation's business and operations. In addition to the other information in this prospectus, prospective investors should carefully consider each of, and the cumulative effect of, the following factors:

**Operating History**. The Corporation is the successor corporation to Ezer & Associates, Ltd. and Ezenet Inc. The companies have operated for more than 20 years and have achieved net earnings in 12 consecutive reporting periods. The Corporation has never paid dividends and has no present intention to pay dividends. The Corporation is in the early stage of the expansion of its business and therefore is subject to the risks associated with expansion, including potential losses, uncertainty of revenues and profitability. The Corporation has committed, and for the foreseeable future will continue to commit, significant financial resources to product development and research. The Corporation's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies during expansion, particularly companies in new and rapidly evolving markets such as the Internet and wireless communication. Such risks include the evolving and unpredictable nature of the Corporation's business, the Corporation's ability to anticipate and adapt to a developing market, acceptance by consumers of the Corporation's products and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Corporation will be successful in doing what it is required to do to address these risks.

**Competition**. The widespread adoption of open industry standards, such as WAP specifications, may make it easier for new market entrants and existing competitors to introduce products that will compete with Ezenet's products. In addition, competitors may market their products and services more effectively, which could result in decreased demand for Ezenet's products and cause revenue to decline. Currently, competitors include:

- financial institutions that develop their own in-house solutions;
- software vendors focused on financial institutions;
- wireless and other network service providers that provide their customers with wireless financial services; and
- software and services vendors and portals that provide the infrastructure to link devices to carriers and the Internet and to enable other wireless applications.

The Corporation may also face competition in the future from established companies who have not previously entered the market for wireless data services and Internet-related services. Barriers to entry in this software market are relatively low, and it is possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share. In addition, many competitors have greater resources, which may enable them to penetrate the market more quickly.

**Wireless Services**. Wireless and other network service providers face implementation and support challenges in introducing services delivered to Internet-enabled devices, which may slow their rate of adoption or implementation of the wireless strategy. As Ezenet introduces its financial service solutions for the Internet and in a wireless format, it may encounter such implementation difficulties.

**Key Personnel**. The software development industry involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The success of the Corporation is dependent on the services of members of its senior management and development teams. The experience of these individuals will be a factor contributing to the Corporation's continued success and growth. The loss of one or more of its key employees could have a material adverse effect on the Corporation's operations and business prospects. In addition, the Corporation believes that its future success will depend in large part on its ability to attract and retain additional highly skilled technical, management, sales and marketing personnel. There can be no assurance that the Corporation will be successful in attracting and retaining such personnel and the failure to do so could have a material adverse effect on the Corporation's business, operating results and financial condition.

**Developing Markets**. The market for the Corporation's products and services is changing rapidly. If the market for the Corporation's products and services fails to develop and grow, or if the Corporation's products and services do not gain broad market acceptance, Ezenet's business and prospects will be harmed. In particular, Ezenet's success will depend upon the adoption and use by current and potential customers and their end-users of secure online and wireless communication services. In addition, sales and marketing of the Corporation's products and services are to a large extent under the control of its customers and prospective customers. The Corporation's ability to influence usage of its products and services by customers and end-users is limited. It is difficult to assess, or predict with any assurance, the present and future size of the potential market for the Corporation's products and services, or its growth rate, if any. Moreover, the Corporation cannot predict whether its products or services will achieve market acceptance. The Corporation's ability to achieve its goals also depends upon rapid market acceptance of future enhancements to its products. Any enhancement that is not favourably received by customers and end-users may not be profitable and, furthermore, could damage the Corporation's reputation or brand name.

**Technological Change**. The Corporation's future success will depend on its ability to address the increasingly sophisticated needs of its customers by supporting existing and emerging technologies, including technologies related to communications and the Internet generally and the financial services industry in particular. Wireless Internet access is a rapidly evolving market and is characterized by an increasing number of market entrants that have introduced or developed, or are in the process of introducing or developing, products that facilitate the delivery of Internet-based services through wireless devices. In addition, Ezenet's competitors may develop alternative technologies that gain broader market acceptance than the Corporation's solution. As a result, the life cycle of Ezenet's solution is difficult to estimate. The Corporation may need to develop and introduce new products and enhancements to its existing solution on a timely basis to keep pace with technological developments, evolving industry standards, changing customer requirements and competitive technologies that may render its solution obsolete. These research and development efforts may require the Corporation to expend significant capital and other resources. In addition, as a result of the complexities inherent in the Corporation's solution, major enhancements or improvements will require long development and testing periods. If the Corporation fails to develop products and services in a timely fashion, or if it does not enhance its products to meet evolving customer needs and industry standards, including security technology, the Corporation may not remain competitive or be able to sell its solution.

**Protection of Intellectual Property**. Although the Corporation does not believe that its products or services infringe the proprietary rights of any third parties, there can be no assurance that claims of infringement or invalidity (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Corporation or that any such assertions or prosecutions will not materially adversely effect the Corporation's business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Corporation could incur significant costs and diversion of resources with respect to the defence thereof which could have a material adverse effect on the Corporation's business, financial condition or results of operations. The Corporation's performance and ability to compete are dependent to a significant degree on its proprietary technology. The Corporation has not applied for or obtained any patents in relation to its current technology and relies on a combination of trademark, copyright and trade secret laws, as well as confidentiality agreements and technical measures to establish and protect its proprietary rights. The Corporation's proprietary software is protected by copyright laws. The source code for the Corporation's proprietary software is also protected as a trade secret. As part of its confidentiality procedures, the Corporation generally enters into agreements with its employees and consultants and limits access to and distribution of its software, documentation and other proprietary information. However, the Corporation also grants source code licenses for its products to partners, and OEMs on occasion to customers, and such software does not need to be reverse-engineered to be copied. Accordingly, while Ezenet endeavours to protect its intellectual property through source code licence agreements, there can be no assurance that the steps taken by the Corporation will prevent misappropriation of its technology or that agreements entered into for that purpose will be enforceable. The laws of other countries may afford the Corporation little or no effective protection of its intellectual property. While most of the Corporation's technology is developed and owned by the Corporation, it may also rely on technology that it currently, or may in the future, license from third parties. There can be no assurance that these third party licences will be, or will continue to be, available to the Corporation on commercially reasonable terms. The loss of, or inability of, the Corporation to maintain or obtain upgrades to any of these technology licences could result in delays in completing its proprietary software enhancements and new development until equivalent technology could be identified, licensed, or developed and integrated. Any such delays would materially adversely affect the Corporation's business, results of operations and financial condition.

