

THE SECURITIES ACT) Order No. 2708
)
Section 20) November 25, 1999

CONSOLIDATED GROWERS & PROCESSORS, INC. and
CONSOLIDATED GROWERS & PROCESSORS (CGP) CANADA LIMITED

WHEREAS:

(A) Consolidated Growers & Processors, Inc. ("CGP USA") and its wholly-owned subsidiary Consolidated Growers & Processors (CGP) Canada, Limited ("CGP Canada") applied on September 24, 1999 (the "Application") to The Manitoba Securities Commission pursuant to subsection 20(1) of the *Securities Act*, R.S.M. 1988, c. S50 (the "Act") for an order exempting certain trades from the registration and prospectus requirements contained in s. 6 and 37 of the Act.

(B) CGP USA and CGP Canada have represented to the Commission that:

1. CGP USA is a corporation incorporated in Delaware, United States of America on June 10TH, 1997 with a mailing address of 406-6350 Laurel Canyon Boulevard, North Hollywood, California. CGP USA has 35,173,802 common shares (the "Shares") outstanding as at July 20th, 1999. The authorized capital of CGP USA is 50,000,000 Shares at \$.0001 U.S.D. par value. The Shares have been quoted on the OTC Bulletin Board operated by the National Association of Securities Dealers, Inc. under the symbol CGPR and are currently quoted on the pink sheets and continue to trade OTC. CGP USA is not subject to the continuous disclosure requirements of the Act.

2. CGP Canada is a Federal Corporation incorporated under the Canadian Business Corporations Act on January 7, 1998 with its registered head office in Winnipeg, Manitoba at Suite 205 - 93 Lombard Avenue.

3. The authorized capital of CGP Canada is an unlimited number of Class A Common Shares and an unlimited number of Class B Preference Shares without par value. Currently 1,000,000 Common Shares of CGP Canada have been issued to CGP U.S.A. There are no other outstanding Shares. CGP Canada is not subject to the continuous disclosure requirements of the Act.

SECTION 91(a) OFFERING

4. During the 1998 growing season CGP Canada contracted with 31 farmers ("Growers") in the area surrounding Dauphin to grow industrial hemp. The terms of the contracts included a provision that CGP Canada would purchase the hemp grown by the farmers at a prescribed price.

5. On September 25th, 1998 CGP USA caused to be filed a Notice of Intention to Trade in a Security (Form 23) pursuant to Section 91 of the Securities Regulation to the Act.

6. Subsequently Growers were given the opportunity to receive common shares ("Shares") of CGP USA in lieu of cash payment for the hemp ("Section 91 Offering").

7. A report in the form prescribed by Form 27 to the Regulation filed in connection with the Section 91 Offering by CGP USA's then Manitoba counsel contained certain inaccuracies and failed to include as an attachment the declarations of the subscribers for Shares in the form prescribed by Form 24 to the Regulation. In addition, a declaration in the form prescribed by Form 24 to the Regulation was inadvertently filed by CGP USA's former counsel in respect of an individual who did not purchase Shares.

8. A total of 8 Growers acquired 41,293 Shares in the aggregate pursuant to the Section 91(a) Offering.

9. As of the date of this Order the required Form 24 Investor Declarations and a complete, accurate, amended Form 27 Report of Termination of Trades as required by Section 92 of the Regulations remain outstanding.

PRIVATE TRANSACTIONS

10. CCP USA, from time to time, commencing on or about August 30, 1997, issued Shares to persons resident in Manitoba. The purchasers, identified in the Application and described for the purposes of this order as Consultants, Related Investors and Unrelated Investors, had some relationship with CGP Canada, CGP USA or the officers and directors thereof.

11. CGP USA did not file or receive a receipt for a preliminary prospectus or prospectus with the Commission with respect to the Shares, nor was it registered to trade in Shares. No exemptions from the registration and prospectus requirements of the Act appear to have been available with respect to any of the trades and such trades were accordingly, made in contravention of the registration requirements imposed by s. 6 of the Act and trades to two persons were made in contravention of the prospectus requirements imposed by s. 37 of the Act.

