

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, NEW
BRUNSWICK, PRINCE EDWARD ISLAND, NOVA SCOTIA, NEWFOUNDLAND, THE
YUKON TERRITORY, THE NORTHWEST TERRITORIES AND THE NUNAVUT
TERRITORY

AND

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

AND

IN THE MATTER OF JAWS TECHNOLOGIES INC. AND JAWS ACQUISITION CORP.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Newfoundland, Nova Scotia, the Yukon Territory, the Northwest Territories and the Nunavut Territory (collectively, the "Jurisdictions") has received an application from Jaws Technologies Inc. ("Jaws U.S.") and Jaws Acquisition Corp. ("JAC") (Jaws U.S. and JAC are sometimes hereinafter collectively referred to as the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to:

- a. be registered to trade in a security, to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Registration and Prospectus Requirements") shall not apply to certain trades made in connection with the Offer (as hereafter defined) and the Private Transactions (as hereafter defined);
- b. issue a press release and file a report with the Jurisdictions upon the occurrence of a material change, file interim financial statements and audited annual financial statements with the Jurisdictions and deliver such statements to the security holders of JAC and Jaws U.S., file an information circular or make an annual filing with the Jurisdictions in lieu of filing an information circular, and where applicable, file an annual information form and provide management's discussion and analysis of financial condition and results of operations (the "Continuous Disclosure Requirements") shall not apply to JAC and Jaws U.S.; and
- c. comply with insider reporting requirements (the "Insider Reporting Requirements") shall not apply to any insider of JAC who is not also an insider of Jaws U.S.

AND WHEREAS the Filer has also requested that Jaws U.S. be declared to be a reporting issuer or the equivalent in the Jurisdictions;

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

AND WHEREAS Jaws U.S. and JAC have represented to the Decision Makers that:

1. Jaws U.S. is incorporated under the laws of Nevada, has its head office in Alberta and is subject to the continuous disclosure requirements of the Securities Exchange Act of 1934 of the United States (the "Exchange Act"). Shares of Jaws U.S. Common Stock are currently quoted for trading on the OTC Bulletin Board of the National Association of Securities Dealers (the "OTC Bulletin Board"). Jaws U.S. is not currently a reporting issuer under the Legislation.

2. As at January 10, 2000, Jaws U.S. market capitalization consisted of approximately 23,616,571 shares ("Jaws U.S. Common Stock"). Based upon U.S.\$6.75, being the closing price of such stock on the OTC Bulletin Board as of that date, Jaws U.S. public float of Jaws U.S. Common Stock was approximately U.S.\$159,411,854.20.

3. JAC is a wholly-owned subsidiary of Jaws U.S. and was incorporated under the *Business Corporations Act* (Alberta) for the purpose of making offer (the "Offer") to purchase, by way of take-over bid, all of the outstanding common shares (the "Offsite Shares") and common share purchase B warrants (the "Offsite B Warrants") of Offsite Data Services Ltd. ("Offsite") a company incorporated under the laws of Alberta.

4. The Offer has been made to security holders of Offsite in the Jurisdictions on the basis of 0.3524 of an exchangeable share of JAC (an "Exchangeable Share") for each Offsite Share and one Exchangeable Share purchase warrant of JAC (a "JAC B Warrant", with the JAC B Warrants and JAC C Warrants (as hereafter defined) hereinafter collectively referred to as the "JAC Warrants") for each Offsite B Warrant.

5. The Offer and the Private Transactions are contained in a take-over bid circular dated December 9, 1999 (the Circular") which, for the purposes of the Legislation, constitutes a securities exchange take-over bid circular and offer.

6. Prospectus level disclosure relating to Jaws U.S. and JAC and the securities offered pursuant to the Offer is included in the Circular.

7. Jaws U.S. will shortly be filing a registration statement (the "Registration Statement") under the Securities Act of 1933 of the United States to qualify the Jaws U.S. Common Shares issuable pursuant to the Offer and the Private Transactions.

