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Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Dutch Auction Issuer Bid -
With respect to securities tendered at or below the clearing price, offer providing for full take-up
and payment for shares tendered by odd lot holders - Offeror exempt from the requirement in the
legislation to take up and pay for securities proportionately according to the number of securities
deposited by each securityholder and the associated disclosure requirement - Offeror also
exempt from the requirement to disclose the exact number of shares it intends to purchase -
Offeror also exempt from the valuation requirement on the basis that there is a liquid market for
the securities.

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 105(g), 108(7) and 114(2)(c)
Securities Rules, B.C. Reg. 194/97, ss. 162(2) and 162(3)
Form 62-903F, Items 2 and 9

IN THE MATTER OF THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA,
SASKATCHEWAN, MANITOBA, ONTARIO AND NOVA SCOTIA

AND

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

AND

THE MATTER OF CRYPTOLOGIC INC.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in
each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia
(collectively, the "Jurisdictions") has received an application (the "Application") from CryptoLogic
Inc. ("CryptoLogic") for a decision pursuant to the securities legislation of the Jurisdictions (the
"Legislation") that, in connection with the proposed purchase by CryptoLogic of a portion of its
outstanding common shares ("Shares") pursuant to an issuer bid (the "Offer"), CryptoLogic be
exempt from the requirements in the Legislation to:

1.   take up and pay for securities proportionately according to the number of securities deposited
by each securityholder (the "Proportionate Take-up and Payment Requirement"),

2.   provide disclosure in the issuer bid circular (the "Circular") of such proportionate take up and
payment (the "Associated Disclosure Requirement"),

3.   state the class and number of securities sought under the Offer (the "Number of Securities
Requirement"), and

4.   obtain a valuation of the Shares and provide disclosure in the Circular of such valuation, or a
summary thereof (the "Valuation Requirement");

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

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AND WHEREAS CryptoLogic has represented to the Decision Makers that:

1. CryptoLogic is a reporting issuer in each of the Jurisdictions (other than British Columbia) and is not on the list of defaulting reporting issuers maintained pursuant to such Legislation, where applicable. The head office of CryptoLogic is located in Toronto, Ontario.

2. The authorized capital of CryptoLogic includes an unlimited number of Shares, of which 13,183,579 Shares were issued and outstanding as at November 9, 2001.

3. The Shares are listed and posted for trading on the Toronto Stock Exchange and the NASDAQ Stock Market. On November 9, 2001, the day prior to the announcement of the Offer, the closing price of the Shares on the Toronto Stock Exchange was $26.00 and on such date the Shares had an aggregate market value of approximately $342 million, based on such closing price.

4. No person or company holds more than 10% of the Shares other than Andrew Rivkin who holds 1,775,000 Shares, as at November 12, 2001. CryptoLogic has been advised by Andrew Rivkin that he does not intend to tender any Shares to the Offer.

5. On November 12, 2001, CryptoLogic proposed to purchase approximately 1,000,000 Shares, representing approximately 7.6% of the outstanding Shares, through the Offer by way of the Circular.

6. The Offer has been made pursuant to a modified Dutch auction procedure as follows:

a. the Circular specifies that the aggregate number of Shares (the "Specified Number of Shares") that CryptoLogic intends to purchase under the Offer is 1,000,000, excluding any Shares that CryptoLogic intends to purchase in accordance with the procedures described in subparagraph 6(j) below;

b. the Circular specifies that the range of prices (the "Range") within which CryptoLogic is prepared to purchase Shares under the Offer is between $25.00 and $28.00;

c. holders of Shares (the "Shareholders") wishing to tender to the Offer will be able to specify the lowest price within the Range at which they are willing to sell their Shares (an "Auction Tender");

d. Shareholders wishing to tender to the Offer but who do not wish to make an Auction Tender may elect to be deemed to have tendered at the Clearing Price determined in accordance with subparagraph (e) below (a "Purchase Price Tender");

e. the purchase price (the "Clearing Price") of the Shares tendered to the Offer and not withdrawn will be the lowest price that will enable CryptoLogic to purchase the Specified Number of Shares and will be determined based upon the number of Shares tendered and not withdrawn pursuant to an Auction Tender at each price within the Range and the number of Shares tendered and not withdrawn pursuant to a Purchase Price Tender, with each Purchase Price Tender being considered a tender at the lowest price in the Range for the purpose of calculating the Clearing Price;

f. the aggregate amount that CryptoLogic will expend pursuant to the Offer will not be ascertained until the Clearing Price is determined;

g.   all Shares tendered and not withdrawn at or below the Clearing Price pursuant to an Auction Tender and all Shares tendered and not withdrawn pursuant to a Purchase Price Tender will be taken up and paid for at the Clearing Price, subject to proration if the aggregate number of Shares tendered and not withdrawn at or below the Clearing Price pursuant to Auction Tenders and the number of Shares tendered and not withdrawn pursuant to Purchase Price Tenders exceeds the Specified Number of Shares;