12. An aggregate of 1,441,225 Shares were issued to the Consultants, Related Investors and the Unrelated Investors. CGP USA was unaware that the issuance of Shares to such persons may have been subject to the prospectus and/or registration requirements under the Act.

Private Placement

13. During the summer of 1998, representatives of CGP USA and CGP Canada met with representatives of Dauphin and at least two other communities in Manitoba about the possibility of developing hemp processing facilities (the "Hemp Plant") and to determine what incentives may be available from the municipal government if the Hemp Plant was located in their community.
14. Dauphin was selected as the preferred site, in part due to the expressed commitment of the members of the Parkland Hemp Growers Association ("Parkland Growers") to grow hemp under contract with CGP Canada. A number of meetings were held between March 1999 and April 9, 1999 with representatives CGP USA, CGP Canada, the Town of Dauphin and the Parkland Growers where the parties discussed locating the Hemp Plant in Dauphin.
15. On April 21, 1999 the Parkland Growers invited representatives of CGP Canada and CGP USA to a meeting of its members (the "Informational Meeting") in Dauphin. Representatives from CGP USA and CGP Canada were in attendance to answer questions concerning their operations. Persons in addition to Parkland Growers members were also present. Persons in attendance expressed an interest in possibly investing in CGP USA and the possibility of the Parkland Growers investing in CGP USA was raised by Parkland Growers.
16. Following the Informational Meeting, Commission staff ("Staff") contacted counsel for CGP USA, CGP Canada and for Parkland Growers advising that based upon information received certain activities at the meeting may have constituted acts in furtherance of a trade in securities in contravention of the Act. Staff discussed these allegations with then Manitoba counsel for CGP Canada and CGP USA and counsel for the Parkland Growers and the possibility of an application being made to regularize the activities and to obtain an order exempting any proposed distribution of securities to the public from the registration and prospectus requirements of the Act. Staff noted that a typical condition found in orders granted to permit issuers to raise funds for a specific purpose would require funds raised to be held in escrow.
17. As CGP USA was concerned with being able to satisfy the desire of Parkland Growers to acquire an interest in CGP USA, it did not pursue obtaining an order in connection with the financing of any particular project. No application for an exemption order was made by CGP Canada, CGP USA or Parkland Growers.
18. In consultation with its legal counsel, Parkland Growers developed a distribution structure to invest in CGP USA whereby a co-operative would be organized under the *Co-operatives Act* (Manitoba) (the "Cooperative"). Shares in the Co-operative would be sold to members of Parkland Growers and to the public at large. It was proposed the proceeds received by the Co-operative from the sale of securities of the Co-operative would be used to buy Shares relying upon s. 19(3) and 58(1)(a) of the Act, which then Manitoba counsel to CGP USA and CGP Canada advised would be in compliance with the Act.

19. In or around May, 1999, the application to register the Co-operative under *The Co-operatives Act* was rejected by the Registrar of Co-operatives as the utilization of a co-operative for the purpose of securing funds from investors to purchase Shares was considered by the Registrar not to be a proper use.

20. On learning that the Co-operative would not be registered, CGP USA and CGP Canada and Parkland Growers were advised by their respective counsel that corporations could be established by the Parkland Growers (the "Numbered Companies") which could sell shares to the public with the intention of using the proceeds received by the Numbered Companies to purchase Shares in reliance on s. 19(3) and 58(1)(a) of the Act (the "Private Placement").

21. Numbered Companies were established by Parkland Growers to conduct the distribution and monies were collected from members of the public by the Numbered Companies. Monies received by the Numbered Companies were seized by the Commission and returned to investors. No funds were paid to CGP USA or CGP Canada and no Shares were issued.

