MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

Crown Capital Partners Inc.
888 3rd Street SW
Bankers Hall, 10th Floor, West Tower
Calgary, Alberta T2P 5C5
www.crowncapital.ca

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("**MD&A**") of the consolidated operating and financial performance of Crown Capital Partners Inc. ("**Crown**" or the "**Corporation**") for the three months ended March 31, 2019 is prepared as of May 6, 2019. This discussion is the responsibility of management and should be read in conjunction with the Corporation's March 31, 2019 condensed consolidated interim financial statements and the notes thereto, prepared in accordance with International Financial Reporting Standards ("**IFRS**"), and other public filings available on SEDAR at www.sedar.com. The board of directors of the Corporation has approved this MD&A. All amounts herein are expressed in Canadian dollars unless otherwise indicated. See "Forward-Looking Statements".

References

Throughout this MD&A, the following operating companies, limited partnerships, portfolio companies and their respective subsidiaries will be referenced as follows:

- "**Active**" – Active Exhaust Corp.
- "**Baylin**" – Baylin Technologies Inc.
- "**BGO**" – Bill Gosling Outsourcing Holding Corp.
- "**Canadian Helicopters**" – Canadian Helicopters Limited
- "**CCF III**" – Crown Capital Fund III Management Inc.
- "**CCF IV Investment LP**" – Crown Capital Fund IV Investment, LP
- "**CCFC**" – Crown Capital Funding Corporation
- "**Crown Partners Fund**" – Crown Capital Partner Funding, LP, formerly Crown Capital Fund IV, LP
- "**Crown Partners Fund GP**" – Crown Capital LP Partner Funding Inc.
- "**Crown Power Fund**" – Crown Capital Power Limited Partnership
- "**Crown Power GP**" – 10824356 Canada Inc.
- "**Crown Private Credit Fund**" – Crown Capital Private Credit Fund, LP
- "**Data Communications**" – Data Communications Management Corporation
- "**Ferus**" – Ferus Inc.
- "**Marquee**" – Marquee Energy Ltd.
- "**Medicure**" – Medicure Inc.
- "**Mill Street**" – Mill Street & Co. Inc.
- "**NCOF LP**" – Norrep Credit Opportunities Fund, LP
- "**PenEquity**" – PenEquity Realty Corporation
- "**Persta**" – Persta Resources Inc.
- "**Prairie Provident**" – Prairie Provident Resources Inc.
- "**RBee**" – RBee Aggregate Consulting Ltd.
- "**Rokstad Power**" – Rokstad Holdings Corporation
- "**Solo**" – Solo Liquor Holdings Limited
- "**Source**" – Source Energy Services Canada
- "**Touchstone**" – Touchstone Exploration Inc.
- **"Triple Five"** – Triple Five Intercontinental Group Ltd.
- **"VIQ Solutions"** – VIQ Solutions Inc.
- "**WireIE**" – WireIE (Canada) Inc.

Highlights of the Three Months Ended March 31, 2019

During the three months ended March 31, 2019:

- Crown reported a net loss and comprehensive loss attributable to shareholders of the Corporation ("**Shareholders**") of $(4.0) million (March 31, 2018 – income of $0.9 million). The net loss reflects an aggregate effect, net of income taxes, of $(6.5) million related to an unrealized loss recognized in relation to Crown Partners Fund's investment in Solo and to a provision for bad debt incurred in relation to an operating partner affiliated with Crown Power Fund;

- Effective February 5, 2019, Crown Partners Fund entered into an agreement for a $25.0 million senior secured revolving credit facility with ATB Financial that matures on May 31, 2022 (the "**CCPF Credit Facility**") and is subject to extension annually. Also, effective February 5, 2019, Crown extended the maturity of its existing senior secured revolving credit facility (the "**Crown Credit Facility**" by 17 months to May 31, 2021;

- On February 5, 2019, Crown announced a quarterly dividend of $0.15 per common share of the Corporation ("**Common Share**") payable on March 1, 2019 to Shareholders of record on February 15, 2019;

- On February 28, 2019, Crown Power Fund completed a subsequent closing with subscriptions for an additional approximately 57,900 Units at $1,000 per Unit, increasing the total capital committed to Crown Power Fund to approximately $57.9 million. Crown, through its wholly-owned subsidiary CCFC, participated in this closing, resulting in CCFC holding a total of 25,000 Units representing a total capital commitment of $25.0 million and an approximate 43.2% interest in Crown Power Fund (December 31, 2019 – 100%);

- On March 14, 2019, Crown announced that Crown Partners Fund had advanced an additional $5 million to Triple Five, increasing the size of this loan to $20 million and extending its term by six months;

- On March 27, 2019, Crown announced the full repayment by BGO of its special situations loan to Crown Partners Fund, including the loan principal value of $15 million plus interest, a prepayment fee and other related payments; and

- Effective March 29, 2019, Crown Partners Fund and two of its institutional limited partners received the full repayment of their $33 million special situations loan to Baylin (Crown Partners Fund share: $30 million), including principal, interest and a prepayment fee. Crown Partners Fund continues to own 620,456 Baylin common share purchase warrants.

Subsequent Events

Subsequent to March 31, 2019:

- The Corporation announced on April 8, 2019 that it had received approval to renew its normal course issuer bid for the 12-month period commencing April 10, 2019, with the right to purchase up to 300,000 outstanding Common Shares. This replaced a normal course issuer bid that expired on April 9, 2019;

- On April 29, 2019, Crown Partners Fund provided a $25 million, 60-month term loan to Rokstad Holdings Corporation that features a fixed interest rate and an equity participation right based on the growth in Rokstad Power's equity value. As of May 6, 2019, $15 million has been advanced to Rokstad Power in relation to this loan; and

- On May 6, 2019, Crown announced a quarterly dividend of $0.15 per Common Share payable on May 31, 2019 to Shareholders of record on May 17, 2019.

Overall Performance

Total assets decreased to $263.6 million at March 31, 2019 from $275.9 million at December 31, 2018, including a decrease in the carrying value of investments to $194.4 million from $246.9 million resulting from both a net repayment of investments and a net reduction in the carrying value of investments measured at fair value through profit and loss ("**FVTPL**"), which was partially offset by an increase in cash and cash equivalents from $11.3 million to $51.6 million inclusive of both the proceeds from the Baylin loan repayment and capital contributions from non-controlling interests to Crown Power Fund. Total equity decreased to $99.3 million at March 31, 2019 compared with $104.9 million at December 31, 2018 due to the incurrence of a net loss, the declaration of dividends and share repurchases.

Total revenues in the three months ended March 31, 2019 were $(4.0) million compared to $5.3 million in the three months ended March 31, 2018. For the three months ended March 31, 2019, the year-over-year increase in the net loss on investments more than offset increases in each of interest revenue and fees and other income over the same period. Total revenues excluding the net loss on investments were $9.5 million in the three months ended March 31, 2019 compared to $5.8 million in the comparable three-month period in 2018.

Interest revenue increased to $8.0 million in the three months ended March 31, 2019 compared to $5.6 million in the three months ended March 31, 2018 due to interest earned on additional investments made by Crown Private Credit Fund, interest revenue of $1.7 million recognized in relation to the repayment of the BGO and Baylin loans, and an increase in the amortization component of interest revenue recognized in relation to loan investments carried at amortized cost.

Fees and other income for the three months ended March 31, 2019 were $1.6 million compared to $0.2 million in the comparable three-month period in 2018 due to the inclusion of prepayment fees earned in relation to the repayment of the BGO and Baylin loan investments. Note that under IFRS 9 *"Financial Instruments*" ("**IFRS 9**"), fees received in relation to loans carried at amortized cost are deferred and amortized into interest revenue calculated using the effective interest rate method. Fees deferred in this manner, including fees received in cash and fees capitalized to loan principal value, totaled $1.3 million in the three months ended March 31, 2019 (2018 - $0.7 million).

For the three months ended March 31, 2019, the net loss on investments was $(13.5) million (2018 - $(0.5) million), comprised of a realized gain of $0.9 million in relation to the Baylin loan repayment and a net unrealized loss of $(14.4) million which, in turn, is comprised primarily of a $(15.6) million unrealized loss recognized in relation to the Solo investment and an aggregate unrealized gain of $1.0 million related to the restructuring of terms of three loan investments carried at amortized cost.

Expenses in the three months ended March 31, 2019 were $4.2 million compared with $1.9 million in the three months ended March 31, 2018. The increase compared with the comparable period in 2018 is due primarily to a combination of a $3.0 million provision for bad debt recognized in relation to amounts owing from an operating partner affiliated with Crown Power, higher finance costs resulting from a higher average level of outstanding debt and administration costs in relation to the start-up of Crown Power Fund, partially offset by reductions in each of share-based compensation expense, performance bonus expense and salaries, management fees and benefits.

In the three months ended March 31, 2019, net income and comprehensive income attributable to Shareholders was $(4.0) million compared with $0.9 million in the three months ended March 31, 2018. Compared with the comparable prior-year period, net income and comprehensive income attributable to Shareholders in the three months ended March 31, 2019 was lower due primarily to both a $(15.6) million unrealized loss recognized in relation to the Solo investment and a $3.0 million provision for bad debt recognized in relation to amounts owing from an operating partner affiliated with Crown Power Fund, which had an aggregate after-tax impact of $(6.5) million.

Crown consolidates 100% of its approximate 37.0% effective interest in Crown Partners Fund (March 31, 2018 – 36.5%; December 31, 2018 – 37.0%), its approximate 43.2% interest in Crown Power Fund (March 31, 2018 – N/A; December 31, 2018 – 100%) and its 100% interest in Crown Private Credit Fund and reflects the interests of other investors in these funds as non-controlling interests. Crown holds its interests in Crown Partners Fund, Crown Power Fund and Crown Private Credit Fund through CCFC, a 100%-owned subsidiary. Crown's 100%-owned subsidiaries CCF III, Crown Partners Fund GP and Crown Power GP are the general partners and managers of NCOF LP, Crown Partners Fund and Crown Power Fund, respectively.

The financial results of the Corporation as at and for the three months ended March 31, 2019 discussed in this MD&A include the results of operations of CCFC, Crown Partners Fund, Crown Private Credit Fund, Crown Power Fund, CCF III, Crown Partners Fund GP and Crown Power GP.