h.   all Shares tendered and not withdrawn at prices above the Clearing Price will be returned to Shareholders who so tender;

i.   in the event more than 1,000,000 Shares are tendered at or below the Clearing Price (an "Over-Subscription"), the Shares to be purchased will be pro rated from the Shares so tendered;

j.   in the event of an Over-Subscription, in order to avoid the creation of "odd lots" as a result of proration, the number of Shares to be purchased from each shareholder who tenders at or below the Clearing Price will be increased as follows: in addition to the Specified Number, CryptoLogic will purchase an additional number of Shares at the Clearing Price from each tendering shareholder equal to the minimum number of Shares necessary such that the number of Shares not purchased from and returned to such Shareholder as a result of proration (the "Return Number") will be a whole multiple of 100, except that, if the Return Number for any such shareholder is less than 100, CryptoLogic will purchase from each such shareholder that number of Shares equal to the Return Number. Multiple tenders by the same shareholder will be aggregated for this purpose;

k.   in the event the bid is under-subscribed by the initial expiration date but all the terms and conditions thereof have been complied with except those waived by CryptoLogic, CryptoLogic may wish to extend the bid for at least 10 days, in which case CryptoLogic must first take up and pay for all Shares deposited thereunder and not withdrawn. In the event the bid is under-subscribed at the expiration date, there would be no proration among the tenders taken up and paid for at such time. However, by the time any extension is over, the bid may be oversubscribed, in which case CryptoLogic intends to pro-rate only among tenders received during the extension and after the original expiration date;

l.   all Shares tendered and not withdrawn by Shareholders who specify a tender price for such tendered Shares that falls outside the Range will be considered to have been improperly tendered, will be excluded from the determination of the Clearing Price, will not be purchased by CryptoLogic and will be returned to Shareholders who have so tendered; and

m.   all Shares tendered and not withdrawn by Shareholders who fail to specify any tender price for such tendered Shares and fail to indicate that they have tendered their Shares pursuant to a Purchase Price Tender will be considered to have been tendered pursuant to a Purchase Price Tender and will be dealt with as described in subparagraph (e) above.

7.   Prior to the expiry of the Offer, all information regarding the number of Shares tendered and the prices at which such Shares are tendered will be kept confidential, and the depository will be directed by CryptoLogic to maintain such confidentiality until the Clearing Price is determined.

8.   Since the Offer is for less than all the Shares, if the number of Shares tendered to the Offer at or below the Clearing Price and not withdrawn exceeds the Specified Number of Shares, the Legislation would require CryptoLogic to take up and pay for deposited Shares proportionately, according to the number of Shares deposited by each Shareholder. In addition, the Legislation would require disclosure in the Circular that CryptoLogic would, if Shares tendered to the Offer and not withdrawn exceeded the Specified Number of Shares, take up such Shares

proportionately according to the number of Shares tendered and not withdrawn by each Shareholder.

9. During the 12 months ended November 9, 2001:

a. the number of outstanding Shares was at all times at least 5,000,000, excluding Shares that either were beneficially owned, directly or indirectly, or over which control or direction was exercised, by related parties with respect to CryptoLogic or were not freely tradeable;

b. the aggregate trading volume of the Shares on the TSE was at least 1,000,000 Shares;

c. there were at least 1,000 trades in Shares on the TSE; and

d. the aggregate trading value based on the price of the trades referred to in paragraph (c) was at least $15,000,000.

10. The market value of the Shares on the TSE was at least $75,000,000 for the month of October, 2001.

11. Taking into account the information contained in paragraphs 9 and 10 above, and because it is reasonable to conclude that, following completion of the Offer, there will be a market for the beneficial owners of Shares who do not tender to the Offer that is not materially less liquid than the market that exists at the time the Offer is made, CryptoLogic is able to rely upon the exemption from the Valuation Requirement in Ontario contained in section 3.4(3) of Ontario Securities Commission Rule 61-501 (the "Presumption of Liquid Market Exemption").

12. The Circular:

a. discloses the mechanics for the take-up of and payment for, or the return of, Shares as described in paragraph 6 above;

b. explains that, by tendering Shares at the lowest price in the Range or pursuant to a Purchase Price Tender, a Shareholder can reasonably expect that the Shares so tendered will be purchased at the Clearing Price, subject to proration as described in paragraph 6 above;

c. discloses the facts supporting CryptoLogic's reliance on the Presumption of Liquid Market Exemption.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each of the Decision Makers (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 in the Jurisdictions pursuant to the Legislation is that, in connection with the Offer, CryptoLogic is exempt from the Proportionate Take-up and Payment Requirement, the Associated Disclosure Requirement, the Number of Securities Requirement and the Valuation Requirement, provided that Shares tendered to the Offer and not withdrawn are taken up and paid for, or returned to the Shareholders, in the manner and circumstances described in paragraph 6 above.

DATED December 10, 2001

Paul M. Moore   Robert W. Korthals