

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

AND

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

AND

IN THE MATTER OF
PSION P.L.C., PSION CANADA INC., PSION CANADA HOLDINGS INC.
AND
TEKLOGIX INTERNATIONAL INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker"), in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland, the Yukon Territory, Northwest Territories and Nunavut (collectively, the "Jurisdictions") has received an application from PSION P.L.C. ("PSION"), PSION Canada Inc. ("Exchangeco"), PSION Canada Holdings Inc. ("Callco") and Teklogix International Inc. ("Teklogix") (collectively, the "Applicant") for a decision pursuant to the securities legislation, regulations, rules and/or policies of the Jurisdictions (the "Legislation") that:

- (a) certain trades in securities made in connection with or resulting from the proposed merger (the "Merger") of PSION and Teklogix, to be effected by way of a plan of arrangement (the "Arrangement") under Section 182 of the *Business Corporations Act* (Ontario) (the "OBCA") shall be exempt from the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file a preliminary prospectus and a prospectus and receive receipts therefor (the "Prospectus Requirement");
- (b) Exchangeco be exempt from the requirements of the Legislation to issue a press release and file reports regarding material changes (the "Material Change Reporting Requirements"), to file and deliver annual reports, where applicable, interim and annual financial statements (the "Financial Statement Requirements") and an information circular (the "Proxy Requirements");
- (c) the requirement contained in the Legislation for an insider of a reporting issuer to file reports disclosing the insider's direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer (the "Insider Reporting

Requirement") shall not apply to certain insiders of Exchangeco and its successors; and

(d) the first trades in PSION ordinary shares and the exchangeable shares in the capital of Exchangeco (the "PSION Exchangeable Shares") issuable in connection with the Arrangement are not subject to the Prospectus Requirements subject to certain terms and conditions.

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

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

1. PSION is a public company in the United Kingdom whose ordinary shares are listed on The London Stock Exchange (the "LSE").
2. PSION is currently subject to the reporting requirements of the LSE and the United Kingdom List Authority (the "UKLA") and is not a reporting issuer or the equivalent thereof under the Legislation or under the securities legislation of the United States.
3. PSION's authorized capital consists of 532,619,920 PSION Ordinary Shares, 5 pence par value of which 396,968,615 were issued and outstanding at June 30, 2000.
4. Callco is an indirect wholly-owned subsidiary of PSION. It was incorporated under the *Canada Business Corporations Act* (the "CBCA") on August 4, 2000 to hold the various call rights related to the PSION Exchangeable Shares.
5. The authorized capital of Callco consists solely of common shares. Upon completion of the Arrangement, all of the issued and outstanding common shares of Callco will be held directly or indirectly by PSION.
6. Exchangeco is an indirect wholly-owned subsidiary of PSION incorporated under the CBCA on August 4, 2000 for the purpose of implementing the Arrangement.
7. The authorized share capital of Exchangeco will consist of an unlimited number of common shares, an unlimited number of PSION Exchangeable Shares and an unlimited number of junior preferred shares issuable in series. Upon completion of the Arrangement, all of the outstanding common shares will be held by Callco and all of the outstanding PSION Exchangeable Shares (if any) will be held by former Teklogix shareholders who elect to receive PSION Exchangeable Shares in exchange for their Teklogix Common Shares under the Arrangement.
8. Upon the completion of the Arrangement and in the event that PSION Exchangeable Shares are issued pursuant to the Arrangement, the PSION Exchangeable Shares will be listed on The Toronto Stock Exchange ("the TSE") and Exchangeco will, where applicable, become a reporting issuer or the equivalent thereof under the Legislation.

9. Teklogix is a reporting issuer (or equivalent) in each of the Jurisdictions and its shares are listed and posted for trading on the TSE.