Business Overview

Crown is a specialty finance company focused on providing capital to successful Canadian companies and select U.S. companies seeking alternative financing solutions compared to those provided by traditional capital providers such as banks and private equity funds. Crown also manages capital pools, including some in which Crown has controlling ownership interests. Crown originates, structures and provides tailored special situation and long-term financing solutions to a diversified group of private and public mid-market companies in the form of loans, royalties, and other structures with minimal or no ownership dilution. These financing solutions allow business owners to retain the vast majority of the economic rewards associated with the ownership of their respective businesses.

Crown's revenue sources include interest revenue, transaction fees and realized and unrealized gains on investments made by its consolidated investment funds Crown Partners Fund and Crown Private Credit Fund.

Through its partially-owned subsidiary Crown Partners Fund, Crown offers special situations financing solutions to businesses for transitory capital requirements, generally in the form of short- and medium-term senior or subordinated loans (“**Special Situations Financing**”).

Crown also deploys its capital through its wholly-owned subsidiary, Crown Private Credit Fund, to clients seeking non-dilutive, long-term capital, generally in the form of traditional interest-bearing loans and royalties (“**Long-Term Financing**”).

Crown is also deploying capital through its partially-owned subsidiary Crown Power Fund, an investment fund established in June 2018 to invest directly in power generation assets that provide electricity under long-term contracts to mid- to large-scale electricity users (“**Distributed Power**”). As at March 31, 2019, Crown Power Fund had advanced $9.3 million to suppliers and contractors in relation to the construction of power generation assets that are not yet operational.

Crown, which was founded by Crown Life Insurance Company and owned by it until 2002, completed an initial public offering (“**IPO**”) in 2015 and its Common Shares trade on the Toronto Stock Exchange under the symbol TSX:CRWN.

Portfolio at March 31, 2019

At March 31, 2019, Crown held ownership interests in 14 loans.

Borrower	Loan Principal Amount Outstanding at December 31, 2018(1)	Loan Principal Amount Outstanding at March 31, 2019(1)	Attributable at March 31, 2019 to:		Status
			Shareholders	Non-controlling interests	
Special Situations Financing transactions					
BGO	$15,000,000	N/A	N/A	N/A	N/A
Touchstone[2]	$15,000,000	$15,000,000	$5,546,320	$9,453,680	Current
Source[3]	$12,428,000	$12,428,000	$4,595,311	$7,832,689	Current
Solo[3]	$15,000,000	$15,000,000	$5,546,320	$9,453,680	In Default
Ferus[2]	$25,000,000	$25,000,000	$9,243,867	$15,756,133	Current
RBee[2, 4]	$17,414,343	$17,414,343	$6,439,035	$10,975,308	Current
Active[3]	$7,000,000	$7,000,000	$2,588,283	$4,411,717	Current
Canadian Helicopters[3]	$8,000,000	$8,000,000	$2,958,037	$5,041,963	Current
Baylin[5]	$30,000,000	N/A	N/A	N/A	N/A
Data Communications[2]	$12,000,000	$12,000,000	$4,437,056	$7,562,944	Current
Persta[2]	$20,000,000	$20,000,000	$7,395,093	$12,604,907	Current
Triple Five[2]	$15,000,000	$20,000,000	$7,395,093	$12,604,907	Current
VIQ Solutions[2]	$8,935,000	$8,935,000	$3,303,758	$5,631,242	Current
Long-Term Financing transactions					
PenEquity[2]	$25,000,000	$25,000,000	$25,000,000	Nil	In Arrears
Mill Street[3]	$10,000,000	$10,000,000	$10,000,000	Nil	Current
WireIE[2]	$6,492,758	$6,560,952	$6,560,952	Nil	Current

Notes: (1) Loan principal amounts represent the Corporation's interest in the par value of each loan. For all loans, only the amounts attributable to Shareholders and non-controlling interests are included in the Corporation's March 31, 2019 condensed consolidated interim financial statements. The pro rata portions held by co-investors, if any, are excluded. (2) As at March 31, 2019, the loan component of this investment is carried at amortized cost. (3) As at March 31, 2019, the loan component of this investment is carried at FVTPL. (4) The total size of the RBee loan as at March 31, 2019 was $18.8 million, of which $1.4 million was held by a third party. (5) The total size of the Baylin loan was $33 million of which $3 million was syndicated in equal parts to two third parties.

In accordance with IFRS 9, the Corporation measures some of its debt investments at amortized cost and others at FVTPL. Crown's business model generally involves holding debt investments with the objective of collecting contractual cash flows to maturity rather than holding to sell. The Corporation is therefore required to assess the contractual terms of the cash flows to determine appropriate classification and measurement of its debt investments. Debt investments that give rise to cash flows that are solely payments of principal and interest are carried at amortized cost. Debt investments that give rise to cash flows that are other than solely payments of principal and interest (e.g., debt investments with contractual bonus interest payments) are carried at FVTPL. The current classification of each debt investment in the Corporation's investment portfolio is indicated in the above table.

In addition to the above loans, at March 31, 2019, Crown Partners Fund held ownership interests in 450,000 Medicure common share purchase warrants, 116,059 Source common shares, 4,400,000 Prairie Provident common shares, 1,063,830 VIQ Solutions common shares, 9,000,000 VIQ Solutions common share purchase warrants, 620,456 Baylin common share purchase warrants, 960,000 Data Communications common share purchase warrants, 8,000,000 Persta common share purchase warrants, warrants to acquire common shares of Ferus at nominal cost, a 46.3% common equity stake in RBee, a royalty agreement with a maturity date of November 23, 2023 entitling it to payment of 1% of Touchstone's gross revenue from production, and a royalty agreement with a maturity date of March 12, 2022 entitling it to payment of 1.33% of Triple Five's gross revenue from production. In addition to these investments owned by Crown Partners Fund, the Corporation also owned 1,063,829 VIQ Solutions common shares and warrants to acquire common shares of Wire IE at nominal cost.

In addition to the aforementioned portfolio of debt and equity-related investments, Crown Power Fund has also invested $9.3 million as at March 31, 2019 in equipment under development and related deposits. These investments relate to advances made in respect of the acquisition and installation of electricity-generating assets that are not yet operational as of March 31, 2019.

Loan Risk Rating

Crown monitors the performance and health of each borrower as well as the overall performance and health of the portfolio. As part of this process, Crown utilizes a proprietary credit evaluation model to ascribe a risk rating to each loan Crown manages. As outlined in the table below, the credit evaluation model reviews five primary categories (i.e. financial, business, industry, security and marketability) and over fifty sub-categories (e.g. profitability, leverage, liquidity, management, customers, operations, employees, suppliers, competitors, business cycle, asset coverage, condition of assets, etc.). A point value and weighting is assigned to each sub-category and an overall point score is determined. A risk rating of 1.0 is the best possible rating and a 5.0 is the worst possible rating. The risk rating is determined during the initial underwriting process and is updated quarterly.

Financial	Business	Industry	Security	Marketability
Profitability • EBITDA ($) • EBITDA (%) • EBITDA Growth (%) • Gross Margin (%) • Return on Capital (%) **Leverage** • Debt/EBITDA • Debt/Capital • Debt/EV **Liquidity** • Current Ratio • DSCR (EBITDA/P+I) • EBITDA interest coverage • Average Days A/P • Average Days A/R • Cash Coverage **Size** • Sales ($) • Sales Growth (%) • Tangible Assets ($) • Enterprise Value ($)	**Management** • Experience in industry • Competence • Investment **Customers** • Concentration • Reputation/Financial Strength • Stability • Dependence **Operations** • Plant Quality • Process Flow • Scalability • Capacity **Employees** • Turnover • Relations • Wage Level • Pool of Labour **Suppliers** • Diversification • Pricing Power • Reliability **Shareholders** • Alignment of Interests • Financial Capability • Stability	**Competitors** **Business Cycle** **History of Profitability** **International Trade** **Regulatory Restrictions**	**% of Security Coverage** **Assets** • Condition • Obsolescence • Specialization **Dependence on Unsecured Creditors**	**Business** **Investment**

The risk rating assesses the overall risk of a loan. Risk encompasses both the potential incidence of default as well as the potential severity of loss relative to the amount invested if a default were to occur. An increasing risk rating implies that one or both of incidence and severity are increasing. A decreasing risk rating implies that one or both of incidence and severity are decreasing. There may also be situations where a risk rating is stable but incidence and severity are moving in different directions.

Similar to a financial ratio, the risk rating provides both a point-specific indication of the risk level of a loan as well as the trend of the risk level over a period of time. Crown's strategy is to provide loans to successful, cash flow-generating businesses. Crown generally expects the risk rating of a loan to improve over time as the borrower increases in value and pays down debt.

The following table sets forth the risk ratings assigned to each loan comprising the current loan portfolio as at the end of each quarter for the past eight quarters:

Loan Risk Ratings	March 31 2019	December 31 2018	September 30 2018	June 30 2018	March 31 2018	December 31 2017	September 30 2017	June 30 2017
Special Situations Financing:								
Touchstone	2.07	2.07	2.09	2.28	2.61	2.73	2.75	2.70
Source	2.26	2.24	2.14	2.14	2.22	2.25	2.23	2.40
Solo	n.m.	3.57	3.07	3.01	2.81	2.71	2.66	2.64
Ferus	2.96	2.93	2.86	2.92	2.86	2.98	2.74	2.73
RBee	2.59	2.69	2.79	2.68	2.68	2.68	n/a	n/a
Active	2.44	2.39	2.39	2.36	2.47	2.60	n/a	n/a
Canadian Helicopters	2.36	2.31	2.45	2.45	2.50	2.50	n/a	n/a
Data Communications	3.08	3.07	3.01	3.07	n/a	n/a	n/a	n/a
Persta	3.58	3.25	2.91	2.87	n/a	n/a	n/a	n/a
Triple Five	2.63	2.66	2.47	2.47	n/a	n/a	n/a	n/a
VIQ Solutions	2.42	2.27	n/a	n/a	n/a	n/a	n/a	n/a
Long-Term Financing:								
PenEquity	2.97	2.88	2.77	2.53	2.54	2.47	2.42	2.53
Mill Street	2.82	2.61	2.61	2.51	n/a	n/a	n/a	n/a
WireIE	2.81	2.53	2.54	2.59	n/a	n/a	n/a	n/a

Portfolio Company Updates

The following tables set forth certain summary information in respect of loans held by Crown as at March 31, 2019. The information contained in the rows entitled "Business Description" has been developed from information provided by the applicable borrower. See "Forward-Looking Statements", "Market and Industry Data" and "Risk Factors".

