



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**

## 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 and nine months ended September 30, 2019 is prepared as of November 6, 2019. This discussion is the responsibility of management and should be read in conjunction with the Corporation's September 30, 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](http://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
- "**CPO Corp.**" – Crown Power Ops Corp.
- "**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.
- "**MCS 17**" – MCS Energy 17 Inc.
- "**Medicare**" – Medicare Inc.
- "**Mill Street**" – Mill Street & Co. Inc.
- "**NCOF LP**" – Norrep Credit Opportunities Fund, LP
- "**PenEquity**" – PenEquity Realty Corporation
- "**Persta**" – Persta Resources Inc.
- "**Petrowest**" – Petrowest Corporation
- "**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 Holdings International Inc.
- "**WireIE Canada**" – WireIE (Canada) Inc.

## Highlights of the Three Months Ended September 30, 2019

During the three months ended September 30, 2019:

- Crown earned net income and comprehensive income attributable to shareholders of the Corporation (“**Shareholders**”) of \$0.5 million (2018 – \$1.8 million);
- On July 5, 2019, Crown Partners Fund advanced an additional \$9.5 million to Rokstad Power, representing the remaining balance of committed and previously unfunded capital under the existing credit agreement, and bringing the total investment in Rokstad Power to \$25.0 million;
- Effective July 12, 2019, Crown acquired WireIE. Pursuant to the transaction, Crown acquired all of its debt and equity for a nominal amount on closing and a performance-based earn-out payment of up to \$5 million. As at September 30, 2019, Crown had invested \$8.5 million in WireIE;
- On July 29, 2019, Crown announced the full repayment by Canadian Helicopters of its special situations loan to Crown Partners Fund, including the loan principal value of \$8 million plus interest, a prepayment fee and other related payments;
- On July 29, 2019, Crown announced an agreement with Concentra Bank to provide investment management services for Concentra Bank’s \$20 million investment in a senior secured credit facility;
- On August 7, 2019, Crown announced a quarterly dividend of \$0.15 per Common Share payable on August 30, 2019 to Shareholders of record on August 16, 2019;
- On August 19, 2019, Crown Partners Fund announced an agreement to provide a \$10 million, six-month bridge loan to Rokstad Power, which, in addition to an existing \$25 million, five-year term loan, increased its total investment in Rokstad Power to \$35 million;
- On August 19, 2019, Crown Partner Fund announced a \$7 million increase to its loan facility to Data Communications, bringing its total investment in Data Communications to \$19 million; and
- Crown Partners Fund received repayments with respect to its investment in Solo that approximated the carrying value of this investment as at June 30, 2019 and which represented a recovery of \$3.9 million of its initial \$15.0 million investment in Solo. A net investment loss of \$0.1 million was recognized in respect of Solo in the three months ended September 30, 2019, comprised of an \$11.1 million realized loss and the reversal of a previously recognized unrealized loss of \$11.0 million.

## Subsequent Events

Subsequent to September 30, 2019:

- On October 31, 2019, Crown Partners Fund advanced an additional \$5.0 million to Touchstone, representing an increase in the size of its existing term loan to Touchstone to \$20.0 million, and

amended its royalty agreement to provide Crown Partners Fund with a 1.33% pro rata share of Touchtone's gross revenue from production (vs. 1.0% previously);

- On October 31, 2019, Crown Partners Fund advanced an additional \$7.0 million to Triple Five, representing an increase in the size of its existing term loan to Triple Five to \$27.0 million, and amended its royalty agreement to provide Crown Partners Fund with a 6.0% pro rata share of gross revenue from the production of future Triple Five wells (vs. 3.0% with respect to production from existing wells);
- On November 6, 2019, Crown Partners Fund announced the closing of an additional advance of \$15 million to Rokstad, increasing its aggregate investment in Rokstad to \$50 million. The size of the existing \$25 million term loan to Rokstad was increased to \$50 million, of which \$5 million was syndicated to two limited partners of Crown Partners Fund and for which the start date of its 60-month term was reset, and the size of the existing \$10 million bridge loan to Rokstad was reduced to \$5 million; and
- On November 6, 2019, Crown announced a quarterly dividend of \$0.15 per Common Share payable on November 15, 2019 to Shareholders of record on November 29, 2019.

