

2008 BCSECCOM 381

Headnote

First trade relief for securities acquired under an exemption that are subject to a seasoning period - The filer has a public disclosure record that is available to the secondary market through the SEC's website; BCI 72-502 would permit the filer's shareholders to "trickle out" their shares if the filer remained a non-reporting issuer; to impose a seasoning period would act as a disincentive for companies to list on the TSX-V and become reporting in British Columbia

Exemption Order

Naturally Advanced Technologies, Inc.

Section 76 of the *Securities Act*, R.S.B.C. 1996, c. 418

Background

- ¶ 1 Naturally Advanced Technologies, Inc. (NAT) has applied for an exemption from the requirements to file and obtain receipts for a preliminary prospectus and prospectus in section 61 of the Act (Prospectus Requirement) for certain intended trades of its common shares (Requested Relief).

Representations

- ¶ 2 NAT represents that:
1. it was incorporated under the laws of British Columbia, Canada, on October 6, 1998, under the name Hemptown Clothing Inc.; NAT changed its name to Naturally Advanced Technologies, Inc. effective March 23, 2006;
 2. on December 22, 2003, NAT's shares were listed for trading on the Over-the-Counter Bulletin Board (OTCBB), where NAT is a fully reporting, small business issuer under the United States Securities Exchange Act of 1934 (the 1934 Act); NAT is not in default of its reporting requirements under section 12(g) of the 1934 Act;
 3. its authorized share capital consists of an unlimited number of common shares without par value (Shares); as of May 31, 2008, there were 28,796,404 Shares outstanding;
 4. at present there are approximately 19 British Columbia resident registered shareholders of NAT, representing approximately 20.7% of the issued and outstanding Shares;

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5. it has applied to list the Shares on the TSX-V (Listing); upon the Listing becoming effective, NAT will become a reporting issuer in British Columbia and Alberta;
6. pursuant to NI 45-102 *Resale of Securities* (NI 45-102), Shares outstanding at the time of the Listing along with certain Shares issued under options or warrants of NAT outstanding at the time of the Listing, (together, the Restricted Securities) will be subject to a four month hold period commencing from the date of Listing;
7. before the date of Listing, holders of Restricted Securities who are also residents of British Columbia can rely on an exemption from the Prospectus Requirements provided by BCI 72-502 *Trades in Securities of U.S. Registered Issuers* (BCI 72-502) to trade the Restricted Securities on the OTCBB;
8. after the date of Listing, BCI 72-502 will no longer be available to British Columbia residents who hold Restricted Securities;
9. section 2.14 of NI 45-102 provides an exemption from the Prospectus Requirement only for a trade made through an exchange or market outside of Canada; as such, all holders of Restricted Securities cannot trade such shares on the TSX-V under this exemption;
10. it has a long and up to date continuous disclosure record; NAT has filed continuous disclosure materials with the SEC since 2002, and prospectus level disclosure on NAT is available on the SEC website;
11. after the Listing, it will issue a press release indicating that its historical continuous disclosure materials are available on the SEC website;
12. without the Requested Relief, NAT shareholders will be prevented by securities legislation from being able to freely sell Restricted Securities in Canada that they have already held for greater than one year and up to six years from the date of issuance in each such instance, which, but for requirement in NI 45-102 that NAT be a reporting issuer in a jurisdiction in Canada for at least four months, they would otherwise have been entitled to; and
13. to the best of its knowledge, NAT is not in default of any of the requirements of applicable securities laws in British Columbia.

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Order

¶ 3 Considering that it is not prejudicial to the public interest, the Commission orders that the Requested Relief is granted, provided that:

- (a) NAT is a reporting issuer;
- (b) at least four months have elapsed from the distribution date of the Restricted Securities;
- (c) the trade is not a control distribution;
- (d) no unusual effort is made to prepare the market or to create a demand for the security that is the subject of the trade;
- (e) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and
- (f) if the selling security holder is an insider or officer of NAT, the selling security holder has no reasonable grounds to believe that NAT is in default of the Legislation.

¶ 4 June 20, 2008

Martin Eady, CA
Director, Corporate Finance
British Columbia Securities Commission