10. Teklogix is authorized to issue an unlimited number of common shares (the "Teklogix Common Shares") and an unlimited number of preferred shares (the "Teklogix Preferred Shares"). As at July 11, 2000, 14,441,742 Teklogix Common Shares were issued and outstanding, no Teklogix Preferred Shares were issued and outstanding and options to acquire (the "Teklogix Options") 1,110,613 Teklogix Common Shares were granted and outstanding under the Teklogix Stock Option Plans.

11. On July 11, 2000, PSION and Teklogix entered into a merger agreement (the "Merger Agreement"). The Merger will be effected by way of the Arrangement, pursuant to which PSION, through Exchangeco, will own all of the issued and outstanding Teklogix Common Shares.

12. Subject to the terms of an interim order (the "Interim Order") issued by the Ontario Superior Court of Justice (the "Court") on August 11, 2000, the required approval of the holders of the Teklogix Common Shares ("Teklogix shareholders") and holders of Teklogix Options ("Teklogix Optionholders") (Teklogix shareholders and Teklogix Optionholders collectively referred to as the "Teklogix Securityholders") to the Arrangement will be 66-2/3% of the votes cast at a meeting (the "Meeting"); each Teklogix shareholder will be entitled to one vote for each Teklogix Common Share held and each Teklogix Optionholder will be entitled to one vote for each Teklogix Common Share such holder would have received on a valid exercise of such holder's Teklogix Options.

13. In connection with the Arrangement, Teklogix has sent to the Teklogix Securityholders a management proxy circular dated August 11, 2000 (the "Circular"). The Circular will contain prospectus-level disclosure of the business and affairs of each of PSION and by inclusion by reference Teklogix, the particulars of the Arrangement and the securities to be issued in connection therewith.

14. Under the Arrangement, each holder of Teklogix Common Shares (other than PSION and its affiliates and a holder who exercises its right of dissent) will be entitled to elect to receive, at its option, the number of PSION Exchangeable Shares equal to the exchange ratio (the "Exchange Ratio") set out in the Merger Agreement (provided that at least 2,000,000 PSION Exchangeable Shares are issuable pursuant to valid elections by Teklogix shareholders) or the number of the PSION Ordinary Shares equal to the Exchange Ratio or Cdn.\$35 cash for each Teklogix Common Share held, subject to a maximum aggregate cash amount of Cdn.\$225 million or a combination thereof.

15. Upon the completion of the Arrangement and in the event that PSION Exchangeable Shares are issued pursuant to the Arrangement, the PSION Exchangeable Shares are intended to be listed and posted for trading on the TSE.

16. Under the Arrangement, Teklogix Options which are not conditionally exercised prior to the effective time of the Arrangement will become options to purchase PSION Ordinary Shares.

17. The provisions attaching to the PSION Exchangeable Shares (the "PSION Exchangeable Share Provisions"), together with the voting and exchange trust agreement (the "Voting and Exchange Trust Agreement") to be entered into by PSION, Exchangeco and a trustee (the "Trustee") and a support agreement (the "Support Agreement") to be entered into by PSION, Exchangeco and Callco will provide the holders thereof with a security of a Canadian issuer having economic and voting rights which are, in all material respects, equivalent (without taking into account tax effects) to those of a PSION Ordinary Share. Each PSION Exchangeable Share will entitle the holder to dividends from Exchangeco payable at the same time as, and equivalent to, each dividend paid by PSION on a PSION Ordinary Share.

18. The PSION 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. Subject to the overriding Retraction Call Right of Callco referred to below, upon retraction, the holder will be entitled to receive from Exchangeco for each PSION Exchangeable Share retracted an amount equal to the then current market price for a PSION Ordinary Share, to be satisfied by the delivery of one PSION Ordinary Share, plus an amount equal to all declared and unpaid dividends on each such PSION Exchangeable Share held by such holder on any dividend record date which occurred prior to the retraction date (such aggregate amount, the "Retraction Price"). Upon being notified by Exchangeco of a proposed retraction of PSION Exchangeable Shares, Callco will have an overriding call right (the "Retraction call Right") to purchase from the holder all of the PSION Exchangeable Shares that are subject of the retraction notice for a price per share equal to the Retraction Price.

