IN THE MATTER OF
THE SECURITIES ACT, 1988, S.S. 1988-89, c.S-42.2

AND

IN THE MATTER OF
CROWN VENTURES FUND INC.

EXEMPTION
(National Instrument 81-105 – Mutual Fund Sales Practices)

WHEREAS an application has been received by the Saskatchewan Securities Commission (the "Commission") from Crown Ventures Fund Inc. (the "Fund") for an exemption pursuant to section 9.1 of National Instrument 81-105 – *Mutual Fund Sales Practices* (the "National Instrument") that the provisions of section 2.1(1) of the National Instrument shall not apply to the Fund so as to permit certain payments and benefits to be made by the Fund to participating dealers in connection with the distribution of its securities;

AND WHEREAS the Commission has assigned to the Director the power to make exemption orders and rulings under the provision of the Act and the regulations thereto;

AND WHEREAS it has been represented to the Director that:

1. The Fund is a corporation incorporated pursuant to the laws of Saskatchewan on September 1, 1999 and is a reporting issuer in Saskatchewan but in no other jurisdiction of Canada;

2. The Fund is registered as a labour-sponsored venture capital corporation under *The Labour-sponsored Venture Capital Corporations Act* (Saskatchewan);

3. The Fund is a mutual fund as defined in *The Securities Act, 1988* (Saskatchewan). The Fund is currently offering Class A shares (the "Class A shares") to investors in Saskatchewan on a continuous basis pursuant to a prospectus dated January 29, 2001 (the "Prospectus") and intends to file a (final) prospectus with the Commission on or before February 8, 2002 in order that it may continue offering Class A shares to investors (the "2002 Prospectus");

4. The authorized capital of the Fund consists of an unlimited number of Class A shares, 10 Class B shares and an unlimited number of Class C shares and as of December 20, 2001, there were 659,802 Class A shares and 10 Class B shares issued and outstanding;

5. Crown Capital Management Inc. (the “Manager”) and Communications, Energy and Paper Workers' Union of Canada (Saskatchewan Locals) formed and organized the Fund;

6. The Fund:

   a. pays directly to Union Securities Ltd. (the "Agent"), the principal distributor of the Fund, and participating dealers a sales commission of 6% (the "6% Commission") calculated on the gross proceeds raised in any fiscal year on the sale of Class A shares;

   b. pays directly to the Agent and participating dealers an on-going trailer commission of 0.5% calculated monthly on the gross proceeds raised in any fiscal year (the "Trailer Commission") and paid annually on August 31, for each fiscal year that the investment is maintained within the Fund; and

   c. pays directly to the Agent an additional commission of 1.0% of the gross proceeds raised in any fiscal year on the sale of Class A Shares (subject to a minimum annual commission of $15,000) (the "Additional Commission"), paid monthly in arrears, as remuneration for distribution services provided by the Agent to the Fund;

7. The Fund may enter into co-operative advertising and marketing programs with the Agent or participating dealers providing for reimbursement by the Fund of expenses (the "Marketing Expenses") incurred by the Agent, or participating dealers, in promoting the Class A shares.

8. All of the costs associated with the distribution of the Class A shares, including the 6% Commission, Trailer Commission, Additional Commission and the Marketing Expenses (collectively the "Distribution Costs") are fully disclosed in the Prospectus (including within the summary section) and will be fully disclosed in the 2002 Prospectus (including within the summary section), along with the fact that the Fund pays these costs out of the assets of the Fund.

9. For accounting purposes, the Fund:

   a. defers and amortizes the amount paid or payable in respect of the 6% Commission and the Additional Commission to retained earnings on a straight line basis over eight years;

   b. will charge to retained earnings the Trailer Commission in the fiscal period when incurred; and

   c. defers and amortizes the amount paid or payable in respect of the Marketing Expenses to retained earnings on a straight line basis over eight years;

10. Gross investment amounts will be contributed to the Fund in respect of each subscription. This will result in the entire subscription amount contributed by an investor being counted for the purpose of the applicable federal and provincial tax credits in connection with the subscription for Class A shares;

11. Due to the structure of the Fund, the most tax efficient way for the Distribution Costs to be financed is for the Fund to pay them directly;

12. The Manager is the only member of the organization of the Fund, other than the Fund, available to pay the Distribution Costs. The Manager does not have sufficient resources to pay the Distribution Costs, and unless the requested discretionary relief is granted, would be obliged to finance these costs through borrowings;

13. Any loans obtained by the Manager to finance the Distribution Costs would result in the Manager increasing the management fee chargeable to the Fund, by an amount equal to the borrowing costs incurred by the Manager plus an amount required to compensate the Manager for any risks associated with fluctuations in the net asset value of the Fund and, therefore, fluctuations in the Manager's fee. Requiring compliance with section 2.1(1) of the National Instrument would cause the expenses of the Fund to increase above those contemplated in the 2002 Prospectus;

14. Requiring the Manager to pay the Distribution Costs while granting an exemption to other labour funds permitting such funds to pay Distribution Costs directly would put the Fund at a permanent and serious competitive disadvantage with its competitors; and

15. The Fund undertakes to comply with all other provisions of the National Instrument. In particular, the Fund undertakes that all Distribution Costs paid by it will be compensation permitted to be paid under the National Instrument;

AND WHEREAS the Director is of the opinion that it would not be prejudicial to the public interest to provide the exemption;

IT IS HEREBY DECIDED pursuant to section 9.1 of the National Instrument that the provisions of section 2.1(1) of the National Instrument shall not apply to the Fund so as to permit the Fund to directly pay the Distribution Costs to participating dealers, provided that:

1. The Distribution Costs are otherwise permitted by, and paid in accordance with, the National Instrument;

2. The Distribution Costs are accounted for in the Fund's financial statements in the manner described in paragraph 9 above;

3. The summary section (the "Summary Section") of the 2002 Prospectus and any subsequent prospectus of the Fund has full, true and plain disclosure describing the commission structure of Class A shares as the 6% Commission, the Trailer Commission and the Additional Commission. The Summary Section must be placed within the first 10 pages of any prospectus;

4. The 2002 Prospectus and any subsequent prospectus of the Fund includes full, true and plain disclosure explaining the services and value that the Agent would provide to investors in return for the Additional Commission payable to it;

5. The Summary Section of the 2002 Prospectus and any subsequent prospectus of the Fund includes full, true and plain disclosure explaining to investors that:

a. they pay the 6% Commission and the Additional Commission indirectly, as the Fund pays these commissions using investor's subscription proceeds; and

b. A portion of the net asset value of the Fund is comprised of deferred commissions rather than an investment asset; and

6. This Decision shall cease to be operative on the date that a regulation replacing or amending section 2.1 of the National Instrument comes into force.

DATED January 31, 2002.

"*Barbara Shourounis*"

Barbara Shourounis
Director