**Additional Financing Requirements**. The Corporation anticipates that its current financial resources together with the proceeds from the sale of the Special Warrants will be sufficient to finance the Corporation's budgeted operating costs, development, marketing and anticipated discretionary expenditures for the next 18 to 24 months. However, the Corporation expects that in order to accelerate its growth objectives, it may need to raise additional funds from lenders and equity markets in the future. Although management of the Corporation is not aware of any significant risks or uncertainties that may affect the Corporation's financial position, there can be no assurance that the Corporation will be able to raise additional capital on commercially reasonable terms to finance its growth objectives. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation. There can be no assurance that the Corporation will be successful in its efforts to arrange additional financing if needed on terms satisfactory to the Corporation. If additional financing is raised by the issuance of shares from the treasury of the Corporation, control of the Corporation may change and shareholders may suffer additional dilution.

**Management of Growth**. The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The Corporation's ability 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 Corporation to deal with this growth could have a material adverse effect on its business, operations and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Corporation may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Corporation's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Corporation will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Corporation will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Corporation's operations or that the Corporation will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

**Expected Losses in the Future**. The Corporation has been profitable since its inception. However, Ezenet expects to incur a loss for the period ended December 31, 2000. The Corporation anticipates that its expenses will increase substantially in the foreseeable future as it increases its research and development, sales and marketing and general and administrative expenses. These efforts may prove more expensive than the Corporation currently anticipates.

**Market for Securities**. There is currently no market for the Special Warrants and no public market for the Special Warrants will develop or be sustained. The price of the Special Warrants was determined by negotiation between the Corporation and the Agents and may not be indicative of prices which will prevail in any trading market. The market price for the Common Shares could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results, technological innovations or new products by competitors of the Corporation, as well as market conditions in the industry, may have a significant impact on the market price of the securities of the Corporation. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the software, Internet and wireless sectors, which have often been unrelated to the operating performance of particular companies.

**Strategic Alliances**. The Corporation's growth and marketing strategies for SOHO are based, in part, on seeking out and forming strategic alliances. There can be no assurance that Ezenet's strategic alliance with ValueWeb will not be terminated or modified in the future, nor can there be any assurance that new relationships will afford the Corporation the same flexibility under which it currently operates.

**Government Regulation**. The Corporation is not currently subject to direct regulation by any government agency, other than applicable securities laws, regulations applicable to businesses generally and laws or regulations directly applicable to access to, or communication on, the Internet and wireless devices. However, due to the increasing popularity and use of the Internet and wireless technology, it is possible that a number of laws and regulations may be adopted with respect to the Internet and wireless technology, regulating user privacy, and pricing and consumer protection which may impose additional burdens on companies conducting business related to the Internet and wireless industries and thus increase the Corporation's cost of doing business. Moreover, the applicability to the Internet and wireless industries of existing laws in various jurisdictions governing issues such as property ownership, security, sales tax, libel and personal privacy is uncertain and may take years to resolve. There can be no assurance that any such new legislation or regulation will not be enacted nor that the application of laws or regulations from jurisdictions whose laws do not currently apply to the Corporation's business will subsequently become applicable.

**Exchange Rate Fluctuations.** The Corporation may transact some of its sales in foreign currencies while the majority of the Corporation's operating expenses are in Canadian and U.S. dollars. The Corporation does not have any hedging programs in place to manage the potential exposure to fluctuations in the U.S./Canadian dollar exchange rates. Fluctuations in the U.S./Canadian dollar exchange rates can impact the Corporation's earnings and cash flows.

**Dilution**. The issue price of each Common Share underlying the Special Warrants exceeds the net tangible book value per Common Share as at December 31, 1999 by approximately $7.99 per Common Share and a purchaser of a Special Warrant will experience an immediate and substantial dilution of approximately 71%. If outstanding options to purchase Common Shares are exercised, a purchaser of Special Warrants will incur additional dilution. See "Dilution".

**Conflicts of Interest.** Certain of the directors and officers of the Corporation are engaged in and will continue to engage in other business activities on their own behalf and on behalf of other corporations and, as a result of these and other activities, such directors and officers of the Corporation may become subject to conflicts of interest. The *Business Corporations Act* (Alberta) provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the *Business Corporations Act* (Alberta). To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *Business Corporations Act* (Alberta).

**Lengthy Sales and Implementation Cycle.** The Corporation sells to large financial institutions, which requires it to expend significant resources educating prospective customers about the uses and benefits of the Corporation's products. Because the purchase of the Corporation's solution is a significant decision for these institutions, its prospective customers generally take a long time to evaluate its products. The sales cycle typically ranges from four to six months, although these cycles can be longer due to significant delays over which the Corporation has little or no control. The lengthy sales cycle is due to many factors, including customer concerns about the introduction or announcement of new products and technologies, requests for product enhancements and an extensive evaluation process that may involve many individuals or departments. As a result of the long sales cycle, it may take the Corporation a substantial amount of time to generate revenue from its sales efforts. In addition, any delay in selling the Corporation's platform could lead the Corporation's prospective customers to find alternatives to its solution from a competitor or to develop an in-house solution.

**Limited Number of Financial Institution Customers.** The Corporation derives a significant portion of its revenue from a limited number of financial institutions. It expects that a small number of customers will continue to account for a significant portion of its revenue for the foreseeable future. If any of the Corporation's customers discontinue their relationship with the Corporation for any reason, or do not renew their agreements with the Corporation, or seek to reduce or renegotiate their purchase and payment obligations, the Corporation's revenue may be substantially reduced. If the Corporation's sales efforts to potential customers are not successful, its services may not achieve market acceptance and its revenue will not grow.

**Expansion into International Markets.** The Corporation has recently begun to invest additional financial and managerial resources to expand its sales and marketing operations in the U.S. Although the Corporation has a history of securing a portion of its revenues in the U.S. and other countries, the cost of opening a new office and hiring new personnel for its office in North Carolina could significantly decrease the Corporation's profitability if the new office does not generate additional revenue.

Ezenet intends to expand its activities into the U.S. Plans to expand internationally may be adversely affected by a number of risks, including:

- difficulties in localizing products and services for foreign markets;
- challenges in staffing and managing foreign operations;
- difficulties in establishing relationships with local partners;
- restrictions on the export of encryption and other technologies;
- recessionary environments in foreign economies, particularly in the financial services sector; and
- longer payment cycles.

