

**THE SECURITIES ACT**

)

**Order No. 3868**

)

**Section 20(1)**

)

**August 28, 2002**

**EROSIONCONTROLBLANKET.COM INC.**

**WHEREAS:**

(A) ErosionControlBlanket.Com Inc. ("ECB") has applied to The Manitoba Securities Commission (the "Commission") for an order pursuant to subsection 20(1) of *The Securities Act*, R.S.M. 1988, c. S50 (the "Act") that certain trades in securities related to the expansion of ECB's manufacturing plant are not subject to Sections 6 or 37 of the Act.

(B) ECB has represented to the Commission that:

1. ECB is incorporated under the laws of the Province of Manitoba.
2. ECB is not a reporting issuer in any jurisdiction of Canada and its shares are not listed or quoted for trading on any stock exchange or other trading market.
3. ECB was formed in the fall of 2000 for the purpose of manufacturing erosion control blankets which are used to prevent soil erosion in construction areas. ECB has quickly become a preferred supplier of erosion control blankets and increased market demand has exceeded ECB's maximum manufacturing capacity. Accordingly, ECB has developed an expansion plan which includes the purchase of a new manufacturing plant and a second manufacturing machine (the "Expansion Plan").
4. To partially finance the Expansion Plan, ECB proposes to offer an aggregate of 175,000 Class A, B and C common shares at a subscription price of \$3.30 per share (the "ECB Expansion Offering") to individuals who are "related purchasers", as that term is defined in the Regulations to the Act, and who are also current shareholders of ECB (the "Proposed Purchasers").
5. The shares would be offered equally to the Proposed Purchasers and the shares offered to any one Proposed Purchaser would be of the same class of shares as those which they currently hold. Accordingly, each Proposed Purchaser would be offered (although there is no obligation on the part of any Proposed Purchaser to purchase all or any part of the shares offered to him) approximately 29,167 shares of the same class of shares which the Proposed Purchaser currently holds.
6. Generally, the rights attached to ECB's Class A, B and C common shares include: non-cumulative dividends, one vote for each share held, right of redemption after 5 years from the date of issuance of the first share of the

respective class and right of retraction after 10 years from the date of issuance of the first share of the respective class. In addition, the holders of Class A common shares are entitled to vote as a class to elect one member of the Board of Directors of ECB, the holders of Class B common shares are entitled to vote as a class to elect one member of the Board of Directors of ECB and the holders of Class C common shares are entitled to vote as a class to elect three members of the Board of Directors of ECB.

7. The Proposed Purchasers are restricted to: Mark Myrowich, Marc Mollot, Ralf Klenke, John Graham, Donald Bilinski and Barry Mulder.

8. Previously, for initial capital requirements, pursuant to subsection 92(1) of the Regulations to the Act, ECB filed with the Commission a Form 23 "Notice of Intention to Trade in a Security" on August 1, 2000, giving notice of its intention to commence an offering pursuant to subsection 91(a) of the Regulations (the "2000 Offering"). All sales of securities made at that time were to the Proposed Purchasers and one "informed purchaser", as that term is defined in the Regulations to the Act. The informed purchaser was Bradley Hokanson, who is the only other shareholder in ECB other than the Proposed Purchasers. Declarations were filed with the "Report of Termination of Trades Made Pursuant to Exemptions Contained in Clause 91(a)" with respect to all purchasers under the 2000 Offering.

9. The Proposed Purchasers are intimately knowledgeable with respect to the business and management of ECB. Mark Myrowich is the founder of ECB, ECB's President and one of its five directors. Marc Mollot, Ralf Klenke and John Graham are also directors of ECB and Ralf Klenke is the current Secretary-Treasurer of ECB. Donald Bilinski and Barry Mulder, while not directors, are provided with the annual reports of ECB including financial statements consisting of balance sheets, income statements and statements of changes in financial position. They participate in ECB's regular shareholders meetings (3 in 2001) and often receive and discuss, informally with management members, information regarding ECB's corporate position and financial affairs. Hence, they are generally fully apprised of ECB's financial position and management activity.

10. The Proposed Purchasers are a party to, and the transfer of their shares is restricted by, a unanimous shareholders agreement entered into August 31, 2000, as amended from time to time.

11. Given the relationship of the Proposed Purchasers to ECB, the protection otherwise afforded purchasers by the Act is not necessary in respect of the Proposed Purchasers under the ECB Expansion Offering.

(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 subsection 20(1) of the Act, the trades of securities involving the Proposed Purchasers contemplated by and in connection with the ECB Expansion Offering are not subject to Sections 6 or 37 of the Act.

**2. THAT**, any securities acquired in connection with the ECB Expansion Offering shall not be traded without the prior consent in writing of the Director, unless:

(i) the security has been held for a period of at least 12 months;

(ii) the proposed purchaser of the security is one of the original purchasers of a security of the same class as the security previously acquired under an exemption provided by clause 91(a) or (b) of the Regulations;

(iii) the proposed trade in a security is to a corporation all of the equity shares of which are owned by original purchasers of a security of the same class as the security proposed to be traded; or

(iv) the proposed trade in the securities is otherwise exempt from the registration and prospectus requirements of the Act.

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

**BY ORDER OF THE COMMISSION.**

**Deputy Director - Legal**