<u>Special Situations Financing</u>

Touchstone Exploration Inc. (TSX: TXP)			
Business Description:	Headquartered in Calgary, Alberta, Touchstone is engaged in the exploration, development, and production of petroleum and natural gas. Touchstone's primary focus is onshore oil production in the Republic of Trinidad and Tobago, where it has interests in approximately 90,000 gross acres of exploration and development rights.		
Industry:	Oil and Gas	**Term:**	84 months (extended from 60)
Investment Date:	November 23, 2016	**Interest Rate:**	8%
Current Capital Invested:	$15 million	**Bonus/Participation:**	Royalty of 1% of gross revenue from production until November 23, 2023

Source Energy Services Canada (TSX: SHLE)			
Business Description:	Headquartered in Calgary, Alberta, Source is the leading provider of frac sand to the Western Canadian Sedimentary Basin. Source is vertically integrated with operations spanning the entire production and logistics chain, including the mining and processing of Northern White sand in Wisconsin, bulk rail and storage involving multiple transload terminals in Canada and the United States, and "last mile" logistic solutions including material handling services at the wellsite.		
Industry:	Energy Services	**Term:**	60 months
Investment Date:	December 8, 2016	**Interest Rate:**	10.5%
Current Capital Invested:	$12.4 million of Senior Secured First Lien Notes (original investment $15 million)	**Bonus/Participation:**	116,059 common shares

Solo Liquor Holdings Limited			
Business Description:	Solo is a Calgary, Alberta-based, privately-owned company engaged in the retail sale of liquor. Subsequent to March 31, 2019, the senior lender to Solo demanded immediate repayment of amounts owing, leading to the appointment of a receiver. Lenders to Solo, including Crown Partners Fund, are currently in the process of realizing on their loans, involving the sale and/or liquidation of security held for the loans.		
Industry:	Retail	**Term:**	36 months
Investment Date:	February 24, 2017	**Interest Rate:**	Not disclosed
Current Capital Invested:	$15 million	**Bonus/Participation:**	Share from increase in enterprise value from date of loan to repayment

Ferus Inc.			
Business Description:	Headquartered in Calgary, Alberta, Ferus is the leading provider of industrial gases to the energy sector in the Western Canadian Sedimentary Basin. As an integrated supplier of nitrogen and carbon dioxide for the energized fracturing industry, Ferus owns and operates numerous production plants, tractor-trailer units, and fixed and portable storage units. Ferus' logistics fleet is designed to meet the demanding off-road requirements of the oil and gas industry. Energized hydraulic fracturing involves the use of cryogenic products to increase energy content and reduce water use in well fracturing, resulting in superior hydrocarbon recovery, reduced chemical and water requirements and decreased water disposal costs.		
Industry:	Energy Services	**Term:**	60 months
Investment Date:	June 27, 2017	**Interest Rate:**	Not disclosed
Current Capital Invested:	$25 million	**Bonus/Participation:**	Nominal cost share purchase warrants

RBee Aggregate Consulting Ltd.			
Business Description:	Headquartered in Gibbons, Alberta, RBee has one of the largest mobile crushing fleets in Western Canada. With over 35 years of experience, previously operating as RBee Crushing, RBee offers its expertise to municipal and provincial governments, independent gravel pit owners and both private and public companies. RBee is 50%-owned by each of the management of RBee and a lending syndicate comprised of Crown Partners Fund (approximate interest in RBee of 46.3%) and a syndicate partner (approximate interest in RBee of 3.7%).		
Industry:	Industrial Services	**Term:**	Payable on demand
Investment Date:	November 1, 2017	**Interest Rate:**	Not disclosed
Current Capital Invested:	$17.4 million	**Bonus/Participation:**	46.3% common equity interest

Active Exhaust Corp.			
Business Description:	Headquartered in Toronto, Ontario, Active is a manufacturer of complete exhaust systems and components for major global original equipment manufacturers ("OEMs") operating in the off-road equipment sector. Active has a 180,000 square foot manufacturing facility in Toronto as well as manufacturing operations in China and India through majority-owned joint ventures. For over 50 years, Active has designed and manufactured industry leading exhaust systems, ranging from standard mufflers to custom-engineered exhaust and emission solutions to meet environmental demands. Active sells its products to leading OEMs in four primary categories: agriculture, commercial turf care, construction, and ATV/utility vehicles.		
Industry:	Manufacturing	**Term:**	66 months
Investment Date:	December 21, 2017	**Interest Rate:**	Not disclosed
Current Capital Invested:	$7 million	**Bonus/Participation:**	Share from increase in enterprise value from date of loan to repayment

Canadian Helicopters Limited			
Business Description:	Headquartered in Montreal, Quebec, Canadian Helicopters is the largest helicopter transportation services company operating in Canada with a network of 25 strategically located bases capable of providing operations in every geographical region in Canada. Canadian Helicopters operates over 90 light, medium, and heavy lift helicopters and, in addition to charter services, provides flight training and helicopter repair and maintenance services. Canadian Helicopters provides helicopter transportation services to a diverse array of clients including onshore and offshore oil and gas, military support, mineral exploration, hydro/utilities, forest management, construction, air ambulance, and search and rescue.		
Industry:	Transportation	**Term:**	60 months
Investment Date:	December 27, 2017	**Interest Rate:**	10%
Current Capital Invested:	$8 million	**Bonus/Participation:**	Share from increase in enterprise value from date of loan to repayment

Data Communications Management Corporation (TSX: DCM)			
Business Description:	Headquartered in Brampton, Ontario, Data Communications is the largest integrated business communications solutions provider in Canada, with clients in key verticals such as financial services, retail, healthcare, lottery and gaming, not-for-profit, and energy. Data Communications' core service offering includes commercial print services, labels and asset tracking, event tickets and gift cards, logistics and fulfillment, direct marketing, content and workflow management, data management and analytics, and regulatory communications.		
Industry:	Business Services	**Term:**	60 months
Investment Date:	May 8, 2018	**Interest Rate:**	10%
Current Capital Invested:	$12 million	**Bonus/Participation:**	960,000 warrants

Persta Resources Inc. (HKEX: stock code 3395)			
Business Description:	Persta is a Calgary, Alberta-based oil and gas exploration and development company focused on liquids-rich gas and light crude oil in Western Canada. Its three core areas comprise Alberta Foothills liquids-rich natural gas properties, Deep Basin Devonian natural gas properties and Peace River light oil properties. Persta was founded in 2005 and was one of the first oil and gas companies to target the Spirit River/Wilrich zones in the Alberta foothills.		
Industry:	Oil and Gas	**Term:**	60 months
Investment Date:	May 15, 2018	**Interest Rate:**	12%
Current Capital Invested:	$20 million	**Bonus/Participation:**	8,000,000 warrants

Triple Five Intercontinental Group Ltd.			
Business Description:	Headquartered in Calgary, Alberta, Triple Five is engaged in acquiring interests in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas. Triple Five's core operation is located in Alberta's Sunchild First Nation Reserve within the Deep Basin fairway in west central Alberta, where the Company has a 100% working interest in 20 contiguous sections of land (approximately 12,800 net acres). All of its production is from the Spirit River zone (Falher A and B). The area surrounding the Sunchild First Nation is controlled by several high profile oil and gas companies including Bellatrix, Cenovus, TAQA, Peyto, Westbrick and Vermillion.		
Industry:	Oil and Gas	**Term:**	Approximately 42 months
Investment Date:	August 31, 2018	**Interest Rate:**	10.5%
Current Capital Invested:	$20 million (original investment $15 million)	**Bonus/Participation:**	Royalty of 1.33% of gross revenue from production until March 12, 2022

VIQ Solutions Inc. (TSXV: VQS)			
Business Description:	Headquartered in Mississauga, Ontario, VIQ Solutions is engaged in the transcription services industry with a leading global technology platform offering ultra-secure digital media capture, workflow management and analytics to customers in its key verticals of transcription, insurance, judicial, hearings, legal, healthcare and public safety. Its purpose-built solutions are used in over 25 countries with tens of thousands of users in government and private agencies.		
Industry:	Business Services	**Term:**	60 months
Investment Date:	November 28, 2018	**Interest Rate:**	10%
Current Capital Invested:	$8.9 million (total commitment: $15 million)	**Bonus/Participation:**	2,127,659 common shares and 9,000,000 warrants

Long-Term Financing

PenEquity Realty Corporation			
Business Description:	Headquartered in Toronto, Ontario, PenEquity is a privately-owned property management and real estate development company, operating primarily in the retail sector with a focus on grocery-anchored retail plazas. Since its inception in 1984, PenEquity has completed over 20 development projects. PenEquity has established strong relationships with partners and key tenants and has been successful in attracting large, high-quality, financially-stable tenants. PenEquity currently has a portfolio of six development projects in its pipeline, which are primarily grocery-anchored community retail plazas. Two of the projects are in Barrie, with the others in Stoney Creek, Brampton, London and Kanata. PenEquity expects to develop and realize on these projects over the next five years.		
Industry:	Real Estate Development	**Term:**	120 months
Investment Date:	December 15, 2015	**Interest Rate:**	Not disclosed
Current Capital Invested:	$25 million	**Bonus/Participation:**	None

Mill Street & Co. Inc.			
Business Description:	Headquartered in Thornhill, Ontario, Mill Street is a diversified investment company that has majority ownership stakes in nine operating companies across four industry platforms: construction services, building supply, wholesale & logistics and financial services. Mill Street's core value proposition to an entrepreneur is to provide them with both a succession plan and liquidity by acquiring up to 100% of their business. Mill Street seeks to acquire controlling interests in operating companies and typically structures transactions that result in vendors retaining equity positions of approximately 20%, which serves to keep them engaged in their businesses post-acquisition and promotes successful transitions.		
Industry:	Diversified	**Term:**	120 months
Investment Date:	May 16, 2018	**Interest Rate:**	5-year Govt. of Canada yield plus 10% (12% minimum)
Current Capital Invested:	$10 million	**Bonus/Participation:**	Share of increase in equity value from date of loan to repayment