In addition, the Corporation's focus on international markets increases its exposure to fluctuations in currency exchange rates. Any of the foregoing difficulties of conducting business internationally could harm the Corporation's international operations and, consequently, its business and prospects.

**Vulnerability to Security Breaches.** Despite the Corporation's best efforts to maintain Internet security, it may not be able to stop unauthorized attempts to gain access to or disrupt transactions between its customers and the consumers of their services. Specifically, computer viruses, break-ins and other disruptions could lead to interruptions, delays, loss of data or the inability to accept and confirm the receipt of information. Any of these events could substantially damage the Corporation's reputation. The Corporation relies on encryption and authentication technology developed in-house and licensed from third parties to provide the security and authentication necessary to achieve secure transmission of confidential information. The Corporation cannot assure that this technology or future advances in this technology or other developments will be able to prevent security breaches. The Corporation may need to expend further capital and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches.

Because the Corporation's activities involve the storage and transmission of proprietary information such as credit card numbers and bank account numbers, if a third party were able to steal a user's proprietary information, the Corporation could be subject to claims, litigation or other potential liabilities that could cause the Corporation's expenses to increase substantially. In addition to purposeful security breaches, the inadvertent transmission of computer viruses could expose the Corporation to litigation or a significant loss of revenue. Although customer agreements contain provisions which limit the Corporation's liability relating to security, the Corporation's customers or their consumers may seek to hold the Corporation liable for any losses suffered as a result of unauthorized access to their communications. The Corporation may not have adequate insurance or resources to cover these losses.

**New Technologies and Acquisitions.** The Corporation may acquire technologies or companies in the future. Entering into an acquisition entails many risks, any of which could materially harm the Corporation's business, including:

1. diversion of management's attention from other business concerns;
2. failure to effectively assimilate the acquired technology or company into the Corporation's business;
3. the loss of key employees from either the Corporation's current business or the acquired business; and
4. assumption of significant liabilities of the acquired company.

To date, the Corporation has completed only two acquisitions (see "The Corporation - History of the Corporation" and "Business of Ezenet - Acquisitions and Dispositions"), and it may not be able to complete further acquisitions in an effective manner. In addition, shareholdings in the Corporation will be diluted if Ezenet issues equity securities in connection with any acquisition.

**Vulnerability to Viruses and other Disruptions.** Despite the implementation of data center and network security measures by the Corporation's customers and other third parties, such customers' servers may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions. The Corporation may not be able to prevent any or all of these disruptions and the Corporation's failure to do so could limit use of the Corporation's products, cause the Corporation to incur substantial expenses and otherwise harm the Corporation's business. Specifically, computer viruses, break-ins and other disruptions could lead to interruptions, delays, loss of data or the inability to accept and confirm the receipt of information. Parties circumventing the Corporation's security measures could misappropriate proprietary information or cause interruptions in Ezenet's customers', or such customers' end-users' operations. This could occur through a variety of means including the introduction of known or undetected errors, "bugs" or viruses. In addition to intentional security breaches, the inadvertent transmission of computer viruses could expose the Corporation to litigation or significant revenue loss.

**Resolution of Product Deficiencies.** Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of the Corporation's products, or lawsuits and would be detrimental to the Corporation's market reputation. Software products as complex as those offered by the Corporation often contain "bugs" or performance problems. Serious defects are frequently found during the period immediately following the introduction of new products or enhancements to existing products. The Corporation's products are not error-free. Undetected errors or performance problems may be discovered in the future. Moreover, known errors which the Corporation considers minor may be considered serious by its customers. If the Corporation's internal quality assurance testing or customer testing reveals performance issues and/or desirable feature enhancements, the Corporation could postpone the development and release of updates or enhancements to its current products, future products or improvements in its services. The Corporation may not be able to successfully complete the development of planned or future products in a timely manner, or to adequately address product defects, which could harm the Corporation's business and prospects. In addition, product defects may expose the Corporation to product liability claims, for which the Corporation may not have sufficient product liability insurance. A successful lawsuit against the Corporation could harm its business and financial condition.

**System Failures.** The ability of the Corporation's customers to provide services depends on the efficient and uninterrupted operation of the computer, communications hardware, software and the Internet and wireless network system that they maintain. Any system failures experienced by Ezenet's customers may negatively affect their ability to use the Corporation's products and therefore, may negatively affect Ezenet's corresponding revenue.

**Volume of Internet and Wireless Use.** If the Internet and wireless products and services necessary for the utilization of the Corporation's products are not sufficiently developed, fewer customers and end-users will use the Corporation's products and its business will be harmed. In particular, the success of the Corporation's products and its services will depend on the development and maintenance of an adequate Internet and wireless infrastructure, such as a reliable network backbone with the necessary speed, data capacity and other features demanded by users. Moreover, the Corporation's success will also depend on the timely development of complementary products or services, such as high-speed modems, for providing reliable Internet and wireless access and services, which may not occur. Because the online exchange of information is new and evolving, the Internet and wireless technologies may not prove to be a viable platform for secure online communication services in the long term. The Internet and wireless industry has experienced and is expected to continue to experience, significant growth in the number of users and the amount of "traffic". As the Internet and wireless industry continues to experience an increased number of users and an increased frequency of use, or if the Internet and wireless communication users require increasingly more resources, the Internet and wireless infrastructure may not be able to support the demands placed on it. As a result, the performance or reliability of the Internet and wireless technologies may be adversely affected. This in turn could adversely affect the level of Internet and wireless usage and also the level of utilization of the Corporation's products and services. In addition, critical issues concerning the commercial use of the Internet and wireless, such as costs, ease of use and access and privacy issues, remain unsolved and could have a material adverse effect on both the growth of the Internet and wireless communication and the Corporation's business.

**Financial Institution Acceptance of the Internet.** The Corporation's success depends on financial institutions' acceptance of the Internet as a viable means to deliver their services. The adoption of the Internet for commerce and communication, particularly by those financial institutions that have historically relied upon traditional means, generally requires these institutions to understand and accept a new way of conducting business and exchanging information. Financial institutions may be reluctant or slow to adopt a new, Internet-based strategy because of increased short-term costs and the complexity and risk involved in developing a solution based on emerging technologies. Reluctance by financial institutions to use the Internet to deliver financial services may prevent the Corporation from growing.