### **Overall Performance**

Total assets increased to \$276.5 million at September 30, 2019 from \$275.9 million at December 31, 2018, including a decrease in the carrying value of investments to \$222.2 million from \$246.9 million resulting from a net repayment of investments of \$8.8 million (comprised of new investment totaling \$61.7 million and repayments totaling \$70.5 million), a net realized loss of \$9.9 million and a net reduction in the carrying value of investments measured at fair value through profit and loss ("FVTPL") of \$1.2 million. This was partially offset by an increase in cash and cash equivalents from \$11.3 million to \$13.9 million inclusive of capital contributions from non-controlling interests to Crown Power Fund, a \$3.1 million increase in accounts receivable (excluding amounts in respect of WireIE) and the inclusion of \$18.8 million of assets in relation to the WireIE acquisition, comprised mainly of property and equipment and associated intangible assets. Total equity decreased to \$98.2 million at September 30, 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.

The acquisition of WireIE effective July 12, 2019 impacted the consolidated earnings before income taxes of the Corporation for the three and nine months ended September 30, 2019 in the following ways: (1) A loss on acquisition of \$(0.2) million was recognized in connection with the transaction. For details, please refer to *Note 14 – Acquisition of subsidiary* in the condensed consolidated interim financial statements for the three and nine months ended September 30, 2019; (2) The pre-existing long-term debt security arrangement between the Corporation and WireIE was effectively terminated in connection with the acquisition and was deemed to have been settled at fair value, resulting in the recognition of both a realized gain on investment of \$0.3 million and a \$0.1 million recovery of expected credit loss; and (3) For the period from July 12, 2019 to September 30, 2019, WireIE contributed a net loss before income taxes of \$(0.6) million, inclusive of depreciation expense of \$1.2 million.

Total revenues in the three and nine months ended September 30, 2019 were \$8.0 million and \$15.0 million, respectively, compared to \$7.9 million and \$22.3 million, respectively, in the three and nine

months ended September 30, 2018. For each of the three- and nine-month periods ended September 30, 2019, revenues were lower than in the comparable prior year periods due to the incurrence of net investment losses (vs. net investment gains in the prior year periods), partially offset by the inclusion of network services revenue following the acquisition of WireE in July 2019 and by year-over-year increases in both interest income and fees and other income. Total revenues excluding the net loss on investments and network services revenue were \$24.1 million in the nine months ended September 30, 2019 compared to \$21.1 million in the comparable nine-month period in 2018.

Interest revenue in the three and nine months ended September 30, 2019 was \$7.5 million and \$21.2 million, respectively (2018 - \$7.2 million and \$19.0 million, respectively). Interest revenue increased in the three months ended September 30, 2019 compared with the prior-year period primarily due to the inclusion of interest revenue of \$1.3 million recognized in relation to the repayment of the Canadian Helicopters loan which more than offset the impact of a reduction in the average level of interest-yielding investments held by Crown Partners Fund. For the nine months ended September 30, 2019, interest revenue increased compared with the prior year period primarily due to the inclusion of interest revenue of \$3.0 million recognized in relation to the repayments of the BGO, Baylin and Canadian Helicopter loans, which more than offset the impact of a reduction in the average level of interest-yielding investments.

Fees and other income for the three and nine months ended September 30, 2019 were \$0.5 million and \$2.9 million, respectively, compared to \$0.2 million and \$2.0 million, respectively, in the comparable three- and nine-month periods in 2018. For the three months ended September 30, 2019, fees and other income were higher than the comparable prior-year period, mainly due to revenue earned in respect of the repayment of the Canadian Helicopters loan. Fees and other income for the nine months ended September 30, 2019 were higher than the comparable prior-year period due to the inclusion of fees recognized in relation to the repayment of the BGO, Baylin and Canadian Helicopters loan investments, and to higher royalty revenue earned following the Triple Five investment made in August 2018. 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 \$0.1 million and \$1.4 million, respectively, in the three and nine months ended September 30, 2019 (2018 - \$0.6 million and \$2.2 million, respectively).