WireIE (Canada) Inc.			
Business Description:	Headquartered in Richmond Hill, Ontario, WireIE is a telecom infrastructure company that specializes in the deployment and management of carrier-grade telecom services across Canada, and internationally, to underserved communities in rural and remote areas. WireIE builds, owns and operates data networks for its blue-chip customers in the telecom carrier, oil and gas, utility and government industries. Individual network circuits are contracted to customers for between one to four years with contracts structured to provide fixed monthly payments. Since its inception in 2007, WireIE has developed 160,000 miles of network interfacing for underserved markets, providing end users with secure, high quality reliable networks typically found only in densely populated areas with existing infrastructure.		
Industry:	Telecom Infrastructure	**Term:**	120 months
Investment Date:	May 23, 2018	**Interest Rate:**	Not disclosed
Current Capital Invested:	$6.6 million (total commitment: $10 million)	**Bonus/Participation:**	Nominal cost share purchase warrants

The loans to Source, Solo, Ferus, Active, Canadian Helicopters, Data Communications, Persta and VIQ Solutions are payable by way of a single payment due at the end of the respective terms. Principal payments on the Touchstone loan commence on January 1, 2021 in the amount of $810,000 per quarter. The RBee loan is payable upon demand. Principal repayments on the Triple Five loan commence on September 1, 2019 in the amount of $475,000 per month. Annual principal payments of $2.5 million on the PenEquity loan commence on December 31, 2021. Principal payments on the Mill Street loan commence on May 1, 2023 in the amount of $100,000 per month. Principal payments on the WireIE loan are payable monthly and are variable based on the levels of residual cash flow, after deducting certain operating costs in respect of underlying customer contracts and interest payments in respect of the loan, generated by underlying customer contracts.

Outlook

Management continues to place a high priority on new originations of Special Situations Financing, on building out assets in Crown Power Fund and on securing additional third-party funding commitments to help finance additional investment in each of these two segments. As the Corporation intends to focus its investment activity primarily in these two areas, it intends to place less emphasis on sourcing Long-Term Financing transactions. Market conditions for deploying capital in Crown's special situations market segment are currently softer than usual due to a heightened level of competition from traditional finance providers, which has resulted in a contraction in the pipeline of potential transactions. The pipeline of potential transactions in the Distributed Power market is strong.

Crown is focused on segments of the market where there is an ongoing funding gap. This gap is more pronounced during periods in the cycle when many traditional capital providers pull back. As Crown continues to execute its plan and to deploy capital in new originations, it expects to generate growing cash flow and build long-term value for Shareholders.

Considering the Corporation's working capital, the $88.4 million of committed capital available to Crown Partners Fund and Crown Power Fund from parties other than Crown, and the undrawn balances of the credit facilities of each of Crown and Crown Partners Fund, at March 31, 2019, the Corporation had access to up to approximately $192.6 million to fund additional investments.

Quarterly Results Summary

The following table provides selected quarterly information about the Corporation's financial condition and performance for the period from April 1, 2017 to March 31, 2019.

Quarterly Results Summary	Three Months Ended							
(In $000s except per share amounts and number of shares)	March 31 2019 [1]	December 31 2018 [1]	September 30 2018 [1]	June 30 2018 [1]	March 31 2018 [1]	December 31 2017	September 30 2017	June 30 2017
Revenue:								
Interest revenue	$ 7,963	$ 7,585	$ 7,170	$ 6,274	$ 5,563	$ 5,487	$ 4,816	$ 5,623
Fees and other income	1,576	1,497	208	1,636	199	1,888	141	3,080
Performance fee distributions	-	-	-	-	-	-	-	1,044
Net realized gain/(loss) on sale of investments	930	-	-	222	-	1,144	(1,086)	2,733
Net change in unrealized gains in fair value of investments	(14,439)	1,326	542	902	(458)	417	1,731	(4,765)
Total revenue	$ (3,970)	$ 10,408	$ 7,920	$ 9,034	$ 5,304	$ 8,936	$ 5,602	$ 7,715
Total comprehensive income (loss), net of non-controlling interests	$ (3,988)	$ 2,373	$ 1,808	$ 1,970	$ 900	$ 2,112	$ 1,113	$ 1,767
Weighted average shares outstanding - basic	9,613,379	9,620,530	9,597,456	9,467,790	9,496,786	9,520,611	9,538,188	9,519,598
Total comprehensive income per share - basic	$ (0.41)	$ 0.25	$ 0.19	$ 0.21	$ 0.09	$ 0.22	$ 0.12	$ 0.19
Weighted average shares outstanding - diluted	9,729,605	9,759,027	9,734,031	9,839,266	9,858,898	9,837,088	9,848,924	9,853,463
Total comprehensive income per share - diluted	$ (0.41)	$ 0.24	$ 0.19	$ 0.20	$ 0.09	$ 0.21	$ 0.11	$ 0.18
Investments	$ 194,417	$ 246,862	$ 264,923	$ 242,954	$ 208,289	$ 181,302	$ 194,742	$ 194,096
Total assets	$ 263,607	$ 275,921	$ 288,176	$ 277,686	$ 225,159	$ 229,050	$ 216,284	$ 222,445
Total equity	$ 99,301	$ 104,892	$ 103,896	$ 104,314	$ 103,166	$ 104,449	$ 103,492	$ 103,376
Shares outstanding at the end of the period	9,610,827	9,616,555	9,624,855	9,461,372	9,484,167	9,510,017	9,540,575	9,517,432
Total equity per share - basic	$ 10.33	$ 10.91	$ 10.79	$ 11.03	$ 10.88	$ 10.98	$ 10.85	$ 10.86

Note:
1. Results as at and for these periods reflect the adoption of IFRS 9 effective January 1, 2018, which was applied on a retrospective basis, and are therefore not comparable to the results of prior periods which were not restated.

A range of factors impact quarterly variances. Major factors affecting quarterly variances in fees and other income include new investment transactions, amendments to investment agreements, loan prepayments completed in a quarter and the adoption of IFRS 9 on January 1, 2018. The main factors affecting quarterly variances in interest revenue are completion of new investment transactions and loan repayments in a quarter. Factors affecting realized and unrealized gains and losses include changes in the fair value of loan investments caused by variations in benchmark interest rates and/or the credit status of portfolio companies as well as variations in market prices for publicly-traded equity securities and estimated fair value of other equity securities held in the portfolio. Changes in Crown's percentage ownership interest in a fund due to additional subscriptions from Crown and/or additional subscriptions from non-controlling interests impact total comprehensive income, net of non-controlling interests.

Discussion of Operations

Revenues

Revenues of $(4.0) million were recognized in the three months ended March 31, 2019 (2018 – $5.3 million), including a $(15.6) million unrealized loss recognized in relation to a reduction in the carrying value of the Solo investment, which contributed to a $(14.4) million decrease in the unrealized gains (losses) in fair value of investments in the period (2018 - $(0.5) million). The unrealized loss recognized with respect to the Solo investment more than offset increases in each of interest revenue, fees and other income, and net realized gains from investments compared with the same period in the prior year.

<u>Fees and Other Income</u>

Fees and other income in the three months ended March 31, 2019 were $1.6 million (2018 - $0.2 million). The following table provides an overview of the total fees and other income attributable to Shareholders and non-controlling interests.

Fees and Other Income	Three Months Ended March 31,		Attributable to:			
			Shareholders		Non-controlling interests	
(In $000s)	2019	2018	Three Months 2019		Three Months 2019	
Transaction fees and other income received:						
Special Situations Financing:						
Transaction fees - Crown	$ -	$ 330	$ -	100.0%	$ -	0.0%
Transaction fees - Crown Partners Fund	-	415	-	37.0%	-	63.0%
Other income - Crown Partners Fund	2,783	93	1,030	37.0%	1,753	63.0%
Subtotal	2,783	838	1,030		1,753	
Long-Term Financing:						
Transaction fees - Crown Private Credit Fund	-	-	-	100.0%	-	0.0%
Total transaction fees and other income received	2,783	838	1,030		1,753	
Less: Transaction fees deferred in relation to investments carried at amortized cost:						
Transaction fees - Crown	-	(300)	-	100.0%	-	0.0%
Transaction fees - Crown Partners Fund	-	(415)	-	37.0%	-	63.0%
Other income - Crown Partners Fund	(1,250)	-	(463)	37.0%	(787)	63.0%
Transaction fees - Crown Private Credit Fund	-	-	-	100.0%	-	0.0%
Total transaction fees and other income recognized	1,533	123	567		966	
Other interest income[1]	43	44	43	100.0%	-	0.0%
Management fee revenue[2]	-	32	-	100.0%	-	0.0%
Total fees and other income	$ 1,576	$ 199	$ 610		$ 966	

Notes:

1. Other interest income is comprised of interest earned on cash and cash equivalents and on share purchase loans.
2. Management fee revenue excludes fees charged to Crown Partners Fund and Crown Power Fund, which are eliminated on consolidation. Management fees charged to Crown Partners Fund in the three months ended March 31, 2019 were $670 (March 31, 2018 - $609). Management fees charged to Crown Power Fund in the three months ended March 31, 2019 were $8 (March 31, 2018 - $nil). For the three months ended March 31, 2019, management fees charged on the portion of contributed capital from non-controlling interests were $426 (March 31, 2018 - $386).

The Corporation may receive transaction fees and other income when loans are initially made, when loans are repaid prior to maturity and in other instances, for example, for providing amendments, waivers, consents or forbearance agreements. Also included in transaction fees and other income are revenues earned in respect of royalty arrangements by Crown Partners Fund. For the three months ended March

31, 2019, transaction fees and other income totaled $1.5 million (2018 - $0.1 million). Transaction fees and other income for the three-months ended March 31, 2019 were higher than the comparable prior year period due to the inclusion of fees recognized in relation to the repayment of the BGO and Baylin loan investments. In the three months ended March 31, 2019, the Corporation received other fees totaling $0.3 million and capitalized an additional $1.0 million of other fees to loan principal value (2018 - $0.7 million in total) in relation to loans carried at amortized cost, which were not recognized as fee income in the periods.