**License Agreements with Customers.** A significant portion of the Corporation's revenue is derived from the licensing of its software to its customers. The license agreements with each of the Corporation's current customers expire annually. Each of the Corporation's customers may, but is not obligated, to renew its license agreement for additional terms. There is no guarantee that any of the Corporation's customers will renew their license agreement. If customers do not renew these agreements or otherwise license Ezenet's technology, the Corporation's revenue will decrease substantially.

## DILUTION

Ezenet's pro forma net tangible book value as at December 31, 1999 was $1,890,361 or $0.18 per diluted share after giving effect to the conversion of Ezenet's Second Preferred Shares. Pro forma net tangible book value represents total assets less total liabilities as at December 31, 1999 divided by the number of diluted Common Shares outstanding at December 31, 1999. After giving effect to the sale of 4,611,200 Special Warrants offered at the price of $11.25 per Special Warrant and after deducting the estimated agency fees of $3,750,047 and estimated offering expenses of $250,000 payable by Ezenet, the pro forma net tangible book value as at December 31, 1999 would have been $49,766,314 or $3.25 per share. This value represents an immediate increase in pro forma net tangible book value of $3.08 per share to existing shareholders and an immediate dilution in net tangible book value of $7.99 per share to Special Warrant investors. This amount is equal to 71% of the offering price of $11.25 per Special Warrant.

| | |
|---|---|
| Price per Special Warrant to investors | $11.25 |
| Pro forma net tangible book value per share as of December 31, 1999 | $0.18 |
| Increase attributable to new investors | $3.07 |
| Pro forma net tangible book value per share after offering | $3.25 |
| Dilution per share to investors | $8.00 |

To the extent that any shares are issued upon exercise of options that were outstanding as at December 31, 1999 or granted after that date or reserved for future issuance under stock option plans, there may be further dilution to new investors.

## LEGAL PROCEEDINGS

There are no outstanding legal proceedings material to the Corporation to which the Corporation or any of its subsidiaries are a party or where their properties are subject, nor are there any such proceedings known to be contemplated.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or officer of the Corporation, insider of the Corporation, or any associate or affiliate of any of the foregoing entities, has or has had any material interest in any transaction within the last three years or any proposed transaction that has materially affected, or will materially affect, the Corporation or any of its affiliates, other than the acquisition by Norah Capital Corporation of all of the issued and outstanding shares of Ezenet Inc., as described under "The Corporation - History of the Corporation".

## MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Corporation in the two years immediately prior to the date hereof that can reasonably be regarded as presently material to the Corporation are the following:

1. the Agency Agreement referred to under "Details of the Offering";
2. the Special Warrant Indenture referred to under "Details of the Offering";
3. the Warrant Indenture referred to under "Details of the Offering";

4. the Compensation Warrant referred to under "Details of the Offering";
5. the JCP Escrow Agreement referred to under "Escrowed Shares";
6. the Time Release Escrow Agreement referred to under "Escrowed Shares"; and
7. the Performance Escrow Agreement referred to under "Escrowed Shares".

Copies of these agreements will be available for inspection at the head office of the Corporation and at the office of the Alberta Securities Commission, 4th Floor, Alberta Stock Exchange Tower, 300 - 5th Avenue S.W., Calgary, Alberta, T2P 3C4, during normal business hours during the period of distribution and for 30 days thereafter.

## LEGAL MATTERS

Certain legal matters in connection with the issuance of the Special Warrants and the Common Shares offered hereby have been passed upon on behalf of the Corporation by Burnet, Duckworth & Palmer, Calgary and on behalf of the Agents by Goodman, Phillips & Vineberg, Toronto. As at June 15, 2000, partners and associates of Burnet, Duckworth & Palmer, Calgary owned less than 1% of the outstanding Common Shares or Special Warrants and partners and associates of Goodman, Phillips & Vineberg, Toronto owned less than 1% of the outstanding Common Shares or Special Warrants.

## AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of Ezenet are Daren, Martenfeld, Carr, Testa and Company LLP, Chartered Accountants, Suite 2100, 20 Eglinton Avenue West, Toronto, Ontario, M4R 1K8.

Montreal Trust Company of Canada, at its principal office in Calgary, Alberta, is the Trustee under the Special Warrant Indenture and the Warrant Indenture and maintains the register for the Special Warrants. Montreal Trust Company of Canada acts as the registrar and transfer agent for the Common Shares.

## CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Special Warrant, who acquires a Common Share upon the exercise of a Special Warrant as provided for in this prospectus, is or becomes entitled under applicable legislation to the remedy of rescission by reason of this prospectus or any amendment thereto containing a misrepresentation, the holder shall be entitled to rescission not only of the holder's exercise of its Special Warrant but also of the private placement transaction pursuant to which the Special Warrant was initially acquired and shall be entitled, in connection with such rescission, to a full refund of all consideration paid to Ezenet on the acquisition of the Special Warrant. In the event the holder is a permitted assignee of the interest of the original Special Warrant subscriber, that permitted assignee will be entitled to exercise the rights of rescission and refund described herein as if the permitted assignee was the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of the Special Warrant under applicable securities legislation or otherwise at law.

## PURCHASERS' STATUTORY RIGHTS

Securities legislation in several of the provinces 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 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 the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of such purchaser's province for the particulars of these rights or consult with a legal advisor.

# Ezenet Corp.

**(formerly Norah Capital Corp.)**

**Consolidated Financial Statements**

**For the Years Ended December 31, 1999, 1998 and 1997 and the Three Month Periods Ended March 31, 2000 and 1999**

# AUDITORS' REPORT

To the Shareholders of
**Ezenet Corp.**
**(formerly Norah Capital Corp.)**

We have audited the consolidated balance sheet of **Ezenet Corp. (formerly Norah Capital Corp.)** as at **December 31, 1999** and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted 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 Corporation as at **December 31, 1999** and the results of its operations and cash flows for the years then ended, in accordance with generally accepted accounting principles.

The financial statements as at December 31, 1998 and 1997 and for the years then ended were audited by other auditors, who issued an unqualified audit reports dated March 3 1999, and March 30, 1998, respectively.

**"DAREN, MARTENFELD, CARR, TESTA AND COMPANY LLP"**
**(Signed)**

February 8, 2000
(except for note 15 which is as of July 4, 2000)

**Telephone (416) 932-0550** **Rubin Cohen, B. Comm., C.A.** **Fax (416) 932-0551**
Chartered Accountant
2161 Yonge Street, Suite 812
Toronto, Ontario
M4S 3A6

# AUDITOR'S REPORT

To the Directors of
Ezenet Inc.