8. Jaws U.S. has filed a listing statement dated January 10, 2000 to list Jaws U.S. Common Shares on the National Association of Securities Dealers Automated Quotations system.

9. It was a condition of JAC's obligation to make the Offer that Offsite obtain the agreement of:

a. the holders of stock options to purchase Offsite Shares (the "Offsite Options") to terminate such options in exchange for the issue by JAC of options to purchase Exchangeable Shares on the same terms and conditions as the Offsite Options; and

b. Mr. R. Mahood, the holder of Offsite share purchase C warrants (the "Offsite C Warrants", with the Offsite B Warrants and Offsite C Warrants hereinafter collectively referred to as the "Offsite Warrants"), to sell such warrants to JAC in exchange for JAC warrants (the "JAC C Warrants") to purchase Exchangeable Shares on the same terms and conditions as the Offsite C Warrants,

(such transactions hereafter referred to as the "Private Transactions").

10. JAC is a reporting issuer in Saskatchewan, Ontario and Nova Scotia by virtue of filing the Circular, will become a reporting issuer in British Columbia upon taking up and paying for the Offsite Shares and Offsite B Warrants and is not currently a reporting issuer in any other Jurisdiction.

11. The authorized capital of JAC consists of an unlimited number of common shares ("JAC Common Shares") and an unlimited number of Exchangeable Shares. All of the JAC Common Shares are owned by Jaws U.S. and none of the Exchangeable Shares has been issued. Assuming that all of the outstanding Offsite Shares are tendered into the Offer and taken up and paid for by JAC, a maximum of 4,681,891 Exchangeable Shares will be issued by JAC.

12. The Exchangeable Shares, together with the Voting and Exchange Trust Agreement (the "Voting and Exchange Agreement") to be entered into by JAWS U.S., JAC and Montreal Trust Company of Canada (the "Trustee"), the Support Agreement and the Exchangeable Share Provisions (defined below) will provide holders thereof with a security of a Canadian issuer having economic and voting rights which will be equivalent, as nearly as practical, to those of JAWS U.S. Common Stock. The Exchangeable Shares will be exchangeable by a holder thereof for JAWS U.S. Common Stock on a share-for-share basis at any time after the effectiveness of the Registration Statement at the option of the holders thereof and will be required to be exchanged upon the occurrence of certain events.

13. The provisions attaching to the Exchangeable Shares (the "Exchangeable Share Provisions") will provide that each Exchangeable Share will entitle the holder to dividends from JAC payable at the same time as, and equivalent to, each dividend paid by JAWS U.S. on JAWS U.S. Common Stock.

14. The Exchangeable Shares will be non-voting (except as required by the Exchangeable Share Provisions or by applicable law) and will be retractable at the option of the holder at any time after the Effective Time (as defined in the Circular). Subject to the overriding call right of JAWS U.S., and upon retraction the holder will be entitled to receive from JAC for each Exchangeable

Share retracted an equivalent number of shares of JAWS U.S. Common Stock plus the equivalent amount of all JAWS U.S. dividends payable and unpaid, if any.

15. Subject to the overriding call right of JAWS U.S., JAC will redeem all of the Exchangeable Shares then outstanding on the first to occur of:

- a. the date selected by the JAC board of directors, but no earlier than the fifth anniversary of the Effective Time;
- b. the date selected by the JAC board of directors, but no earlier than the third anniversary of the Effective Time, at a time when less than 10% of the number of Exchangeable Issues issuable at the Effective Time are outstanding, (other than Exchangeable Shares held by JAWS U.S. entities control by JAWS U.S.);
- c. the Business Day (as defined in the Circular) prior to the record date for any meeting or vote of the JAC shareholders to consider any matter in which the holders of Exchangeable Shares would be entitled to vote as JAC shareholders, but excluding any meeting or vote as described in clause (d) immediately below;
- d. or the Business Day following the day on which the holders of Exchangeable Shares fail to take the necessary action at a meeting or vote of holders of Exchangeable Shares, if and to the extent such action is required, to approve or disapprove, as applicable, any change to or in the rights of the holders of Exchangeable Shares if the approval or disapproval, as applicable, of such change would be required to maintain the economic and legal equivalence of the Exchangeable Shares and JAWS U.S. Common Stock.