The Corporation earns investment management fees pursuant to management agreements. The base annual management fee for Crown Partners Fund is equal to 1.75% of invested capital, as defined in the limited partnership agreement for this fund, less any capital distributions and realized losses. The base annual management fee for Crown Power Fund is equal to 1.0% of total capital, as defined in the limited partnership agreement for this fund, which includes the sum of invested capital net of capital distributions and realized losses plus funded debt that has been invested into qualifying investments, also as defined in the limited partnership agreement. Crown provides certain limited partners with management fee discounts and Crown may voluntarily reduce its management fees such that the effective annualized management fee rates earned by Crown from these two funds are lower than the base rates specified above.

On consolidation, 100% of management fees earned from Crown Partners Fund and Crown Power Fund are eliminated against the management fees expensed by the respective funds. The non-controlling interests of Crown Partners Fund incur approximately 63.0% (63.5% from July 1, 2017 to June 30, 2018; 62.9% from July 1, 2018 to September 30, 2018) of the management fees while Crown effectively pays itself for the remaining 37.0% as a result of its ownership interests. The non-controlling interests of Crown Power Fund incur approximately 56.8% (nil prior to February 28, 2019) of the management fees while Crown effectively pays itself for the remaining 43.2% as a result of its ownership interests (see also Related Party Transactions).

Interest Revenue

The following table provides an overview of interest revenue attributable to Shareholders and the non-controlling interests.

Interest Revenue	Three Months Ended March 31,		Attributable to: Shareholders		Attributable to: Non-controlling interests	
(In $000s)	2019	2018	Three Months 2019		Three Months 2019	
Special Situations Financing:						
Crown Partners Fund	$ 6,498	$ 4,689	$ 2,404	37.0%	$ 4,094	63.0%
Long-term Financing:						
Crown Private Credit Fund	1,465	874	1,465	100.0%	-	0.0%
Total interest revenue	$ 7,963	$ 5,563	$ 3,869		$ 4,094	

Interest revenue in the three months ended March 31, 2019 was $8.0 million (2018 - $5.6 million). Interest revenue increased in the three months ended March 31, 2019 compared with the prior-year period primarily due both to interest earned on additional investments made by Crown Private Credit Fund and to interest revenue of $1.7 million recognized in relation to the repayment of the BGO and Baylin loans.

In accordance with IFRS 9, interest revenue on loan investments carried at amortized cost is calculated using the effective interest rate method and includes an amortization component which totaled $0.8 million in the three months ended March 31, 2019 (2018 - $0.3 million).

Net Gain (Loss) on Investments

The net gain (loss) on investments includes both net realized gains from investments and the net change in unrealized gains in the fair value of investments. Additional details are provided in the table below.

Net Gain (Loss) on Investments	**Three Months Ended March 31,**		**Attributable to: Shareholders**		**Attributable to: Non-controlling interests**	
(In $000s)	**2019**	**2018**	Three Months 2019		Three Months 2019	
Realized gains:						
Special Situations Financing:						
Crown Partners Fund	$ 930	$ -	$ 344	37.0%	$ 586	63.0%
sub-total - realized gains	930	-	344		586	
Unrealized gains (losses):						
Crown	(11)	-	(11)	100.0%	-	0.0%
Special Situations Financing:						
Crown Partners Fund	(14,555)	(458)	(5,385)	37.0%	(9,170)	63.0%
Long-term Financing:						
Crown Private Credit Fund	127	-	127	100.0%	-	0.0%
sub-total - unrealized losses	(14,439)	(458)	(5,269)		(9,170)	
Total net losses on investments	$ (13,509)	$ (458)	$ (4,925)		$ (8,584)	

The Corporation's net loss on investments in the three months ended March 31, 2019 totaled $(13.5) million (2018 – $(0.5) million). For the three months ended March 31, 2019, $(4.9) million was attributable to Shareholders and $(8.6) million to non-controlling interests.

A net realized gain of $0.9 million was recognized in the three months ended March 31, 2019 in relation to the repayment of the Baylin loan (2018 - $nil).

The net change in unrealized gains/(losses) in fair value of investments for the three months ended March 31, 2019 was $(14.4) million (2018 - $(0.5) million) including a $(15.6) million unrealized loss recognized in relation to a reduction in the carrying value of the Solo investment.

Other than the net unrealized loss recognized in relation to the Solo investment, the most significant contributors to the net change in unrealized gains in the three months ended March 31, 2019 were increases in the fair values of the Touchstone and Triple Five royalties resulting mainly from the extension of their respective terms, a reversal of a net unrealized gain in relation to the repayment of the BGO loan which was more than offset by amounts included in interest revenue in the period in relation to this repayment, a net reduction in the aggregate fair value of other equity-related investments, a net increase in the aggregate fair value of loan investments carried at FVTPL, and unrealized gains recognized in relation to the restructuring of the terms of three loans measured at amortized cost.

In accordance with IFRS 9, unrealized gains/(losses) are not recognized in relation to investments carried at amortized cost unless the estimated timing and/or amount of cash receipts in relation to an investment are revised, in which case the gross carrying value of the investment is revised to equal the net present value of the revised cash flows discounted at the investment's previous effective interest rate. Unrealized gains totaling $1.0 million were recognized in the three months ended March 31, 2019 in relation to the restructuring of the terms of three loans measured at amortized cost.

Expenses

Expenses in the three months ended March 31, 2019 totaled $4.2 million (2018 - $1.9 million), including a provision for bad debt of $3.0 million (2018 - $nil). Operating costs are primarily fixed with the largest cost being employee compensation, including share-based compensation, amounts accrued for annual employee bonuses and accruals for performance bonus expense. Finance costs vary primarily in relation to the average level of outstanding debt and the levels of applicable interest rates.

<u>Salaries, Management Fees and Benefits</u>

Salaries, management fees and benefits expense totaled $0.6 million in the three months ended March 31, 2019 (2018 - $0.7 million). Compared to the same period in 2018, the increase in salaries, management fees and benefits expense in the three months ended March 31, 2019 resulting from an increase in the number of employees was more than offset by a reduction in the amount accrued with respect to annual staff bonuses.

<u>Share-based Compensation</u>

Share-based compensation expense is recognized over the expected vesting period of each award. Share-based compensation totaled $0.2 million in the three months ended March 31, 2019 (2018 - $0.5 million), with the reduction due mainly to the vesting in July 2018 of Transition Restricted Share Units that had been issued in 2015, as well as to a reduction in the number of Restricted Share Units and Performance Share Units outstanding.

<u>General and Administration</u>

General and administration expenses totaled $0.5 million in the three months ended March 31, 2019 (2018 – $0.4 million). General and administration expenses include costs such as legal and audit fees, travel, promotion, occupancy costs, insurance, office administration and other costs. Compared with the prior-year period, general and administration expenses in the three months ended March 31, 2019 increased due to professional fees related to the formation of Crown Power Fund and an increase in occupancy costs relating to a new five-year office lease arrangement.

<u>Performance Bonus Expense</u>

The Corporation has asset performance bonus pool ("**APBP**") arrangements for certain individuals, primarily employees ("**APBP Participants**"). For certain investment funds managed by the Corporation, 20% of investment returns in excess of an annual rate of return of 8% earned by the fund accrue to the Corporation as performance fee distributions.

Allocation of the units of the APBP relating to Crown Partners Fund commenced in 2015 and will continue until the expiration of the investment fund's term in 2024, subject to annual one-year extensions, with 50% of performance fees recognized by the fund allocated to employees. Subject to specified fund diversification and performance hurdles, advances on account of accrued performance fees may be paid to APBP Participants on an annual basis. Commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the limited partners in the related investment funds, all remaining accrued performance bonus amounts will be paid to APBP participants.

For the three months ended March 31, 2019, Crown recorded a recovery of $(1.1) million in relation to the provision for performance bonus (2018 – expense of $0.1 million), reflecting a decrease in the level of the accrued performance fee relating to Crown Partners Fund that was primarily caused by a reduction in the carrying value of the investment in Solo.

To date, no amounts have been accrued and no units have been allocated in relation to the Crown Power Fund APBP.

Provision for Credit Losses

For debt investments carried at amortized cost, the Corporation determines loan-specific expected credit losses in accordance with IFRS 9 which, cumulatively, represent an allowance for credit losses that is deducted in determining the net amortized cost, and therefore the carrying value, of such loans. The provision for credit losses primarily reflects changes in the allowance for credit losses resulting from factors such as the addition or repayment of loans carried at amortized cost or revisions to the expected credit losses for existing loans carried at amortized cost. The provision for credit losses for the three months ended March 31, 2019 of $0.1 million (2018 - $0.03 million) relate primarily to the remeasurement of expected credit losses on existing loan investments, partially offset by a net reduction in the value invested in loans carried at amortized cost.

Finance Costs

Finance costs totaled $0.9 million for the three months ended March 31, 2019 (2018 - $0.1 million), including current period interest accruals, standby fees and the amortization of deferred financing costs related to each of the CCPF Credit Facility, the Crown Credit Facility and the Convertible Debentures. Interest expense in relation to the Convertible Debentures, which are measured at amortized cost, is determined using the effective interest rate method. Finance costs were higher in the three months ended March 31, 2019 compared with the prior year due to higher average outstanding balances for each of the CCPF Credit Facility, which was established in February 2019, the Crown Credit Facility, for which advances were provided to the Corporation for the first time during the three months ended June 30, 2018, and the Convertible Debentures, which were issued in June 2018.

Provision for Bad Debt

For the three months ended March 31, 2019, a provision for bad debt of $3.0 million (2018 - $nil) was recorded in relation to amounts owing from an operating partner affiliated with Crown Power, representing the gross amount of this receivable. This amount relates to advances from the Corporation that were used by the operating partner to fund unauthorized operating expenses. While the Corporation intends to pursue recovery of this amount, the related provision for bad debt reflects the Corporation's current assessment of the recoverability of this receivable.

As this expense was incurred directly by the Corporation rather than by its subsidiary Crown Power Fund, it is fully attributable to Shareholders.

Income Taxes

For the three months ended March 31, 2019, Crown recorded current tax expense/(recovery) of $(1.4) million (2018 – $0.4 million) and deferred tax expense/(recovery) of $(0.06) million (2018 – $0.1 million).

The Corporation's consolidated statutory tax rate for the three months ended March 31, 2019 on earnings before income taxes attributable to shareholders of the Corporation was 26.5%.