22. Neither CGP USA, CGP Canada nor any of the Numbered Companies filed or received a receipt for a preliminary prospectus or prospectus for the Shares or the shares of the Numbered Companies, nor were any of such entities registered to trade in such securities. No exemptions from the registration and prospectus requirements of the Act appear to be available with respect to any of the activities of the Numbered Companies.

The Financing

23. CGP USA has advised the Commission that it is in the process of attempting to arrange financing, some of the proceeds of which may be used for the building of the Hemp Plant in or around Dauphin upon the required funds being raised and suitable arrangements being reached with the Town of Dauphin.

24. CGP Canada has entered into contracts with a number of Hemp Growers in and around the Dauphin area (the "Producers"). Pursuant to the terms of the contracts with the Producers, CGP Canada is obligated to make the first of three payments to the Producers in an estimated minimum amount, after set-offs, of \$500,000.00 USD which is payable by November 27, 1999.

25. With the Application, CGP USA and CGP Canada filed a copy of a confidential financing commitment letter dated July 13, 1999, which provided that the commitment would expire on September 30, 1999 (the "Original Commitment").

26. CGP USA advised the Commission that it was unable to proceed to close the financing under the Original Commitment because the matters concerning its

involvement in the Private Placement were not resolved pursuant to the issuance of an order or otherwise as requested in the Application (the "Relief")

27. The Original Commitment having expired, CGP USA has advised that unless the Relief requested in the Application is granted its efforts to secure financing will be adversely affected, which will seriously impact upon its operations and those of CGP USA generally. CGP USA has advised it is pursuing efforts to secure financing of up to approximately \$30,000,000.00 or such other amount satisfactory for CGP USA to continue its operations in a manner consistent with the strategic decisions made by the Board of Directors of CGP USA from time to time, in accordance with the fiduciary responsibilities and obligations imposed upon the Directors under United States corporate and securities laws.

(C) The Commission is of the opinion that it would not be prejudicial to the public interest to grant the orders requested.

IT IS ORDERED

1. THAT, pursuant to subsection 20(1) of the Act, the trades by CGP Canada and CGP USA in connection with the Section 91(a) Offering are hereby exempted from sections 6 and 37 of the Act, provided that:

(a) CGP USA files with the Commission:

(i) A duly completed report of termination of trades in the form prescribed by Form 27 of the Securities Regulation to the Act; and

(ii) Originally executed declarations in the form prescribed by Form 24 of the Securities Regulation to the Act for all purchasers who acquired Shares in the course of the Section 91(a) Offering.

(b) Each purchaser who acquired Shares in the course of the Section 91(a) Offering will be provided with a copy of this order;

(c) Each purchaser who acquired Shares in the course of the Section 91(a) Offering will be given 21 days from the date they receive the order to either confirm or rescind the purchase of the Shares they acquired, to the extent they continue to hold such Shares.

2. That, pursuant to subsection 20(1) of the Act, the trades by CGP Canada and CGP USA in connection with the Consultant Trades, Related Trades and Unrelated Trades are hereby exempted from sections 6 and 37 of the Act provided that each purchaser who acquired Shares in the course of the Consultant Trades, Related Trades and Unrelated Trades will be provided with a copy of this order and will be given 21 days from the date they receive the order to either confirm or rescind their purchase/acquisition of the Shares they purchased or acquired, to the extent they continue to hold such Shares.

3. That, pursuant to subsection 20(1) of the Act, CGP Canada and CGP USA are hereby exempted from sections 6 and 37 of the Act with respect to any acts in furtherance of trades in securities made in connection with the Private Placement provided that on or before December 31, 1999 CGP USA or CGP Canada confirms to Commission staff that CGP USA has secured financing and has met all the conditions required to draw upon such financing in an amount to be disclosed to Commission staff, which is sufficient for CGP USA to continue its operations, estimated to be in the minimum amount of \$500,000. USD

4. That the fee for this order is \$650.00.

BY ORDER OF THE COMMISSION

Director – Corporate Finance