16. Subject to the overriding call right of JAWS U.S., on liquidation, dissolution or winding up of JAC or any other distribution of assets of JAC among its shareholders for the purpose of winding up its affairs, the holders of Exchangeable Shares will be entitled to receive for each Exchangeable Share one share of JAWS U.S., together with the equivalent amount of all JAWS U.S. dividends, payable and unpaid, if any.

17. Under the Voting and Exchange Agreement, JAWS U.S. will issue one share of Special Series A Preferred Voting Stock ("Special Voting Stock") to the Trustee under the agreement, for the benefit of the holders (other than JAWS U.S. and its subsidiaries) of the Exchangeable Shares. The Special Voting Stock will carry a number of votes, exercisable with respect to any matter, proposition or question on which holders of JAWS U.S. Common Stock are entitled to vote, consent or otherwise act, equal to the number of outstanding Exchangeable Shares (other than shares held by JAWS U.S. and its subsidiaries) multiplied by the number of votes to which a holder of one JAWS U.S. Common Stock is entitled with respect to such matter, proposition or question.

18. Holders of Exchangeable Shares will exercise the voting rights attached to the Special Voting Stock through the mechanism of the Voting and Exchange Agreement. Each voting right attached to the special voting stock must be voted by the Trustee pursuant to the instructions to

the holder of the related Exchangeable Share. In the absence of any such instruction from a holder, the Trustee will not be entitled to exercise any voting rights;

19. Under the Voting and Exchange Agreement, JAWS U.S. will grant to the Trustee for the benefit of the holders of the Exchangeable Shares an exchange right and automatic exchange rights exercisable upon the occurrence and during the continuance of an insolvency event (as such term is defined in the Voting and Exchange Agreement) which includes the institution by JAC of any proceedings to be adjudicated a bankrupt or insolvent or to dissolved or wound-up. The purchase price payable by JAWS U.S. for each Exchangeable Shares to be purchased by JAWS U.S. under the exchange right shall be an amount equal to the Exchangeable Share price (as defined in the Exchangeable Share Provisions). Pursuant to the automatic exchange rights, immediately prior to the effective time of the liquidation, dissolution or winding-up of JAWS U.S., all of the outstanding Exchangeable Shares will be automatically exchanged for JAWS U.S. Common Stock in order that the holders of Exchangeable Shares will be able to participate on a "pro rata" basis with the holders of JAWS U.S. Common Stock in the distribution of assets of JAWS U.S.

20. JAWS U.S. and JAC have entered into a Support Agreement (the "Support Agreement") which provides that JAWS U.S. will not declare or pay any dividends on JAWS U.S. Common Stock unless JAC is able to declare and pay an equivalent dividend on Exchangeable Shares; that JAWS U.S. will cause JAC to declare and pay an equivalent dividend on the Exchangeable Shares simultaneously with JAWS U.S.'s declaration or payment of dividends on the JAWS U.S. Common Stock; that JAWS U.S. will advise JAC in advance of the declaration of any dividends on the JAWS U.S. Common Stock and ensure that the declaration date, record date and payment date for dividends on the Exchangeable Shares are the same as that for JAWS U.S. Common Stock; that JAWS U.S. will ensure that the record date for any dividend to be declared on JAWS U.S. Common Stock is not less than 10 Business Days (as defined in the Circular) after the declaration date for such dividends; that JAWS U.S. will take all actions and do all such things necessary to enable JAC to pay or otherwise perform its obligations in respect of the satisfaction of the Liquidation Amount common Retraction Price and Redemption Price (as each such term is defined in the Exchangeable Share Provisions) in connection with the liquidation, dissolution or winding-up of JAC or the retraction or redemption of the Exchangeable Shares in accordance with the Exchangeable Share Provisions, as the case may be; and that JAWS U.S. will not vote or otherwise take any actions or admit to taking any action causing the liquidation, dissolution or winding-up of JAC;