The deferred income tax asset at March 31, 2019 of $0.4 million and deferred tax expenses for the three months ended March 31, 2019 result primarily from financing costs associated with the IPO, the Crown Credit Facility and the Convertible Debentures which are deductible for tax purposes over a five-year period, the income tax impact of financing fees on debt instruments previously recognized as income under IAS 39 that were reversed upon transition to IFRS 9, and performance bonus expenses which are not deductible for tax purposes until they are paid in future periods.

Net Income (Loss) and Comprehensive Income (Loss)

For the three months ended March 31, 2019, net income (loss) and comprehensive income (loss) of the Corporation was $(6.6) million (2018 – $2.9 million).

Net Income (Loss) and Comprehensive Income (Loss) Attributable to Shareholders of the Corporation and Non-Controlling Interests

For the three months ended March 31, 2019, net income (loss) and comprehensive income (loss) attributable to Shareholders was $(4.0) million (2018 – $0.9 million). The net loss reflects an aggregate effect, net of income taxes, of $(6.5) million related to an unrealized loss recognized in relation to Crown Partners Fund's investment in Solo and to a provision for bad debt incurred in relation to an operating partner affiliated with Crown Power Fund. Net income (loss) and comprehensive income (loss) attributable to non-controlling interests for the three months ended March 31, 2019 was $(2.6) million (2018 – $2.0 million). Net income (loss) and comprehensive income (loss) attributable to non-controlling interests reflects the proportionate interest of non-controlling interests in the net income (loss) and comprehensive income (loss) of consolidated entities, and is net of contractual management fees on the capital of non-controlling interests for the three months ended March 31, 2019 of $0.4 million (2018 - $0.4 million), which the Shareholders are entitled to retain.

NON-IFRS MEASURES

Adjusted EBIT and Adjusted Funds from Operations are not measures of financial performance (nor do they have standardized meanings) under IFRS. In evaluating these measures, readers should consider that the methodology applied in calculating these measures might differ among companies and analysts.

Adjusted Funds from Operations

Crown defines Adjusted EBIT as earnings before finance costs, non-cash, share-based compensation and income taxes less net income attributable to non-controlling interests. Adjusted Funds from Operations is calculated as Adjusted EBIT plus financing fees attributable to shareholders that were received in relation to investments measured at amortized cost but not recognized in revenue of the period, less amounts attributable to shareholders in relation to unrealized gains / (losses) and the amortization component of interest revenue recognized on loans carried at amortized cost. With these measures, Crown is attempting to quantify the amounts of Adjusted EBIT and Adjusted Funds from Operations, respectively, that are attributable to the common shareholders of the Corporation.

The Corporation believes that Adjusted Funds from Operations is a more useful supplemental measure in the context of Crown's specialty finance focus to assist investors in assessing the cash anticipated to be generated by Crown's business, including cash received in relation to its various revenue streams, that is attributable to shareholders.

Adjusted Funds from Operations in the three months ended March 31, 2019 were $0.6 million (2018 – $2.2 million).

A reconciliation of earnings before income taxes to Adjusted EBIT and Adjusted Funds from Operations for the three-month periods ended March 31, 2019 and March 31, 2018 is shown in the following table:

Reconciliation of Earnings before Income Taxes to Adjusted EBIT and Adjusted Funds from Operations (In $000s)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Earnings (loss) before income taxes	$ (8,127)	$ 3,450
Add: finance costs	866	135
Add: non-cash share-based compensation	26	458
Add/deduct: net (income) loss attributable to non-controlling interests	2,645	(2,033)
Adjusted EBIT	(4,590)	2,010
Add: finance fees and other income attributable to shareholders received on investments carried at amortized cost but not included in fee and other income	463	452
Deduct: unrealized investment (gains)/losses attributable to shareholders	5,269	(167)
Deduct: amortization component of interest revenue attributable to shareholders on loans carried at amortized cost	(515)	(114)
Adjusted Funds from Operations	$ 627	$ 2,181

Compared with the comparable prior-year period, Adjusted Funds from Operations in the three months ended March 31, 2019 was lower due primarily to the incurrence of a $3.0 million provision for bad debt, partially offset by increases in the levels of interest revenue, fee income and realized gains attributable to shareholders.

Liquidity and Capital Resources

Cash and cash equivalents at March 31, 2019 totaled $51.6 million (December 31, 2018 - $11.3 million).

Accounts receivable at March 31, 2019 totaled $5.3 million (December 31, 2018 - $4.4 million) and was comprised primarily of interest receivable from investments, GST and HST recoverable by Crown Power Fund and management fees receivable from NCOF LP. Also included is an amount receivable from an operating partner affiliated with Crown Power Fund for which there is a fully offsetting allowance for bad debts.

Accounts payable and accrued liabilities at March 31, 2019 of $0.9 million (December 31, 2018 - $1.1 million) included accrued employee salaries, accrued loan interest and standby fees and normal-course amounts due to suppliers.

Distributions payable to non-controlling interests at March 31, 2019 of $2.6 million was in relation to a regular quarterly distribution from Crown Partners Fund and is lower than the $2.8 million amount payable as at December 31, 2018 as a result of a decrease in the average level of invested capital of this fund contributed by non-controlling interests.

The provision for performance bonus at March 31, 2019 totaled $1.5 million compared to $2.7 million as at December 31, 2018. The provision that has accrued in relation to the performance of Crown Partners Fund decreased in the period primarily due to a reduction in the carrying value of the investment in Solo.

The Corporation defines working capital as the sum of cash and cash equivalents, accounts receivable, income taxes recoverable and prepaid expenses and deposits less the sum of accounts payable and accrued liabilities, distributions payable to non-controlling interests, income taxes payable and the portions of the deferred compensation liability, the provision for performance bonus, bank debt and the lease-related right-of-use asset that are payable within one year of the reporting date. Working capital at March 31, 2019 was $55.2 million compared with $(5.7) million as at December 31, 2018, with the increase during the period related primarily to the receipt of Baylin loan repayment proceeds in late-March 2019, capital contributions to Crown Power Fund received from non-controlling interests and a reclassification of bank debt as a non-current liability in the non-consolidated financial statements of the Corporation effective February 5, 2019.

The Corporation, on a non-consolidated basis, retains sufficient capital to ensure it meets the minimum excess working capital requirement of $100,000 under applicable securities law.

As at March 31, 2019 Crown's aggregate unfunded commitment to Crown Partners Fund, CCF IV Investment and Crown Power Fund totaled $55.3 million. As the manager of each of Crown Partners Fund, CCF IV Investment and Crown Power Fund, Crown controls the timing and level of funding requirements in relation to its capital commitments to these funds.

At March 31, 2019, $120.2 million (64%) of the $189.0 million committed to Crown Partners Fund to that date by limited partners other than Crown had been drawn by Crown Partners Fund, leaving $68.8 million of committed capital available to Crown Partners Fund from parties other than Crown. As at March 31, 2019, Crown Partners Fund had total committed capital of $300.0 million and a maximum size of $500.0 million.

At March 31, 2019, $13.3 million (40%) of the $32.9 million committed to Crown Power Fund to that date by limited partners other than Crown had been drawn by Crown Power Fund, leaving $19.6 million of committed capital available to Crown Power Fund from parties other than Crown. As at March 31, 2019, Crown Power Fund had total committed capital of $57.9 million.

As at March 31, 2019, Crown Power Fund had committed to contracts valued at $1.8 million in relation to the construction of power generation assets, of which $0.8 million had been advanced to suppliers and contractors, resulting in an unfunded commitment of approximately $1.0 million.

Of the Corporation's $10 million funding commitment to WireIE, $6.6 million had been advanced as at March 31, 2019, resulting in an unfunded commitment of $3.4 million at that date. Of Crown Partners Fund's $15 million funding commitment to VIQ Solutions, $8.9 million had been advanced as at March 31, 2019, resulting in an unfunded commitment of $6.1 million as at that date, of which $3.8 million was attributable to non-controlling interests.

On December 30, 2016, Crown entered into an agreement for a $35.0 million, 36-month, renewable senior secured revolving credit facility with ATB Financial and Business Development Bank of Canada which is intended to be used primarily to fund the Corporation's capital commitments to each of Crown Partners Fund, CCF IV Investment LP and Crown Power Fund and to fund Long-Term Financings. The balance outstanding on the Crown Credit Facility at March 31, 2019 of $10.5 million is comprised of gross advances of $11.0 million net of $0.5 million of unamortized deferred financing costs. Effective February 5, 2019, the Corporation extended the maturity of the Crown Credit Facility to May 31, 2021.

On February 5, 2019, Crown Partners Fund entered into an agreement for a $25.0 million senior secured credit facility with ATB Financial that matures on May 31, 2022, is subject to extension annually, and is intended to be used primarily to fund investments in mid-market corporations. The balance outstanding on the CCPF Credit Facility at March 31, 2019 of $(0.3) million is comprised of gross advances of $nil net of $0.3 million of unamortized deferred financing costs.

On July 13, 2018, Crown issued $20.0 million of convertible unsecured debentures that bear interest at a rate of 6.0% per annum, payable semi-annually, with a maturity date of June 30, 2023 and a conversion price of $13.70 per Common Share. The Convertible Debentures are direct, subordinated unsecured obligations of the Corporation, subordinated to the Credit Facility. Net of issuance costs, the Corporation received net proceeds of $18.7 million from the issuance of the Convertible Debentures.

Considering the Corporation's working capital, the $88.4 million of committed capital available to Crown Partners Fund and Crown Power Fund from parties other than Crown, and the undrawn balances of the credit facilities of each of Crown and Crown Partners Fund, at March 31, 2019, the Corporation had access to up to approximately $192.6 million to fund additional investments.

Investments

As at March 31, 2019, the Corporation held investments in 16 Canadian companies carried at an aggregate carrying value of $194.4 million (December 31, 2018 - $246.9 million). In accordance with IFRS 9, the Corporation classifies its investments in debt securities to be carried at either amortized cost or FVTPL. All investments in equity securities are carried at FVTPL.

As at March 31, 2019, the Corporation held debt securities in 9 Canadian companies carried at amortized cost with an aggregate carrying value of $143.4 million, net of an allowance for credit losses of $0.3 million. The fair value of these debt securities as at the reporting date was $145.5 million.

As at March 31, 2019, the Corporation held debt securities in 5 Canadian companies carried at FVTPL with an aggregate carrying value of $38.1 million. The carrying value of other investments carried at FVTPL, including equity securities, as at March 31, 2019 was $13.0 million.

