

THE SECURITIES ACT

)

Order No. 3222

)

Section 20

)

January 18, 2001

MESA SWINE INC.
AND
PP MANITOBA INC.

WHEREAS:

(A) Application (the "Application") has been made on behalf of Mesa Swine Inc. ("Mesa") and PP Manitoba Inc. ("PP Manitoba") to The Manitoba Securities Commission (the "Commission") for an order pursuant to section 20 of *The Securities Act*, R.S.M. 1988, c. S50 (as amended) (the "Act") that trades made in connection with an offering of shares in the capital of Mesa to certain purchasers resident in Manitoba (the "Offering") shall be exempt from sections 6 and 37 of the Act;

(B) It has been represented to the Commission by Mesa and PP Manitoba that:

1. Premium Pork Canada Inc. ("PP Canada") is an integrated hog business founded on partnerships and alliances which has achieved a recognized position in the North American pork industry by building and maintaining farrowing barns throughout Ontario.
2. PP Canada currently operates 8 farrowing barns which house a total of 20,000 sows. PP Canada's four year goal is to add 10 additional 2500 sow farrowing barns.
3. PP Manitoba is PP Canada's corporate body for operations in Manitoba. Expanding on PP Canada's founding principles of partnerships and alliances. PP Canada through PP Manitoba will continue to develop the 2500 sow production units as they have been doing over the past five years with ongoing consideration to economics, design, production and environmental sustainability.
4. Mesa Swine Inc. will be owned as to 50% by PP Manitoba and 50% by the potential investors (the "Potential Investors"). PP Manitoba currently owns 500 Class A Common Shares and, upon completion of the pending conversion of its \$660,000 shareholder's loan to Class E Preference Shares, will own 660,000 Class E Preference Shares of Mesa. Mesa currently has no other issued and outstanding shares.
5. In order to carry on the PP Canada system in Manitoba, Mesa has purchased the lands legally described as NW 5-16-21-WPM located in the Rural Municipality of Strathclair near Portage La Prairie, Manitoba (the "Mesa Land").

Mesa will then construct a 2,432 head hog farrowing barn (the "Barn") upon the Mesa Land (the "Mesa Project"). The total cost of the Mesa Project shall be approximately five million two hundred and twenty thousand dollars (\$5,220,000) arrived at as follows:

(a) acquisition of the Mesa Land	- \$100,000;
(b) construction of the Barn	- \$2,700,000;
(c) equipment costs	- \$1,420,000; and
(d) inventory of animals	- \$1,000,000
	Total - \$5,220,000

6. The total cost of the Mesa Project set forth above shall be funded as follows:

(a) shareholder capital	- \$1,320,000 (each of PP Manitoba and the Potential Investors contributing \$660,000);
(b) Farm Credit Corporation loan	- \$3,500,000; and
(c) bank loan	- \$400,000;

7. In order to raise the required \$660,000 from Potential Investors, Mesa is intending to offer 500 Class A Common Voting Shares for 0.05 cents per share and Class E Preference Shares at one dollar per share to Potential Investors who fall into one the following categories:

- (a) "related purchasers" as defined in section 89 of the regulation to the Act (the "Regulation") with respect to their relationship to Mesa ("Related Purchasers"); and
- (b) "informed purchasers" as defined in section 89 of the Regulation ("Informed Purchasers").

8. The Class E Preference Shares will have an annual dividend rate of 8% which will be cumulative except that no dividends will be declared until approximately twelve to eighteen months after the offering. Subject to availability of funds and Mesa's right of redemption, it is expected that the Class E Preference Shares will remain outstanding for six years. The Class E Preference Shares will be non-voting and will be redeemable at the option of Mesa at any time provided that any redemption to the Class E Preference Shares must be made proportionately amongst all holders of Class E Preference Shares. The Class E Preference Shares will enjoy a preference as to dividends and a preference on liquidation or desolution of the company in priority to all other classes of shares.