19. The PSION Exchangeable Shares may be redeemed for PSION Ordinary Shares on a one-for-one basis at Exchangeco's option after January 31, 2010 or earlier in certain circumstances, including when fewer than 1,000,000 PSION Exchangeable Shares are held by non-PSION entities.

20. Subject to the overriding Redemption Call Right of Callco referred to below in this paragraph, Exchangeco will be entitled to redeem all the PSION Exchangeable Shares then outstanding, commencing on January 31, 2010 the "Redemption Date"). The board of directors may accelerate the Redemption Date in certain circumstances, as described in the Circular, including if there are fewer than 1,000,000 PSION Exchangeable Shares outstanding (other than PSION Exchangeable Shares held by PSION and its affiliates, and as such number of shares may be adjusted as deemed appropriate by the board of directors to give effect to anti-dilution adjustments). Upon such redemption, a holder will be entitled to receive from Exchangeco, for each PSION Exchangeable Share redeemed, an amount equal to the current market price of a PSION Ordinary Share, to be satisfied by the delivery of one PSION Ordinary Share, plus an amount equal to all declared and unpaid dividends on each such PSION Exchangeable Share held by such holder on any dividend record date which occurred prior to the Redemption Date (such aggregate amount, the "Redemption Price"). Upon being notified by Exchangeco of a proposed redemption of PSION Exchangeable Shares, Callco will have an overriding call right (the "Redemption Call Right") to purchase all of the outstanding PSION Exchangeable Shares (other than those held by PSION or its affiliates) for a price per share equal to the Redemption Price.

21. Subject to the overriding Liquidation Call Right of Callco referred to below, on the liquidation, dissolution or winding-up of Exchangeco, a holder of PSION Exchangeable Shares will be entitled to receive from Exchangeco for each PSION Exchangeable Share held an amount equal to the current market price of a PSION Ordinary Share on the last business day prior to the liquidation date, to be satisfied by the delivery of one PSION Ordinary Share, plus an amount equal to all declared and unpaid dividends on each such PSION Exchangeable Share held by such holder on any dividend record date which occurred prior to the liquidation date (such aggregate amount, the "Liquidation Price"). Upon a proposed liquidation, dissolution or winding-up of Exchangeco, Callco will have an overriding call right (the "Liquidation Call Right") to purchase all of the outstanding PSION Exchangeable Shares from the holders thereof (other than PSION or its affiliates) for a price per share equal to the Liquidation Price.

22. Pursuant to the Voting and Exchange Trust Agreement, PSION will issue a special voting share (the "PSION Special Voting Share") to the Trustee and which will be held for the benefit of the holders of PSION Exchangeable Shares outstanding from time to time (other than PSION and its affiliates) in accordance with the terms of the Voting and Exchange Trust Agreement. The Special Voting Share will carry a number of voting rights, exercisable at any meeting of the holders of PSION Ordinary Shares. Each voting right attached to the PSION Special Voting Share must be voted by the Trustee pursuant to the instructions received from the holders of the PSION Exchangeable Shares. In the absence of any such instructions from a holder, the Trustee will not be entitled to exercise the related voting rights. Upon the exchange of a PSION Exchangeable Share for a PSION Ordinary Share, the holder of the PSION Exchangeable Share becomes a holder of a PSION Ordinary Share and the right of such holder to exercise votes attached to the PSION Special Voting Share (as well as the votes themselves relating to that holder) terminates.

23. Under the Voting and Exchange Trust Agreement, upon the liquidation, dissolution or winding-up of Exchangeco, PSION will be required to purchase each outstanding PSION Exchangeable Share and each holder will be required to sell all of its PSION Exchangeable Shares (such purchase and sale obligations are hereafter referred to as the "Automatic Exchange Right"). The purchase price for each PSION Exchangeable Share purchased by PSION will be an amount equal to the then current market price of a PSION Ordinary Share, to be satisfied by the delivery to the Trustee, on behalf of the holder, of one PSION Ordinary Share, together with, on the designated payment date therefor and to the extent not already paid by Exchangeco, all declared and unpaid dividends on each such PSION Exchangeable Share.