Additional information about investments can be found in Note 4, Financial instruments in the Corporation's condensed consolidated interim financial statements for the three months ended March 31, 2019.

Provision for Performance Bonus

The provision for performance bonus in relation to the Corporation's obligations to APBP Participants at March 31, 2019 totaled $1.5 million (December 31, 2018 - $2.7 million), all of which represented the portion of performance fees related to Crown Partners Fund recognized in consolidated earnings to date that will be payable to APBP Participants commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the limited partners of Crown Partners Fund. Subject to specified fund diversification and performance hurdles, advances on account of accrued performance fees may be paid to APBP Participants on an annual basis.

Share Purchase Loans

The Corporation has an Executive Share Purchase Plan ("**Share Purchase Plan**") whereby the Board can approve loans to senior management ("**Share Purchase Plan Participants**") for the purpose of purchasing the Corporation's Common Shares in the open market. Loans in relation to Share Purchase Plan are advanced by both a third-party financial institution and the Corporation (collectively the "**Lenders**"). The following must be paid directly to the Lenders on behalf of Share Purchase Plan Participants in repayment of interest and principal on these loans: all dividend distributions on the Common Shares, all annual performance incentive plan payments to Share Purchase Plan Participants in excess of target bonus payouts, and all proceeds from the sale of the Common Shares.

As at March 31, 2019, $0.1 million of these loans were outstanding to the Corporation (December 31, 2018 – $0.6 million), including accrued interest. The loans under the Share Purchase Plan bear interest at Prime (3.95% as at March 31, 2019), are repayable in full within 90 days following the date on which the Share Purchase Plan Participant ceases to be employed by the Corporation and are personally guaranteed by Share Purchase Plan Participants.

The Corporation has guaranteed the repayment of loans advanced to Share Purchase Plan Participants by a third-party financial institution pursuant to the Share Purchase Plan which totaled $3.4 million as at March 31, 2019, and which are secured by Common Shares owned by Share Purchase Plan Participants with a value of $4.5 million as at March 31, 2019.

Non-Controlling Interests

At March 31, 2019, non-controlling interests was $130.0 million (December 31, 2018 - $127.9 million). The increase is attributable to capital contributions to Crown Power Fund and Crown Partners Fund received from non-controlling interests, partially offset by an excess of distributions, including capital returned in relation to loan repayments, over net income attributable to non-controlling interests over the same period.

Share Capital

As at December 31, 2018, total share capital was $97.5 million (December 31, 2018 - $97.6 million).

In the three months ended March 31, 2019, the Corporation issued 11,033 Common Shares to employees and directors as a result of vesting of Share Units. The total value assigned to the Common Shares issued was $0.1 million and this amount was added to share capital.

On April 10, 2017, the Corporation commenced a normal course issuer bid ("**NCIB**") to purchase for cancellation during the next 12 months up to 310,000 Common Shares representing approximately 4.2% of the public float of Common Shares and approximately 3.3% of the issued and outstanding Common Shares. Under this NCIB program, which subsequently expired on April 9, 2018, Crown repurchased and cancelled 86,074 Common Shares at an average cost of $9.69 per Common Share.

On April 10, 2018, the Corporation commenced an NCIB to purchase for cancellation during the next 12 months up to 300,000 Common Shares representing approximately 5.5% of the public float of Common Shares and approximately 3.2% of the issued and outstanding Common Shares. Under this NCIB program, Crown repurchased and cancelled 16,761 Common Shares in the three months ended March 31, 2019 at an average cost of $9.85 per Common Share.

The total number of Common Shares outstanding at March 31, 2019 was 9,610,827 (December 31, 2018 – 9,616,555; May 6, 2019 – 9,602,627).

Contributed Surplus

At March 31, 2019 Crown's contributed surplus of $0.8 million included the opening balance at January 1, 2019 of $1.4 million plus, for the three months ended March 31, 2019, $0.1 million for share-based compensation expense recorded for Share Units and Stock Options outstanding during the period less $0.1 million transferred to share capital for Share Units vested, $0.1 million for cash-settled share-based compensation and $0.5 million transferred to retained earnings in relation to the cancelation of Stock Options.

Cash Flows

Cash and cash equivalents at March 31, 2019 totaled $51.6 million (December 31, 2018 - $11.3 million). In the three months ended March, 2019, the primary sources of cash flow for the Corporation were non-controlling interest contributions to Crown Power Fund, non-controlling interest contributions to Crown Partners Fund to fund the incremental investment in Triple Five and proceeds from the repayment of the BGO (net of non-controlling interests' share) and Baylin loans. Primary uses of cash included net repayment in respect of the credit facilities, the net loss and comprehensive loss, incremental investment in Triple Five, distributions to non-controlling interests, dividend payments to Shareholders, an increase in interest receivable, the incurrence of deferred finance costs in relation to the credit facilities, and the purchase of equipment under development and related deposits.

On May 6, 2019, the Corporation declared a quarterly dividend of $0.15 per Common Share. The dividend will be paid on May 31, 2019 to Shareholders of record on May 17, 2019.

Off-Balance Sheet Arrangements

As at March 31, 2019 the Corporation, through CCFC, had subscribed for 107,840 Units of Crown Partners Fund. This subscription included a commitment by the Corporation to provide up to $107.8 million to Crown Partners Fund as funds are called by Crown Partners Fund to fund new Special Situations Financing transactions. As of March 31, 2019, the Corporation had contributed capital to Crown Partners Fund totaling $68.6 million and was committed to provide up to an additional $39.2 million to Crown Partners Fund.

Through CCFC, the Corporation had also subscribed for 3,170 Units of CCF IV Investment LP. This subscription included a commitment by the Corporation to provide up to $3.2 million to CCF IV Investment LP as funds are called by CCF IV Investment LP to fund its commitment to Crown Partners Fund. As of March 31, 2019, the Corporation had contributed capital to CCF IV Investment LP totaling $2.0 million and was committed to provide up to an additional $1.2 million to CCF IV Investment LP.

Through CCFC, the Corporation had also subscribed for 25,000 Units of Crown Power Fund. This subscription included a commitment by the Corporation to provide up to $25.0 million to Crown Power Fund as funds are called by Crown Power Fund to fund new investment. As of March 31, 2019, the Corporation had contributed capital to Crown Power Fund totaling $10.1 million and was committed to provide up to an additional $14.9 million to Crown Power Fund.

As discussed in the *Liquidity and Capital Resources* section above, as at March 31, 2019 the Corporation had unfunded contractual commitments through Crown Power Fund of approximately $1.0 million, $3.4 million to WireIE and $6.1 million to VIQ Solutions, of which $3.8 million was attributable to non-controlling interests. As discussed in the *Share Purchase Loans* section above, the Corporation has guaranteed the repayment of loans advanced to Share Purchase Plan Participants by a third-party financial institution pursuant to the Share Purchase Plan.

Crown has no other material off-balance sheet arrangements.

Related Party Transactions

Pursuant to a limited partnership agreement, Crown, for services provided, is entitled to earn management fees from NCOF LP. Effective October 31, 2018, the Corporation elected to stop accruing for incremental management fees from NCOF LP and as a result it recognized management fee income in relation to NCOF LP for the three months ended March 31, 2019 of $nil (2018 - $0.03 million).

At March 31, 2019, accounts receivable included $0.5 million due from NCOF LP (December 31, 2018 - $0.5 million).

Pursuant to limited partnership agreements, Crown Partners Fund and Crown Power Fund also pay management fees to Crown for management services provided. Management fees paid to Crown by Crown Partners Fund and Crown Power Fund are eliminated on consolidation.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

The table below provides additional details of the transaction fees, management fees and performance fees included in net income and comprehensive income attributable to Shareholders of the Corporation arising from non-controlling interests as a result of Crown's role as a fund manager and the financial statement captions through which these fees are reflected in net income and comprehensive income attributable to Shareholders.

Fees Earned From Related Parties	Three Months Ended March 31,		
($ in 000s)	2019	2018	Notes on Consolidation
Transaction fees - Crown	$ -	$ 190	allocated from net income to income attributable to Shareholders
Management Fees charged to NCOF LP	-	32	included in Revenue - Fees and Other Income
Performance fees related to non-controlling interest in Crown Partners Fund	(1,433)	116	allocated from net income to income attributable to Shareholders
Management fees related to non-controlling interest in Crown Partners Fund and Crown Power Fund	427	386	allocated from net income to income attributable to Shareholders
	$ (1,006)	$ 724	

Critical Estimates and Accounting Policies

The preparation of the condensed consolidated interim financial statements in accordance with the financial reporting framework requires management to make judgments, estimates and assumptions that affect the application of the Corporation's accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities at the reporting date. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgments, assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements for the three months ended March 31, 2019 are included in the following notes in those financial statements:

- Note 3 – Significant accounting policies;
- Note 4 – Financial instruments; and
- Note 6 – Share-based compensation.

Additional information about critical estimates and accounting policies can be found in the Corporation's 2018 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

Current Period Changes in Accounting Policies

IFRS 16 “*Leases”* (“IFRS 16”):

Effective January 1, 2019 the Corporation adopted IFRS 16, replacing IAS 17 “*Leases*”. IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Corporation, as a lessee, has recognized a right-of-use asset in respect of its office lease representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Previously, the Corporation classified its office lease as an operating lease under IFRS 17. At transition, the lease liability was measured at the present value of the remaining lease payments, discounted at the Corporation’s incremental borrowing rate as at January 1, 2019. When measuring the lease liability, the Corporation discounted lease payments using its incremental borrowing rate as at January 1, 2019. The weighted-average rate applied is 7.0%.

The right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Corporation has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019, with no restatement of comparative information.

As a result of initially applying IFRS 16, the Corporation recognized a right-of-use asset in the amount of $0.5 million and a lease liability in the amount of $0.5 million, with a nil difference in retained earnings.