I have audited the balance sheet of **Ezenet Inc.** as at December 31, 1998 and the statements of retained earnings and income for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 financial principles used and significant estimates made by the corporation's management, as well as evaluating the overall financial presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of **Ezenet Inc.** as at December 31, 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
March 3, 1999

***"Rubin Cohen"***
CHARTERED ACCOUNTANT

**AUDITOR’S REPORT**

To the Directors of
Ezenet Inc.

I have audited the balance sheet of Ezenet Inc. as at December 31, 1997 and the statements of retained earnings and income for the year then ended. These financial statements are the responsibility of the corporation’s management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 financial principles used and significant estimates made by the corporation’s management, as well as evaluating the overall financial presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of Ezenet as at December 31, 1997 and the results of its operations for the year then ended in accordance with generally accepted accounting principals.

**"Rubin Cohen"**

**Toronto, Ontario**
**March 30, 1998**

**CHARTERED ACCOUNTANT**

# Ezenet Corp.

**(formerly Norah Capital Corp.)**
**Consolidated Balance Sheets**

| | Note | Mar. 31, 2000 (unaudited) | Dec. 31, 1999 | Dec. 31, 1998 | Dec. 31, 1997 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current** | | | | | |
| Cash and short-term investments | | **$16,937,174** | **$ 170,469** | $ 95,610 | $ 31,377 |
| Accounts receivable | | **343,363** | **230,361** | 175,188 | 97,796 |
| Prepaid expenses and sundry assets | | **107,874** | **94,052** | 16,621 | 54,044 |
| Income taxes recoverable | | **35,950** | **34,390** | 29,441 | - |
| | | **17,424,361** | **529,272** | 316,860 | 183,217 |
| **Capital assets** | 3 | **464,345** | **426,990** | 434,985 | 437,296 |
| **Product development costs** | 4 | **1,396,236** | **1,478,300** | 479,925 | - |
| | | **$19,284,942** | **$2,434,562** | $1,231,770 | $ 620,513 |
| **Liabilities** | | | | | |
| **Current** | | | | | |
| Accounts payable and accrued liabilities | | **$ 172,376** | **$ 140,401** | $ 151,616 | $ 130,326 |
| Income taxes payable | | **-** | **-** | - | 14,617 |
| | | **172,376** | **140,401** | 151,616 | 144,943 |
| **Future income tax liabilities** | 7 | **354,700** | **403,800** | 131,120 | - |
| **Loans payable, related parties** | | **-** | **-** | **-** | 106,430 |
| | | **527,076** | **544,201** | 282,736 | 251,373 |
| **Shareholders' Equity** | | | | | |
| **Capital stock** | 5 | **18,228,252** | **1,245,322** | 565,729 | 264,379 |
| **Retained earnings** | | **529,614** | **645,039** | 383,305 | 104,761 |
| | | **18,757,866** | **1,890,361** | 949,034 | 369,140 |
| | | **$19,284,942** | **$2,434,562** | $1,231,770 | $ 620,513 |

**Approved by the Board** **"Haron Ezer"** Director **"Terence Rogers"** Director
**(signed)** **(signed)**

# Ezenet Corp.

**(formerly Norah Capital Corp.)**
**Consolidated Statements of Earnings and Retained Earnings**

| | Three Months Ended | | Years Ended | | |
|---|---|---|---|---|---|
| | **Mar. 31, 2000** | Mar. 31, 1999 | **Dec. 31, 1999** | Dec. 31, 1998 | Dec. 31, 1997 |
| | **(unaudited)** | (unaudited) | | | |
| **Revenue** | **$ 854,168** | $ 659,014 | **$3,206,448** | $2,345,708 | $1,842,167 |
| **Expenses** | | | | | |
| Direct product and service costs | **142,104** | 18,767 | **401,682** | 310,718 | 289,333 |
| Research and development | **136,050** | - | **181,400** | - | - |
| Salaries and benefits | **480,255** | 269,537 | **1,331,926** | 1,113,517 | 973,325 |
| Administration | **133,645** | 114,366 | **378,766** | 288,885 | 379,195 |
| Professional fees | **7,330** | 10,957 | **86,325** | 28,219 | 55,165 |
| Investor relations | **18,527** | - | **81,243** | - | - |
| Amortization | **33,282** | 35,000 | **210,692** | 209,422 | 82,899 |
| | **951,193** | 448,627 | **2,672,034** | 1,950,761 | 1,779,917 |
| **Earnings (loss) before income taxes** | **(97,025)** | 210,387 | **534,414** | 394,947 | 62,250 |
| **Income taxes** | | | | | |
| Current | **-** | 11,500 | **-** | (14,717) | 14,617 |
| Future | **(49,100)** | 81,070 | **272,680** | 131,120 | - |
| | **(49,100)** | 92,570 | **272,680** | 116,403 | 14,617 |
| **Net earnings (loss)** | **(47,925)** | 117,817 | **261,734** | 278,544 | 47,633 |
| **Retained earnings at beginning of period** | **645,039** | 383,305 | **383,305** | 104,761 | 57,128 |
| **Dividends** | **(67,500)** | - | **-** | - | - |
| **Retained earnings at end of period** | **$ 529,614** | $ 501,122 | **$ 645,039** | $ 383,305 | 104,761 |
| **Earnings per share (Note 9)** | | | | | |
| Basic | **$ (0.01)** | $ 0.03 | **$ 0.04** | $ 0.09 | $ 0.02 |
| Fully diluted | **$ n/a** | $ 0.03 | **$ 0.02** | $ 0.09 | $ 0.02 |