24. Under the Voting and Exchange Trust Agreement, upon the liquidation, dissolution or winding-up of PSION, PSION will be required to purchase each outstanding PSION Exchangeable Share and each holder will be required to sell all of its PSION Exchangeable Shares (such purchase and sale obligations are hereafter referred to as the "Automatic Exchange Rights on Liquidation"), for a purchase price per share equal to the then current market price of a PSION Ordinary Share, to be satisfied by the delivery to the Trustee, on behalf of the holder, of one PSION Ordinary Share, together with, on the designated payment date therefor and to the extent not already paid by Exchangeco, all declared and unpaid dividends on each such PSION Exchangeable Share.

25. Contemporaneously with the closing of the Arrangement, PSION, Exchangeco and Calco will enter into the Support Agreement which will restrict PSION from declaring or paying dividends on the PSION Ordinary Shares unless equivalent dividends are declared and paid on the PSION Exchangeable Shares. In addition, pursuant to the Support Agreement, PSION may not make any changes to the PSION Ordinary Shares (e.g., subdivision, consolidation or reclassification) unless the sale or economically equivalent changes are simultaneously made to the PSION Exchangeable Shares or such changes are approved by the holders of the PSION Exchangeable Shares.

26. The Arrangement involves, or may involve, a number of trades (the "Trades") including: (i) the issuance of the PSION Exchangeable Shares, Replacement Options and PSION Ordinary Shares; (ii) the issuance of PSION Ordinary Shares upon the exchange of the PSION Exchangeable Shares, the issuance of PSION Ordinary Shares upon the exercise of a Replacement Option; (iii) the creation and exercise of all the various rights under the Voting and Exchange Trust Agreement, Support Agreement and Exchangeable Share Provisions; (iv) and the issuance of shares by PSION and its affiliates (including Exchangeco and Calco) in connection with the Arrangement.

27. The fundamental investment decision to be made by a holder of Teklogix Common Shares and Teklogix Options is made at the time of the Teklogix Securityholders Meeting when such holder votes in respect of the Arrangement. As a result of this decision, any Teklogix Options which have not been conditionally exercised become Replacement Options and any holder of Teklogix Common Shares (other than PSION and its affiliates and a holder who exercises its right of dissent) receives PSION Exchangeable Shares, PSION Ordinary Shares, cash or a combination thereof in exchange for such Teklogix Common Shares. The PSION Exchangeable Shares will be the economic equivalent in all material respects of PSION Ordinary Shares. All subsequent exchanges of PSION Exchangeable Shares will be in furtherance of the holder's initial investment decision, the approval of the Arrangement.

28. The initial investment decision will be made on the basis of the Circular, which contains prospectus-level disclosure of the business and affairs of each of PSION and Exchangeco, on the particulars of the Arrangement and on the securities to be issued in connection therewith.

29. PSION will send concurrently to all holders of PSION Exchangeable Shares and PSION Ordinary Shares resident in Canada all disclosure material furnished to holders of PSION Ordinary Shares resident in the United Kingdom, including, without limitation, copies of its proxy solicitation materials, its annual financial statements and its semi-annual financial statements which financial statements will be prepared solely in accordance with United Kingdom generally accepted accounting principles ("UK GAAP").

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 that:

1. the Prospectus Requirement and the Registration Requirement shall not apply to any of the Trades.