Financial Instruments and Associated Risks

The Corporation’s financial instruments include cash and cash equivalents, accounts receivable, share purchase loans, accounts payable and accrued liabilities, distributions payable to non-controlling interests, credit facilities and convertible debentures – liability component. The fair value of share purchase loans approximates carrying value due to the variable rate of interest applicable to these instruments. The carrying value of the convertible debenture – liability component approximates fair value due to the market interest rate as at March 31, 2019 which was consistent with that used to record the convertible debenture – liability component upon initial recognition at fair value on June 13, 2018. The fair values of other financial instruments approximate carrying value due to the short term to maturity of the instruments. The provision for deferred compensation is measured based on the market value of the Corporation’s share price with the impact of any resultant change included in share-based compensation expense in the period.

The Corporation, through its subsidiaries CCFC, Crown Partners Fund and Crown Private Credit Fund, also holds investments in debt securities which are measured at amortized cost and at FVTPL and equity securities which are measured at FVTPL.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation’s Canadian equity securities include Crown Partners Fund’s interest in Source common shares, Prairie Provident common shares and VIQ Solutions common shares plus additional VIQ Solutions common shares held by Crown. The Corporation’s Canadian warrants include Crown Partners Fund's interest in common share purchase warrants of VIQ Solutions, Medicure, Baylin, Data Communications and Persta. Source, Prairie Provident, VIQ Solutions, Medicure, Baylin, Data Communications and Persta are publicly-traded companies. The primary risk to the FVTPL of these equity securities is market risk.

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's investments in debt securities. A portion of the debt instruments held by the Corporation are unrated and relatively illiquid. Repayments are dependent on the ability of the underlying businesses to generate sufficient cash flow from operations, refinancings or the sale of assets or equity. For loans carried at fair value through profit and loss, the terms of the individual debt instruments and the risks of the underlying businesses are reflected in the fair values at the reporting date. The Corporation actively reviews collateral of the underlying businesses, including fixed assets, inventory and receivables. The Corporation monitors financial results and collateral values of the underlying businesses regularly against the underlying business plans and industry trends. The carrying value of loans at amortized cost is net of an allowance for credit losses that reflects management's estimation of expected credit loss for each loan carried at amortized cost.

The Corporation's Canadian debt securities include Crown Partners Fund's loans to Touchstone, Source, Solo, Ferus, RBee, Active, Canadian Helicopters, Data Communications, Persta, Triple Five and VIQ Solutions, and Crown Private Credit Fund's loans to PenEquity, Mill Street and WireIE. The primary risk to the carrying value of these debt securities is credit risk. Other than the PenEquity and Mill Street loans, which bear floating interest rates, these debt securities bear fixed interest rates which impacts interest rate risk.

The Corporation's investments are denominated in Canadian currency so there is no currency risk associated with the above investments except to the extent of investees' underlying operations which in some cases are dependent on revenues and are exposed to costs denominated in foreign currencies.

Additional information about financial instruments and associated risks can be found in the Corporation's 2018 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

Risk Factors

Crown operates in a dynamic environment that involves various risks, many of which are beyond Crown's control and which could have an effect on Crown's business, revenues, operating results and financial condition.

In the short term, a significant risk to the Corporation is that all financing clients repay their loans and replacement loans are not completed such that interest, fees and other income and the capital base for determination of management fee revenues drop significantly. In the longer term, an inability to raise and place additional capital on which to charge interest and management fees would be a significant risk.

A risk that is common among Crown Partners Fund, Crown Private Credit Fund and Crown Power Fund is credit risk, as discussed in *Financial Instruments and Associated Risks*. Although Crown intends to offer financing solutions and long-term power supply contracts only to clients with a history of profitability, there can be no assurance that its financing clients or long-term power supply counterparties will not default and that Crown will not sustain a loss as a result.

The primary risk factor for Crown Partners Fund is credit risk, being the potential inability of one or more of the 11 portfolio companies to meet their debt obligations to Crown Partners Fund.

Through its ownership of equity and equity-related securities, Crown Partners Fund is exposed to market price risk. As at March 31, 2019, Crown Partners Fund held Source common shares which were valued at $0.2 million, Prairie Provident common shares which were valued at $0.7 million, Medicure common share purchase warrants which were valued at $0.7 million, Baylin common share purchase warrants which were valued at $1.0 million, Data Communications common share purchase warrants valued at $0.3 million, Persta warrants valued at $0.5 million, VIQ Solutions common shares which were valued at $0.1 million and VIQ Solutions common share purchase warrants which were valued at $0.4 million. As at March 31, 2019, Crown held additional VIQ Solutions common shares which were valued at $0.1 million. A reduction in the value of these warrants or shares would reduce the value of Crown's Investments.

The primary risk factor for Crown Private Credit Fund is credit risk, being the potential inability of PenEquity, Mill Street or WireIE to meet their obligations to Crown Private Credit Fund.

The primary risk factor for Crown Power Fund is credit risk, being the potential inability of counterparties to long-term power supply contracts to meet their obligations to Crown Power Fund. Crown Power Fund is also exposed to the risk that project development advances provided to operating partners might not be appropriately applied to project development costs and that any resultant amounts owing to Crown Power Fund might not be recoverable.

See Note 5 - Financial risk management in the Corporation's December 31, 2018 audited consolidated financial statements.

A more extensive discussion of the risks faced by the Corporation can be found in the Corporation's Annual Information Form ("**AIF**") available on SEDAR at www.sedar.com.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as those terms are defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings. The CEO and CFO have designed, or caused to be designed under their direct supervision, Crown's DC&P to provide reasonable assurance that:

- material information relating to Crown, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and

- information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported on a timely basis.

The CEO and CFO have also designed, or caused to be designed under their direct supervision, Crown's ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The ICFR have been designed using the control framework established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

While Crown's CEO and CFO believe that the Corporation's internal controls and procedures provide a reasonable level of assurance that such controls and procedures are reliable, an internal control system cannot prevent all errors and fraud. It is management's belief that any control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

There were no changes in Crown's ICFR during the three months ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, Crown's ICFR.

Forward-Looking Statements

Statements that are not reported financial results or other historical information are forward-looking statements within the meaning of applicable Canadian securities laws (collectively, "**forward-looking statements**"). This MD&A includes forward-looking statements regarding Crown and the industries in which it operates, including statements about, among other things, expectations, beliefs, plans, future loans and origination, business and acquisition strategies, opportunities, objectives, prospects, assumptions, including those related to trends and prospects and future events and performance. Sentences and phrases containing or modified by words such as "anticipate", "plan", "continue", "estimate", "intend", "expect", "may", "will", "project", "predict", "potential", "targets", "projects", "is designed to", "strategy", "should", "believe", "contemplate" and similar expressions, and the negative of such expressions, are not historical facts and are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Forward-looking statements should not be read as guarantees of future events, future performance or results, and will not necessarily be accurate indicators of the times at, or by which, such events, performance or results will be achieved, if achieved at all. Forward-looking statements are based on information available at the time and/or management's expectations with respect to future events that involve a number of risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. The factors described under the heading "Risk Factors" in this MD&A and in the AIF, as well as any other cautionary language in this MD&A, provide examples of risks, uncertainties and events that may cause Crown's actual results to differ materially from the expectations it describes in its forward-looking statements. Readers should be aware that the occurrence of the events described in these risk factors and elsewhere in this MD&A could have an adverse effect on, among other things, Crown's business, prospects, operations, results of operations and financial condition.

Specific forward-looking statements contained in this MD&A include, among others, statements, management's beliefs, expectations or intentions regarding the following:

- the Corporation’s intentions for the use of its cash and cash equivalents and the timing thereof, including additional capital contributions to Crown Partners Fund, Crown Private Credit Fund and Crown Power Fund;
- the investments of Crown Partners Fund in Special Situations Financing transactions and the potential structuring of such transactions;
- the performance of financing clients;
- the future profitability of operating partners affiliated with Crown Power Fund and the expected recoverability of amounts owed to the Corporation by such operating partners;
- the investments of Crown Private Credit Fund in Long-Term Financing transactions and the potential structuring of such transactions;
- the Corporation’s business plans and strategy;
- the Corporation’s future cash flow and shareholder value;
- the sourcing of deals from Crown’s established network and its potential pipeline of projects;
- the future capitalization of Crown Partners Fund, Crown Private Credit Fund, Crown Power Fund and Crown and future closings in relation thereto;
- Crown’s future entitlement to base management and performance fees;
- the effect of delays between the repayment of loans and the redeployment of capital on Crown’s financial condition;
- the future accounting policies of the Corporation;
- the alternative financial market and the general economy;
- the determination of recovery levels and values realized on liquidation of security held, when necessary, for Crown’s loans going forward;
- the effect of the early repayment of loans on anticipated interest income;
- the Corporation’s ability to secure debt financing on terms acceptable to the Corporation (or obtaining debt financing); and
- the vesting of Share Units and Options.

Readers are cautioned that the foregoing list of forward-looking statements should not be construed as being exhaustive.

In making the forward-looking statements in this MD&A, the Corporation has made assumptions regarding general economic conditions, reliance on debt financing, interest rates, continued lack of regulation in the business of lending from sources other than commercial banks or equity transactions, continued operation of key systems, debt service, continuing constraints on bank lending to mid-market companies for at least several years, future capital needs, retention of key employees, adequate management of conflicts of interests, continued performance of the Crown funds and solvency of financing clients, competition, limited loan prepayment, effective use of leverage, strength of existing client relationships, regulatory oversight and such other risks or factors described in this MD&A, the AIF and from time to time in public disclosure documents of Crown that are filed with securities regulatory authorities.

The forward-looking statements included in this MD&A are expressly qualified by this cautionary statement and are made as at the date of this MD&A. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. If the Corporation does update one or more forward-looking statements, it is not obligated to, and no inference should be drawn that it will, make additional updates with respect thereto or with respect to other forward-looking statements.

Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a positive or negative effect on net income, as further information becomes available and as the economic environment changes.

Market and Industry Data

Certain market and industry data contained in this MD&A is based upon information from government or other third-party publications, reports and websites or based on estimates derived from such publications, reports and websites. Government and other third-party publications and reports do not guarantee the accuracy or completeness of their information. While management believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data-gathering process and other limitations and uncertainties inherent in any statistical survey. Crown has not independently verified any of the data from government or other third-party sources referred to in this MD&A or ascertained the underlying assumptions relied upon by such sources.

Trademarks, Trade Names and Service Marks

All trademarks used in this MD&A are the property of their respective owners and may not appear with the ® symbol.

Additional Information

Additional information relating to the Corporation is available on SEDAR at www.sedar.com, including the Annual Information Form.