9. The board of directors of Mesa will be comprised of four directors, two nominees from each of PP Manitoba and the Potential Investors. Decisions of the

board of directors will be unanimous and a quorum for meetings of directors is all of the directors.

10. All of the shareholders of Mesa will be required to enter into a Shareholders Agreement which will include the following provisions:

(a) Preemptive rights, meaning that before shares can be issued to a new subscriber, the existing shareholder shall have a proportionate prior right to acquire those shares;

(b) A prohibition on transfer, meaning that the shareholders are generally prohibited from transferring shares without first complying with the provisions of the Shareholders Agreement;

(c) Special rights on transfers of shares, including:

(i) a right of first refusal, meaning that shareholders wishing to sell shares must first offer their shares to the other shareholders on the same terms;

(ii) piggy back rights, meaning that if the shares being sold represent at least 50% of all shares of Mesa, then the other shareholders shall have the right to require the purchaser to buy their shares on the same terms.

(d) Shareholders will be required to transfer their shares in the event of any one or more of the following events ("Transfer Events"):

(i) death;

(ii) bankruptcy;

(iii) insolvency;

(iv) the appointment of a receiver;

(v) seizing of shares; or

(vi) default under the Shareholders Agreement.

Upon the occurrence of a Transfer Event, the other shareholders have a proportionate right to purchase such shareholder's shares at their fair market value (75% of the fair market value if (v) or (vi) above applies) failing which Mesa has the right to purchase those shares at fair market value.

11. Each of the Potential Investors will live or will be located within or within close proximity to the Rural Municipality of Strathclair and stands to derive a significant benefit from the Mesa Project. Furthermore, each of the Potential

Investors, by virtue of their being part of the community in which Mesa will operate, will be familiar with the agricultural sector and the hog industry in particular, which will provide them with greater insight and familiarity with the business of Mesa than investors who are not resident in the community would have had.

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

IT IS ORDERED:

1. THAT, pursuant to section 20 of the Act, that trades made in connection with the Offering shall be exempt from sections 6 and 37 of the Act provided that

(a) the Offering be limited to the following Potential Investors (the "Investors"):

PP Manitoba Inc.
Grant Sissons
Sissons Farm Ltd.
Brad Dow
Lorne & Liette Hulme
John Caister
Elgin Keeling
Don Sissons
Iris Yuill
Brian Hyde
Ray Bouchard
Clarke & Noreen Munro
Northport Holdings Ltd.
2251761 Manitoba Ltd.
Jamor Farms Ltd.
Finnie-Wishart Farms Ltd.
S.G.A. Enterprises Ltd.
Dave Pizzey Ltd.
Portage Agri-Sales Ltd.
MacGregor Agri-Sales Ltd.

(b) each of the Investors sign a written declaration at the time of subscription which will state that:

(i) the investor is an eligible investor by reason of the investor being either a Related Purchaser or an Informed Purchaser with respect to Mesa (in the case of those investors which are Informed Purchasers, the declaration will have attached to it a certificate in prescribed form executed by a person who has provided expert advice (as such term is defined in section 89 of the Regulation));

(ii) the investor is aware that the shares of Mesa being purchased pursuant to the Offering may not be sold for 12 months without the prior approval of the Director of the Commission unless the shares are sold to a person who also purchased shares pursuant to the Offering;

(iii) the investor is aware that the effect of the requested order is that the investor will be denied certain rights and protections otherwise available under the Act; and

(iv) the investor is aware that there is no market for the shares;

(c) Mesa will also complete the Offering within 180 days of the granting of this Order and will provide full details of the Offering to the Commission in a form substantially similar to Form 27 of the Regulation; and

(d) Mesa is prohibited from relying on the prospectus and registration exemption contained in clause 91(a) of the Act.

2. THAT the fee for this order shall be \$1,000.00.

BY ORDER OF THE COMMISSION

Director – Legal