2. the first trade in PSION Exchangeable Shares acquired under the Arrangement shall be deemed to be a distribution or a primary distribution to the public under the Legislation of the Jurisdiction in which the trade takes place (the "Applicable Legislation"), unless:

(a) Exchangeco is a reporting issuer or the equivalent under the Applicable Legislation or where the Applicable Legislation does not recognize the status of a reporting issuer, the requirements described in paragraph 4 below are met;

(b) if the seller is in a "special relationship" with or is an "insider" of Exchangeco (where such term is defined in the Applicable Legislation) the seller has reasonable grounds to believe that Exchangeco is not in default of any requirement of the Applicable Legislation;

(c) no unusual effort is made to prepare the market or to create a demand for the PSION Exchangeable Shares, and no extraordinary commission or consideration is paid in respect of such first trade;

(d) disclosure of the exempt trade is made to the Decision Maker(s) (the Decision Makers hereby confirming that the filing of the Circular with the Decision Makers constitutes disclosure to the Decision Makers of the exempt trade); and

(e) such first trade, except in Quebec, is not made from the holdings of any person, company or combination of persons or companies holding a sufficient number of any securities of PSION (with PSION Exchangeable Shares counted as securities of PSION) to affect materially the control of PSION (with any holding of any person, company or combination of persons or companies exceeding 20% of the outstanding voting securities of Exchangeco and PSION on a consolidated basis shall, in the absence of evidence to the contrary, be deemed to affect materially the control of PSION) unless:

(i) Exchangeco is a reporting issuer (or equivalent) under the Applicable Legislation, if applicable, and is not in default of any requirement of the Applicable Legislation;

(ii) the seller files with the applicable Decision Maker(s) and any other stock exchange recognized by such Decision Maker(s) for this purpose on which the PSION Exchangeable Shares are listed at least seven days and not more than fourteen days prior to such first trade,

(A) a notice of intention to sell in the form prescribed by the Applicable Legislation for control block distributions (the "Control Block Rules") disclosing particulars of the control position known to the seller, the number of PSION Exchangeable Shares to be sold and the method of distribution; and

(B) a declaration signed by the seller as at a date not more than twenty-four hours prior to its filing and prepared and executed in accordance with the Control Block Rules and certified as follows:

"the seller for whose account the securities to which this certificate relates are to be sold hereby represents that the seller has no knowledge of any material change which has occurred in the affairs of the issuer of the securities which has not been generally disclosed and reported to the [name of securities regulatory authority in the jurisdiction where the trade takes place], nor has the seller any knowledge of any other material adverse information in regard to the current and prospective operations of the issuer which have not been generally disclosed";

provided that the notice required to be filed under Section 2(v)(B)(I) and the declaration required to be filed under the Section 2(v)(B)(II) shall be renewed and filed at the end of sixty days after the original date of filing and thereafter at the end of each twenty-eight day period so long as any of the PSION Exchangeable Shares specified under the original notice have not been sold or until notice has been filed that the PSION Exchangeable Shares so specified or any part thereof are no longer for sale;

(iii) the seller files with the applicable Decision Maker(s) within three days after the completion of any such first trade, a report of the trade in the form prescribed by the Applicable Legislation;

(iv) no unusual effort is made to prepare the market or to create a demand for the PSION Exchangeable Shares and no extraordinary commission or other consideration is paid in respect of such first trade; and

(v) the seller (or affiliated entity) has held the PSION Exchangeable Shares and/or the Teklogix Common Shares, in the aggregate, for a period of at least six months provided that if:

(A) the Applicable Legislation provides that, upon a seller to whom the Control Block Rules apply, acquiring additional securities of a class pursuant to certain prescribed exemptions from prospectus requirements under such legislation, all securities of such class are subject to a hold period commencing the date the last security of the class was acquired under such prescribed exemptions; and

(B) the seller acquires PSION Exchangeable Shares or PSION Ordinary Shares pursuant to any such prescribed exemptions;

all PSION Exchangeable Shares and PSION Ordinary Shares held by the seller will be subject to the hold period established by the Applicable Legislation commencing on the date any such subsequent PSION Exchangeable Shares and PSION Ordinary Shares are acquired;

3. the first trade in PSION Ordinary Shares acquired under the Arrangement, the exchange of PSION Exchangeable Shares or upon the issuance of Replacement Options shall be deemed to be a distribution or a primary distribution to the public unless such trade is executed through the facilities of a stock exchange or market outside of Canada in accordance with all laws and rules applicable to such stock exchange or market; and

