

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUEBEC, NEW BRUNSWICK, PRINCE EDWARD ISLAND, NOVA SCOTIA
AND NEWFOUNDLAND

AND

IN THE MATTER OF THE
MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
724 SOLUTIONS INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland (the "Jurisdictions") have received an application from 724 Solutions Inc. (the "Corporation") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") exempting the Corporation from the eligibility criteria set out in Section 4.1 of National Policy No. 44 ("NP 44") and articles 37.5, 37.6 and 37.7 of the Regulation respecting Securities under the Legislation of Quebec (the "Quebec Regulation"), thereby permitting the use by the Corporation of the PREP Procedures (as such term is defined in NP 44) and similar procedures under the Legislation of Quebec (the "Quebec Procedures") in connection with the Corporation's proposed initial public offering of Shares (the "Offering") as more fully described below;

AND WHEREAS pursuant to the Mutual Reliance System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Corporation has represented to the Decision Makers that:

1. The Corporation designs, develops and markets software that enables the delivery of secure and personalized on-line services over a variety of wired and wireless Internet access devices.
2. The Corporation was incorporated under the *Business Corporations Act* (Ontario) and is not a reporting issuer or equivalent under the Legislation.
3. The authorized share capital of the Corporation consists of an unlimited number of common shares (the "Shares") and an unlimited number of preference shares, issuable in series, of which 29,402,426 Shares and no preference shares are issued and outstanding as of December 31, 1999. The Corporation also has issued and outstanding options (the "Options") to purchase an

aggregate of 2,211,594 Shares and one warrant (the "Warrant") to purchase 666,668 Shares as of September 30, 1999.

4. As of December 31, 1999, approximately 38.9% (11,428,570) of the Shares are owned by persons resident in Canada and approximately 96% of the Options are held by employees of the Corporation resident in Canada. The remainder of the Shares and the Options are held by residents of the United States, Finland, the United Kingdom or Asian countries.

5. The Offering will consist of concurrent offerings of Shares to the public in Canada and the United States. The Corporation estimates that approximately 6,000,000 Shares will be sold in the Offering for gross proceeds estimated to be between U.S. \$66,000,000 and U.S. \$78,000,000.

6. On November 2, 1999, the Corporation filed: (i) a preliminary prospectus with the securities regulatory authorities of each of the provinces of Canada (each a "SRA" and, collectively, the "SRAs"); and (ii) a Form F-1 registration statement (the "Registration Statement") with the United States Securities and Exchange Commission (the "SEC"). On January 12, 2000 the Corporation filed an amendment to the Registration Statement with the SEC and an amended preliminary prospectus with the SRAs. The Corporation anticipates the filing of a (final) prospectus with the SRAs on or about January 25, 2000.

7. There is presently no public market for the Shares, however, the Corporation has applied to The Toronto Stock Exchange to list the Shares for trading and to the National Association of Securities Dealers in the United States to have the Shares quoted on the Nasdaq National Market.

8. In connection with the Offering in the United States, the Corporation plans to use the procedures permitted by Rule 430A under the *Securities Act of 1933* (the "1933 Act") which will permit the Corporation to omit certain pricing information in the Registration Statement, as amended by amendments filed with the SEC, until after it has been declared effective by the SEC.

9. Use of the PREP Procedures and the Quebec Procedures would permit the Corporation and its underwriters to better co-ordinate the pricing, prospectus delivery, confirmation of purchase, closing and settlement processes in Canada with those anticipated to be employed in the United States.

10. Neither the Corporation nor the Shares meet the eligibility criteria set forth in NP 44 and article 37.5 of the Quebec Regulation which would otherwise enable the Corporation to use PREP Procedures and the Quebec Procedures.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS the Decision Makers are of the opinion that it would not be prejudicial to the public interest to make the Decision;

THE DECISION of the Decision Makers under the Legislation is that the Corporation be and is hereby exempted from the eligibility criteria set out in Section 4.1 of NP 44 and in the Quebec Regulations and is permitted to use the PREP Procedures under NP 44 and the Quebec Procedures in connection with the Canadian tranche of the Offering.

DATED at Toronto this 27th day of January, 2000.

"Howard I. Wetston" "R. W. Davis"

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief from the prospectus requirements to permit an issuer to use the PREP Procedures under National Policy Statement No. 44 in connection with an initial public offering of common shares of the issuer. Neither the issuer nor its common shares meet the eligibility criteria set out in National Policy Statement No. 44.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., s. 147.

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am.,

Rules Cited

In the Matter of Rule for Shelf Prospectus Offerings and for Pricing Offerings after the Prospectus is Received.