# Ezenet Corp.

**(formerly Norah Capital Corp.)**

**Consolidated Statements of Cash Flows**

| | **Three Months Ended** | | **Years Ended** | | |
|---|---|---|---|---|---|
| | **Mar. 31, 2000** | Mar. 31, 1999 | **Dec. 31, 1999** | Dec. 31, 1998 | Dec. 31, 1997 |
| | **(unaudited)** | (unaudited) | | | |
| **Cash flows from operating activities** | | | | | |
| Net earnings (loss) for year | **$ (47,925)** | $ 117,817 | **$ 261,734** | $ 278,544 | $ 47,633 |
| Add items not affecting cash | | | | | |
| Amortization | **169,332** | 35,000 | **392,092** | 209,422 | 82,899 |
| Future income taxes | **(49,100)** | 81,070 | **272,680** | 131,120 | - |
| | **72,307** | 233,887 | **926,506** | 619,086 | 130,532 |
| Changes in non-cash working capital items | | | | | |
| Accounts receivable | **(113,002)** | (46,074) | **(52,663)** | (77,392) | 51,567 |
| Prepaid expenses and sundry assets | **(13,822)** | (15,515) | **(77,431)** | 37,423 | (51,245) |
| Income taxes payable | **(1,560)** | 9,819 | **(4,949)** | (44,058) | 23,649 |
| Accounts payable and accrued liabilities | **(35,525)** | 148,440 | **(11,214)** | 21,289 | (49,262) |
| | **(91,602)** | 330,557 | **780,249** | 556,348 | 105,241 |
| **Cash flows from investing activities** | | | | | |
| Purchase of capital assets | **(70,637)** | (33,371) | **(222,698)** | (7,110) | (364,991) |
| Investment in product development costs | **(53,986)** | (104,290) | **(1,099,775)** | (479,925) | - |
| Business acquisition | **-** | 198,432 | **198,432** | - | - |
| | **(124,623)** | 60,771 | **(1,124,041)** | (487,035) | (364,991) |
| **Cash flows from financing activities** | | | | | |
| Issuance of capital stock | **16,982,930** | 398,651 | **418,651** | 101,350 | 264,378 |
| Loans payable | **-** | - | **-** | (106,430) | 4,640 |
| | **16,982,930** | 398,651 | **418,651** | (5,080) | 269,018 |
| **Increase in cash during year** | **16,766,705** | 789,979 | **74,859** | 64,233 | 9,268 |
| **Cash at beginning of year** | **170,469** | 95,610 | **95,610** | 31,377 | 22,109 |
| **Cash at end of year** | **$16,937,174** | $ 885,589 | **$ 170,469** | $ 95,610 | $ 31,377 |

**Supplemental Disclosures**

| | **Three Months Ended** | | **Years Ended** | | |
|---|---|---|---|---|---|
| | **Mar. 31, 2000** | Mar. 31, 1999 | **Dec. 31, 1999** | Dec. 31, 1998 | Dec. 31, 1997 |
| 1. Cash paid for income taxes | **$ 1,560** | $ 1,681 | **$ 11,189** | $ 14,824 | $ - |

2. Cash acquired from business acquisition (Note 2)

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Consolidation

These financial statements include the accounts of the Corporation and its wholly-owned subsidiary.

### Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives at the following annual rates:

| | |
|---|---|
| Computer equipment | - 30% declining balance basis |
| Furniture & equipment | - 20%, declining balance basis |
| Computer software | - 100% declining balance basis |
| Leasehold improvements | - straight-line over the term of the lease |

### Product Development Costs

Product development costs required to establish the technological and commercial feasibility of proprietary products are charged to operations when incurred. The Corporation defers costs incurred to develop its products once technological feasibility has been established. Amortization commences with the sale of the product in commercial quantities. Product development costs are amortized using the straight-line method over the estimated selling life of the product to a maximum of three years.

On an ongoing basis, management reviews the valuation and amortization of product development costs, including any events and circumstances which may have impaired the carrying value.

### Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in income.

### Future Income Taxes

The Corporation has elected to adopt the new recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. Under the new recommendations, the liability method of tax allocation is used in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. This change in reporting was applied retroactively and does not have a significant impact on net earnings for the prior year.

## 1. SIGNIFICANT ACCOUNTING POLICIES (Cont'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 date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

### Amalgamation

On January 1, 1997 the Corporation amalgamated with Ezer Data Systems Inc. The opening retained earnings for fiscal 1997 of $57,128 has been increased by $58,720 to effect the amalgamation.

## 2. REVERSE TAKEOVER OF EZENET CORP.

On March 5, 1999, Ezenet Corp. entered into a formal agreement with the shareholders of Ezenet Inc. for the acquisition of the 2,960,000 outstanding class B common shares and 3,000,000 outstanding class A preference shares of Ezenet Inc. in exchange for 2,960,000 common shares and 3,000,000 second preferred shares of Ezenet Corp. Since this transaction resulted in the shareholders of Ezenet Inc. acquiring control of Ezenet Corp., this transaction was treated for accounting purposes as a reverse take-over acquisition of Ezenet Corp. by Ezenet Inc.

Application of reverse take-over accounting results in the following:

i) The consolidated financial statements are issued under the name of the legal parent, Ezenet Corp., but are considered to be a continuation of the financial statements of the legal subsidiary, Ezenet Inc.

ii) As Ezenet Inc. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

iii) The comparative financial statements for the year ended December 31, 1998 and 1997 are those of Ezenet Inc.

iv) Control of the net assets and operations of Ezenet Corp. is deemed to be acquired by Ezenet Inc.

v) The fair value of Ezenet Corp.'s net assets at the date of the reverse take-over is recorded as an increase to the stated capital amount of the consolidated entity.

vi) The fair value of the assets acquired are as follows:

| | |
|---|---|
| Cash | $ 198,432 |
| Other current assets | 2,510 |
| Total purchase price | $ 200,942 |

# Ezenet Corp.
**(formerly Norah Capital Corp.)**
**Notes to Consolidated Financial Statements**

## 3. CAPITAL ASSETS

| | Cost | Accumulated Amortization | Net December 31, 1999 | 1998 | 1997 | Net March 31, 2000 (unaudited) |
|---|---|---|---|---|---|---|
| Computer equipment | **$ 575,679** | **$ 263,896** | **$ 311,783** | $ 234,936 | $ 309,612 | **$ 348,653** |
| Computer software | **232,091** | **227,334** | **4,757** | 102,531 | 8,757 | **5,659** |
| Furniture & equipment | **128,249** | **43,013** | **85,236** | 69,764 | 82,531 | **87,970** |
| Leasehold improvements | **50,669** | **25,455** | **25,214** | 27,754 | 36,396 | **22,063** |
| | **$ 986,688** | **$ 559,698** | **$ 426,990** | $ 434,985 | $ 437,296 | **$ 464,345** |

## 4. PRODUCT DEVELOPMENT COSTS

| | Mar. 31, 2000 (unaudited) | As at December 31, 1999 | 1998 | 1997 |
|---|---|---|---|---|
| Opening balance | **$ 1,478,300** | **$ 479,925** | $ - | $ - |
| Costs incurred during period | **53,986** | **1,179,775** | 479,925 | - |
| Amortization during period | **(136,050)** | **(181,400)** | - | - |
| Closing balance | **$ 1,396,236** | **$1,478,300** | $ 479,925 | $ - |

