

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA, ONTARIO, MANITOBA AND QUÉBEC

AND

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

AND

IN THE MATTER OF PII GROUP LIMITED, PII (CANADA) LIMITED
AND POSITIVE PROJECTS INTERNATIONAL LIMITED

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Manitoba, Ontario and Québec (the "Jurisdictions") has received an application from PII Group Limited ("PII"), PII (Canada) Limited ("PII Canada") and Positive Projects International Limited ("PPI" and, collectively with PII and PII Canada the "Filers") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirements") and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirements") shall not apply to trades in Options, Shares and Notes (each as defined below) to and/or by Canadian Participants (as defined below) under the PII-Pipetronix Employee Share Option Scheme (the "Scheme") and trades in Options, Shares and Notes to and/or by an employee benefit trust established by PII in connection with the Scheme;

2. AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Application (the "System"), the Alberta Securities Commission is the principal regulator for this application;

3. AND WHEREAS the Filers have represented to the Decision Makers that:

3.1 PII is a corporation incorporated under the laws of the United Kingdom;

3.2 PII is authorized to issue 750,000 "A" ordinary shares, 6,750,000 "B" ordinary shares, 3 "C" ordinary shares, 248,540 "D" ordinary shares and 2,238,637 "E" ordinary shares, of which, as at January 18, 2001, 362,600 "A" ordinary shares and 6,750,000 "B" ordinary shares, 0 "C" ordinary shares, 142,985 "D" ordinary shares and 2,238,637 "E" ordinary shares were issued and outstanding (the "A", "B", "C", "D" and "E" ordinary shares are collectively referred to as the "Shares");

3.3 PII Canada is a corporation amalgamated pursuant to the laws of Ontario and is an indirect wholly-owned subsidiary of PII;

3.4 PPI Canada is a corporation incorporated pursuant to the laws of Canada and is an indirect wholly-owned subsidiary of PII;

3.5 none of PII, PII Canada or PPI Canada is or has any present intention of becoming a reporting issuer under the laws of any of the Jurisdictions;

3.6 no securities of PII are currently traded on a stock exchange or quoted on any recognized market in Canada or anywhere else in the world;

3.7 PII established the Scheme following its acquisition of Pipetronix GmbH to provide eligible employees of PII and its subsidiaries, including employees of PII Canada and PPI Canada, (the "Employees") with the opportunity to share in the growth and financial success of PII;

3.8 under the Scheme, Employees are offered the opportunity to receive options ("Options") to acquire units (the "Units") at a certain exercise price pursuant to the terms and conditions of the Scheme;

3.9 subject to adjustment in accordance with the Scheme, Units are comprised of "D" ordinary shares, "E" ordinary shares and either a cash component or a debt instrument component which may be represented by series C notes (the "Notes");

3.10 the Notes evidence a right to receive payments as set forth in the Articles of PII and are redeemable on specified dated or upon a sale or floatation of PII;

3.11 currently, a maximum of 24,227 Units (representing a number of Shares equal to approximately 1.28% of the currently outstanding Shares) will be available to Employees who elect to participate in the Scheme ("Participants");

3.12 participation in the Scheme is voluntary and Participants will not be induced to participate in the Scheme or to purchase securities under the Scheme by expectation of employment or continued employment;

3.13 all Options granted under the Scheme are non-transferable;

3.14 an Option may generally be exercised by a Participant in whole, but not in part, upon certain changes in control of PII (as defined by legislation applicable in the United Kingdom) or earlier upon the occurrence of, or at any time following:
(i) the listing of one or more classes of Shares on the London Stock Exchange or by dealing in such Shares on any recognized exchange whereby such Shares can be freely traded; (ii) one month prior to the tenth anniversary of the date on which the Option was granted; or (iii) where the Participant dies or ceases to be

employed by PII or its subsidiaries, immediately upon the date of death or such cessation;

3.15 PII established the Pipeline Integrity International Employee Share Ownership Trust employee benefit trust (the "EBT") in connection with previous share option schemes implemented by PII;

3.16 the role of the EBT from time to time is, among other things, to grant Options to Participants, to transfer Units to Participants upon the exercise of Options and to purchase Shares and/or Notes comprising the Units from Participants;

3.17 the establishment of the EBT is necessary in order to create a market for Participants to sell their Shares and/or Notes acquired upon the exercise of Options;

3.18 Participants resident in Canada ("Canadian Participants") who acquire Options under the Scheme will be provided with:

3.18.1 a guide to explain the operation of the Scheme;

3.18.2 a copy of the Scheme;

3.18.3 all disclosure material relating to PII which is provided to Participants resident in the United Kingdom;

3.18.4 a copy of this Decision Document; and

3.18.5 a statement to the effect that the Shares and/or Notes acquired under the Scheme will be acquired pursuant to this Decision Document and, as a result, certain rights and protections, including rights of action and rescission, are not available;

3.19 as of January 18, 2001, to the best of the knowledge of PII, there were 25 Employees resident in Alberta, 20 Employees resident in Ontario, 1 Employee resident in Manitoba and 1 Employee resident in Québec, constituting approximately 5% of the aggregate number of Employees worldwide.

4. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

5. 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;

6. THE DECISION of the Decision Makers is that:

6.1 the Registration Requirements and the Prospectus Requirements shall not apply to trades by the EBT in Options to Canadian Participants in connection with the Scheme;

6.2 the Registration Requirements and Prospectus Requirements shall not apply to trades by the EBT in Shares and/or Notes to Canadian Participants upon the exercise of Options in connection with the Scheme ("Scheme Securities") provided that a further trade in Scheme Securities by a Canadian Participant is deemed to be a distribution or a primary distribution to the public under the Legislation unless:

6.2.1 such trade is made by a Canadian Participant to the EBT; or

6.2.2 such trade is executed on an exchange or market outside of Canada.

6.3 the Registration Requirements shall not apply to a further trade in Scheme Securities by a Canadian Participant to the EBT.

DATED this 2nd day of March, 2001.

"original signed by"
Glenda A. Campbell, Vice-Chair

"original signed by"
Eric T. Spink, Vice-Chair

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - prospectus and registration relief granted in connection with an employee share option plan offered by a foreign parent corporation not listed on an exchange or market

Applicable Alberta Statutory Provisions

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