21. The Support Agreement also provides that JAWS U.S. will not distribute any shares of JAWS U.S. Common Stock or rights to subscribe therefor to all or substantially all of the holders of JAWS U.S. Common Stock nor change the JAWS U.S. Common Stock nor effect any tender offer, share exchange offer, issuer bid, takeover bid or similar transaction effecting the JAWS U.S. Common Stock, unless the same or any equivalent distribution on or change to the Exchangeable Shares (or in the rights of the holders thereof) is made simultaneously or JAWS U.S. takes all such actions and does all such things necessary to enable the holders of the Exchangeable Shares to participate in such offers.

22. Pending completion of the Offer and the Private Transactions:

a. JAC will have no material assets or liabilities, and all information material to the business of Jaws U.S. (and relevant to persons considering an investment in shares of U.S. Common Stock or Exchangeable Shares) will be contained in the Circular and in continuous disclosure filings made by Jaws U.S. under the Exchange Act; and

b. Jaws U.S. will be subject to continuous disclosure obligations pursuant to the Exchange Act, and Jaws U.S. will agree to file with the Decision Makers all documents filed by it under the Exchange Act and forthwith issue in the Jurisdictions and file with the Decision Makers any press release that discloses a material change in its affairs in order to satisfy its own and JAC's Continuous Disclosure Requirements.

23. Jaws U.S. will file with each of the Decision Makers who so request, copies of all documents previously filed with the Securities Exchange Commission (the "SEC") under the Exchange Act;

24. the steps under the Offer and the creation and exercise of the rights provided for in the Exchangeable Share Provisions, the Voting and Exchange Agreement and the Support Agreement involve a number of trades or possible trades in securities (the "Trades").

25. Following the completion of the Offer and the Private Transactions:

a. JAC's principal assets will consist solely of Offsite Shares and Offsite Warrants that are purchased by it under the Offer and the Private Transactions. By virtue of the attributes of the Exchangeable Shares and the rights established for the benefit of holders of Exchangeable Shares pursuant to the Voting and Exchange Agreement and Support Agreement an investment in Exchangeable Shares will be, in effect, an investment in shares of Jaws U.S. Common Stock; and

b. JAC will have no material liabilities and no material assets other than the assets constituted by the Offsite Shares and Offsite Warrants purchased by it under the Offer and the Private Transactions.

26. Holders of Exchangeable Shares would not derive any material benefit from JAC complying with the Continuous Disclosure Requirements.

27. Jaws U.S. has agreed in the Voting and Exchange Agreement and the Support Agreement to provide to holders of Exchangeable Shares the same documents and information (including, but not limited to, its annual report and all proxy solicitation materials) that it will provide to holders of shares of Jaws U.S. Common Stock under the Exchange Act and to forthwith issue in the Jurisdictions and file with the Decision Makers any press release that discloses a material change in its affairs.

28. As described in the Circular, JAC contemplates a "Second Step Transaction" pursuant to which holders of Offsite Shares and Offsite B Warrants who do not tender their Offsite Shares

and Offsite Warrants pursuant to the Offer may be compelled to exchange such shares for shares of Jaws U.S. Common Stock or Exchangeable Shares.

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

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

THE DECISION of the Decision Makers pursuant to the Legislation is:

1. The Registration and Prospectus Requirements shall not apply to the Trades;
2. The first trade in Exchangeable Shares, other than for the purpose of obtaining Jaws U.S. Common Stock, pursuant to the Offer or the Private Transactions shall be a distribution unless otherwise exempt from the Registration and Prospectus Requirements;
3. The first trade in shares of Jaws U.S. Common Stock obtained through the exchange of the Exchangeable Shares issued pursuant to the Offer or the Private Transactions shall be a distribution unless:
 - a. Jaws U.S. is a reporting issuer or the equivalent under the Legislation in the Participating Jurisdiction in which such first trade is made or, in the case of Manitoba, Newfoundland, Prince Edward Island, New Brunswick, the Yukon Territory, the Northwest Territories and the Nunavut Territory, Jaws U.S. has complied with the requirements in paragraph 4 below;
 - b. if the seller is in a special relationship with Jaws U.S., as defined in the Legislation, the seller has reasonable grounds to believe that Jaws U.S. is not in default of any requirements of the Legislation;
 - c. no unusual effort is made to prepare the market or to create a demand for the securities and no extraordinary commission or consideration is paid in respect of the trade; and
 - d. the trade is not from the holdings of any person, company or combination of persons or companies holding a sufficient number of securities of Jaws U.S. to affect materially the control of Jaws U.S., but any holding of any person, company or combination of persons or companies holding more than 20 percent of the outstanding voting securities of Jaws U.S. shall, in the absence of evidence to the contrary, shall be deemed to affect materially the control of Jaws U.S. (and for this purpose Jaws U.S. Common Stock and Exchangeable Shares are considered to be of the same class).

4. JAC and Jaws U.S. shall be exempt from the Continuous Disclosure Requirements of the Legislation and each insider of JAC shall be exempt from the Insider Reporting Requirements of the Legislation, provided that:

- a. following completion of the Offer and the Private Transactions, Jaws U.S. sends to all holders of Exchangeable Shares resident in the Jurisdictions all disclosure material furnished to holders of Jaws U.S. Common Stock resident in the United States, including, but not limited to, copies of its annual report, quarterly statements and all proxy solicitation materials;
- b. Jaws U.S. files with the Decision Makers copies of all documents filed with the SEC under the Exchange Act including, but not limited to, copies of any Form 10-K, Form 10-Q, Form 8-K, quarterly statements and proxy statements prepared in connection with annual meetings and copies of any insider reports of insiders of Jaws U.S. of which Jaws U.S. is aware and pays the fees associated with the filing of similar Canadian documents in each of the Jurisdictions;
- c. Jaws U.S. forthwith issues in the Jurisdictions and files with the Decision Makers any press release that discloses a material change in Jaws U.S. affairs;
- d. the Circular includes a statement that JAC has applied for exemptions from statutory financial, insider reporting and other reporting requirements for JAC and its insiders on the condition that Jaws U.S. files with the Jurisdictions copies of certain of the reports filed with the SEC and that holders of Exchangeable Shares receive the materials sent to holders of Jaws U.S. Common Stock;
- e. Jaws U.S. includes in all further mailings of proxy solicitation materials to holders of Exchangeable Shares a clear and concise insert explaining the reason for the mailed material being solely in relation to Jaws U.S. and not to JAC, such insert to include a reference to the economic equivalency between the Exchangeable Shares and Jaws U.S. Common Stock and the right to direct voting at Jaws U.S.' common stockholders meetings; and
- f. Jaws U.S. remains the direct or indirect beneficial owner of all of the issued and outstanding voting securities of JAC.
- g. Jaws U.S. is declared to be a reporting issuer or the equivalent in the Jurisdictions (where the concept is applicable and by operation of the Legislation possible), effective as of the date JAC takes up and pays for the Offsite Shares and Offsite B Warrants.

Dated at the City of Calgary this 28th day of January, 2000.

"Glenda A. Campbell", Acting Chair "Eric T. Spink", Vice-Chair

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the registration and prospectus requirements in respect of certain trades made in connection with a take-over bid involving reporting Canadian issuer and U.S. company, where exemptions not available for technical reasons, primarily due to use of exchangeable shares for tax reasons - issuer of exchangeable shares exempted from news release, proxy, insider reporting, financial statement, AIF requirements of the Legislation - U.S. parent declared a reporting issuer or the equivalent.

Applicable Alberta Statutory Provisions

Securities Act, S.A., 1981, c.S-6.1, as amended, s. 54, 81, ss 116(1), 123 and 184