## 5. CAPITAL STOCK

**Authorized**

| | |
|---|---|
| unlimited | voting first preferred shares |
| unlimited | second preferred shares, voting, cumulative cash dividend of 3% per annum payable semi-annually on the first day of January and July in each year, convertible any time up to the second anniversary of the issuance on the basis and at the rate of one common share for each preferred share |
| unlimited | common shares |

## 5. CAPITAL STOCK (Cont'd)

**Issued**

| | Amount in Dollars | | | |
|---|---|---|---|---|
| | **Special Warrants** | **Common Shares** | **Second Preferred** | **Total** |
| Existing share capital of Ezenet Inc., December 31, 1996 | $ - | $ 1 | $ - | $ 1 |
| Issued for cash | - | 264,378 | - | 264,378 |
| Balance at December 31, 1997 | - | 264,379 | - | 264,379 |
| Issued for cash (i) | - | 101,350 | - | 101,350 |
| Issued as consideration for software (ii) | - | 200,000 | - | 200,000 |
| Balance at December 31, 1998 | - | 565,729 | - | 565,729 |
| Share conversion (iii) | - | (191,117) | 191,117 | - |
| Issued for cash (i) | - | 398,651 | - | 398,651 |
| Issued as consideration for services (ii) | - | 60,000 | - | 60,000 |
| Issued for net assets of Ezenet Corp., pursuant to reverse take-over (Note 2) | - | 99,797 | 101,145 | 200,942 |
| Balance at March 5, 1999 | - | 933,060 | 292,262 | 1,225,322 |
| Issued for cash (vi) | - | 20,000 | - | 20,000 |
| Balance at December 31, 1999 | - | 953,060 | 292,262 | 1,245,322 |
| Special warrants, net of agent fees (vii) | 16,982,930 | - | - | 16,982,930 |
| Balance at March 31, 2000 (unaudited) | $16,982,930 | $ 953,060 | $ 292,262 | $18,228,252 |

| | Number of Shares | | |
|---|---|---|---|
| | **Common Shares** | **Second Preferred** | **Total** |
| Existing outstanding shares of Ezenet Corp. on incorporation (iv) | 2,500,000 | - | 2,500,000 |
| Issued pursuant to initial public offering (v) | 2,000,000 | - | 2,000,000 |
| Balance at December 31, 1998 | 4,500,000 | - | 4,500,000 |
| Shares issued to effect reverse take-over (Note 2) | 2,960,000 | 3,000,000 | 5,960,000 |
| Balance at March 5, 1999 | 7,460,000 | 3,000,000 | 10,460,000 |
| Issued for cash (vi) | 200,000 | - | 200,000 |
| Balance at December 31, 1999 and March 31, 2000 | 7,660,000 | 3,000,000 | 10,660,000 |

**5. CAPITAL STOCK** (Cont'd)

i) During the year, but prior to the reverse takeover transaction (note 2), Ezenet Inc. issued 1,000,000 common shares for total share capital of $500,000 pursuant to a private placement completed January 22, 1999.
During the year, but prior to the reverse takeover transaction (note 2), Ezenet Inc. issued 350,000 common shares as partial consideration for consulting services rendered.

ii) During the year, but prior to the reverse takeover transaction (note 2), Ezenet Inc. issued 400,000 common shares for software and 60,000 common shares for consulting services valued at $260,000.

iii) During the year, but prior to the reverse takeover transaction (note 2), Ezenet Inc. converted all outstanding Class A common shares to Class B common shares at the rate of 0.375 Class B shares for each Class A outstanding. Subsequently, Ezenet Inc. converted 3,000,000 Class B common shares to Class A preference shares at the rate of 1 Class A share for each Class B share converted.

(iv) During the year, but prior to the reverse takeover transaction (note 2), Ezenet Corp. issued 2,500,000 common shares to the founding shareholders of the corporation prior to the removal by the corporation of its private company restrictions.

(v) During the year, but prior to the reverse takeover transaction (note 2), Ezenet Corp. issued 2,000,000 common shares pursuant to an initial public offering dated August 14, 1998.

(vi) Subsequent to the reverse takeover transaction, Ezenet Corp. issued 200,000 common shares for $20,000 following the exercise of stock options granted to the agent under the corporation's initial public offering.

(vii) During the three month period ended March 31, 2000, the Corporation received partial proceeds relating to the issue of the Special Warrants described in note 15. The balance of the proceeds are to be received within five days of receipt of the final prospectus.

(viii) As at December 31, 1999 and March 31, 2000, the corporation is in arrears with respect to unpaid cumulative dividends on the second preferred shares in the amounts of $54,000 and $67,500 respectively.

**6. STOCK OPTIONS**

The Corporation has the following stock options outstanding:

| Number of Options | Exercise Price | Expiry Date |
|---|---|---|
| 450,000 | $0.10 | September 17, 2003 |
| 570,000 | $1.35 | September 27, 2004 |
| 35,000 | $4.15 | January 11, 2005 |

(i) The Corporation has a stock option plan for directors, officers and employees. The maximum number of common shares which may be issued under the plan is 2,450,000. The aggregate number of shares so reserved for issuance to one person shall not exceed 5% of the issued and outstanding shares.

## 7. INCOME TAXES

The Corporation's effective income tax rate differs with the Canadian statutory rate for the following reasons:

| | December 31, 1999 % | 1998 % | 1997 % |
|---|---|---|---|
| Income tax expense | **44.8** | 44.8 | 44.8 |
| Increase (decrease) resulting from | | | |
| Reduction of taxes applicable to small business corporations | **-** | - | (22.3) |
| Items not deductible for tax purposes | **0.6** | 0.8 | 1.0 |
| Tax amortization of capital assets in excess of accounting amortization | **-** | (3.0) | - |
| Product development costs deductible for tax purposes | **(45.4)** | (42.6) | - |
| Recovery of income taxes paid from the application of current year's losses to prior years | - | (3.7) | - |
| | **-** | (3.7) | 23.5 |