4. that the Material Change Reporting Requirements, the Financial Statement Requirements and the Proxy Requirements shall not apply to Exchangeco, and where applicable PSION, and the Insider Reporting Requirements shall not apply to an insider of Exchangeco who is an insider only by virtue of being a director or senior officer of Exchangeco or a subsidiary of Exchangeco who is not otherwise an insider of PSION, for so long as:

(a) PSION sends concurrently to all holders of PSION Exchangeable Shares and PSION Ordinary Shares resident in Canada all disclosure material furnished to holders of PSION Ordinary Shares resident in the United Kingdom, including, without limitation, copies of its proxy solicitation materials, its annual financial statements and its semi-annual financial statements which financial statements will be prepared solely in accordance with UK GAAP;

(b) the financial statements to be provided by PSION in accordance with clause 4(a) are reconciled to Canadian GAAP for each reporting period commencing immediately following a reporting period during which the number of PSION

Ordinary Shares and PSION Exchangeable Shares, in the aggregate, held beneficially by persons or companies in Canada represent 10% or more of the total number of issued and outstanding PSION Ordinary Shares;

(c) as regards the Insider Reporting Requirements applicable to a director or senior officer of Exchangeco, where the director or officer does not receive information as to material facts or material changes concerning PSION in the ordinary course before such information is generally disclosed;

(d) PSION files with each Decision Maker copies of all documents required to be filed by it with the LSE and the UKLA;

(e) the Circular includes a statement that, as a consequence of this order, Exchangeco and its insiders will be exempt from certain disclosure requirements applicable to reporting issuers and its insiders in Canada, and specifies those requirements Exchangeco and its insiders have been exempted from, and identifies the disclosure that will be made in substitution therefor;

(f) PSION complies with the requirements of the UKLA and LSE in respect of making public disclosure of material information on a timely basis and forthwith issues in Canada and files with the Decision Makers any press release that discloses a material change in PSION's affairs; and Exchangeco complies with the Material Change Reporting requirements in respect of material changes in the affairs of Exchangeco that would be material to holders of PSION Exchangeable Shares but would not be material to holders of PSION Ordinary Shares;

(g) PSION includes in all mailings of proxy solicitation materials (if any) to holders of PSION Exchangeable Shares a clear and concise statement explaining the reason for the mailed material being solely in relation to PSION and not in relation to Exchangeco, such statement to include a reference to the economic equivalency between the PSION Exchangeable Shares and the PSION Ordinary Shares and the right to direct voting at PSION's shareholders' meetings pursuant to the Voting and Exchange Trust Agreement (without taking into account tax effects);

(h) PSION remains the direct or indirect beneficial owner of all the issued and outstanding common shares of Exchangeco; and

(i) except for securities issued to PSION or to wholly-owned subsidiaries of PSION, Exchangeco does not issue any securities to the public other than the PSION Exchangeable Shares.

DATED at Toronto this 15th day of September, 2000.

J.A. Geller

K.D. Adams

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 merger involving a Canadian reporting issuer and a U.K. company where exemptions not available for technical reasons - first trade in shares of U.K. issuer shall be a distribution unless executed on a stock exchange outside of Canada.

Continuous Disclosure - exchangeco exempted from continuous disclosure requirements provided U.K. issuer files continuous disclosure materials in Canada. U.K. issuer not required to reconcile to Canadian GAAP provided it maintains a *de minimis* presence in Canada.

Insider Reporting - certain insiders of exchangeco exempted from insider reporting requirements.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., 25, 53, 72(5), 74(1), 75, 77, 78, 79, 80(b)(iii), 81,107,108,109 and 121(2).

Applicable Ontario Rules

Rule 45-501 *Exempt Distributions*, (1998) 21 OSCB 6548.

Rule 72-501 *Prospectus Exemption for First Trade over a Market Outside Ontario*, (1998) 21 OSCB 3873.