Net future income tax balances are summarized as follows:

| | March 31, 2000 (unaudited) | December 31, 1999 | 1998 | 1997 |
|---|---|---|---|---|
| Future income tax liability | | | | |
| Development costs | **$ 614,400** | **$ 650,400** | $ 211,200 | $ - |
| Future income tax assets | | | | |
| Tax loss and credit carryforwards | **(259,000)** | **(246,000)** | (78,580) | - |
| Other items | **(700)** | **(600)** | (1,500) | - |
| Net future income tax liability | **$ 354,700** | **$ 403,800** | $ 131,120 | $ - |

## 8. COMMITMENTS

The Corporation is committed to various lease agreements including premises, off-site backup premises and leased vehicles expiring from October 31, 2000 to February 28, 2002.

| | |
|---|---|
| 2000 | $ 46,007 |
| 2001 | 40,175 |
| 2002 | 13,490 |
| | **$ 99,672** |

## 9. EARNINGS PER SHARE

The earnings per share amounts were calculated using the following weighted average number of shares outstanding:

| | |
|---|---|
| Three months ended March 31, 2000 (unaudited) | 7,660,000 |
| Three months ended March 31, 1999 (unaudited) | 4,259,999 |
| Year ended December 31, 1999 | 6,799,726 |
| Year ended December 31, 1998 | 2,960,000 |
| Year ended December 31, 1997 | 2,960,000 |

Fully diluted earnings per share were calculated assuming that all of the 1,055,000 (1998 - nil, 1997 - nil) options to purchase common shares outstanding had been exercised at the beginning of the respective reporting period and that all of the 3,000,000 (1998 - nil, 1997 - nil) convertible preferred shares outstanding had been converted to common shares at the date of issuance.

## 10. RELATED PARTY TRANSACTIONS

During the reporting period, the Corporation had the following transactions with related parties that have not been disclosed elsewhere in the financial statements.

- During the year ended December 31, 1999, consulting fees of $190,758 (1998 - $470,667, 1997 - nil) were paid to officers and directors or companies owned by officers and directors of the Corporation.

- The loans payable to related parties at December 31, 1997 are non-interest bearing with no specific terms of repayment.

## 11. FINANCIAL INSTRUMENTS

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

# Ezenet Corp.

**(formerly Norah Capital Corp.)**
**Notes to Consolidated Financial Statements**

## 12. INFORMATION BY INDUSTRY SEGMENT

Ezenet Corp. has two reportable segments which offer different products and services and are managed separately. The industry segments can be classified as banking services and software products. The accounting policies of the segments are the same as those described in note 1. The Corporation accounts for any intersegment transfers at the exchange amount. There are no intersegment sales.

| **1999** | **Banking Services** | **Software Products** | **Total** |
|---|---|---|---|
| **Revenue** | **$ 2,933,774** | **$ 272,674** | **$ 3,206,448** |
| **Amortization** | **$ 210,692** | **$ -** | **$ 210,692** |
| **Research and development** | **$ -** | **$ 181,400** | **$ 181,400** |
| **Earnings (loss) before income taxes** | **$ 611,749** | **$ (77,335)** | **$ 534,414** |
| **Total assets** | **$ 776,374** | **$ 1,658,188** | **$ 2,434,562** |
| **Total liabilities** | **$ 145,681** | **$ 398,520** | **$ 544,201** |
| **Capital asset expenditures** | **$ 147,698** | **$ 75,000** | **$ 222,698** |
| **Product development expenditures** | **$ 27,500** | **$ 1,152,275** | **$ 1,179,775** |

| 1998 | Banking Services | Software Products | Total |
|---|---|---|---|
| Revenue | $ 2,345,708 | $ - | $ 2,345,708 |
| Amortization | $ 209,422 | $ - | $ 209,422 |
| Earnings before income taxes | $ 394,947 | $ - | $ 394,947 |
| Total assets | $ 751,845 | $ 479,925 | $ 1,231,770 |
| Total liabilities | $ 151,616 | $ 131,120 | $ 282,736 |
| Capital asset expenditures | $ 7,110 | $ - | $ 7,110 |
| Product development expenditures | $ - | $ 479,925 | $ 479,925 |

In 1997, the Corporation was only providing banking services.

## 13. COMPARATIVE FIGURES

The comparative figures for the years ended December 31, 1998 and 1997 were prepared by other auditors who issued an unqualified audit opinion.

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

## 14. 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. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related customers, suppliers, or other third parties, have been fully resolved.

## 15. SUBSEQUENT EVENT

Subsequent to year end, the Corporation issued 4,444,500 special warrants at $11.25 for consideration of $50,000,625 pursuant to a prospectus filed with the Alberta, British Columbia, Manitoba and Ontario Securities Commissions on July 4, 2000. Each special warrant entitles the holder to one common share and one-half common share purchase warrant without additional payment. Two common share purchase warrants are exercisable into one common share at an exercise price of $12 per warrant.

In connection with the offering, the agents received a fee of $3,750,047 and 444,450 units consisting of one option and one-half common share purchase warrant. Each option entitles the agents to purchase one common share at a price of $11.25 per common share within two years from the completion of the offering. The fee of $3,750,047 was satisfied through the issuance of 166,700 special warrants and $1,874,672 in cash.

**CERTIFICATE OF THE CORPORATION**

July 4, 2000

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

(signed) Kasra Meshkin
Chief Executive Officer

(signed) Gary Guthro
Chief Financial Officer

**On behalf of the Board of Directors**

(signed) Haron Ezer
Director

(signed) Terence W. Rogers
Director

**Promoters**

(signed) Haron Ezer

(signed) Gordon J. Ramer

(signed) Kasra Meshkin

(signed) Terence W. Rogers

## CERTIFICATE OF THE AGENTS

July 4, 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 securities offered by this prospectus as required by Part 7 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta), by Part VII of the *Securities Act* (Manitoba) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

**OCTAGON CAPITAL CORPORATION**

By: (signed) John P. Palumbo

| **SALMAN PARTNERS INC.** | **ACUMEN CAPITAL FINANCE PARTNERS LTD.** |
|---|---|
| By: (signed) Alan C. Herrington | By: (signed) Michael Hill |

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

**OCTAGON CAPITAL CORPORATION**: Octagon Capital Partners Inc.

**SALMAN PARTNERS INC.**: Terrance K. Salman, Alan C. Herrington, Sam Magid, F. David Radler and David R. Syre.

**ACUMEN CAPITAL FINANCE PARTNERS LTD.**: Bruce A. Ramsay, Kim Wong, Robert W. Laidlaw, Michael Hill, Curtis Mayert and Allfred Sailer.