For the three and nine months ended September 30, 2019, the net gain (loss) on investments was \$(2.0) million and \$(11.1) million, respectively, compared with \$0.5 million and \$1.2 million, respectively, in the three and nine months ended September 30, 2018. For the three and nine months ended September 30, 2019, the net gain (loss) on investments consisted of realized losses of \$(10.8) million and \$(9.9) million, respectively (2018 - \$nil and \$0.2 million, respectively), and a net change in unrealized gains (losses) of \$8.8 million and \$(1.2) million, respectively (2018 - \$0.5 million and \$1.0 million, respectively).

The net realized loss from investments of \$(10.8) million in the three months ended September 30, 2019 includes a realized loss of \$(11.1) million on the Solo loan and a \$0.3 million gain recognized in connection with the settlement of the pre-existing WireE loan investment, and the \$(9.9) million net realized loss from investments for the nine months ended September 30, 2019 also includes a gain realized in relation to the Baylin loan repayment. Recoveries received in the third quarter in respect of the Solo loan approximated the carrying value of this investment as at June 30, 2019, resulting in a nominal \$(0.06) million net investment loss in the three months ended September 30, 2019.

The net change in unrealized gains (losses) of investments in the three months ended September 30, 2019 of \$8.8 million was attributable primarily to the reversal of a previously-recognized unrealized loss on the Solo investment of \$11.0 million upon realization of this loss in the period, the reversal of a previously-recognized unrealized gain of \$1.2 million with respect to the Canadian Helicopters investment which was more than offset by amounts included in interest revenue and fee income in the period in relation to this repayment, and to aggregate unrealized losses on equity-related investments of \$1.6 million.

In the nine months ended September 30, 2019, the most significant contributors to the \$(1.2) million net change in unrealized gains were increases in the fair values of the Touchstone and Triple Five royalties resulting mainly from the extension of their respective terms, 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 which, in aggregate, were more than offset by 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 reversal of the unrealized gain that had been recognized in relation to the Solo investment prior to the beginning of the period, and a net reduction in the aggregate fair value of equity-related investments.

Expenses in the three and nine months ended September 30, 2019 were \$4.8 million and \$12.6 million, respectively, compared with \$2.3 million and \$6.7 million, respectively, in the three and nine months ended September 30, 2018. For the three months ended September 30, 2019, the year-over-year increase relates to increases in several expense categories resulting primarily from the acquisition of WireE effective July 12, 2019, including salaries, general and administration, depreciation and the cost of network services revenue in addition to higher finance costs, partially offset by recoveries in relation to each of the provision for performance bonus and the provision for bad debt. Excluding expenses in relation to WireE, total expenses for the three months ended September 30, 2019 of \$2.4 million (2018 - \$2.3 million) were consistent year-over-year with increases in finance costs, salaries and general and administration expenses offset by recoveries in relation to each of the provision for performance bonus and the provision for bad debt.

For the nine months ended September 30, 2019, the year-over-year increase relates to increases in several expense categories resulting primarily from the acquisition of WireE effective July 12, 2019 referred to above, a \$2.6 million provision for bad debt recognized in relation to amounts owing from an operating partner formerly affiliated with Crown Power, an increase in finance costs resulting from a higher average level of outstanding debt and increases in both legal fees and GST/HST expense that are expected to be non-recurring, partially offset by a performance bonus recovery resulting from net investment losses incurred by Crown Partners Fund in the period.

In the three and nine months ended September 30, 2019, net income (loss) and comprehensive income (loss) attributable to Shareholders was \$0.5 million and \$(1.3) million, respectively, compared with \$1.8 million and \$4.7 million, respectively, in the three and nine months ended September 30, 2018. Compared with the comparable prior-year period, net income and comprehensive income attributable to Shareholders in the three months ended September 30, 2019 was lower due primarily to a \$0.8 million reduction in net investment gains (losses) attributable to shareholders, a loss of \$0.2 million recognized with respect to the acquisition of WireE, a post-acquisition net loss of \$0.6 million attributable to WireE (including depreciation expense of \$1.2 million) and to increases in legal and GST/HST expenses that management believes will be non-recurring.

Compared with the comparable prior-year period, net income and comprehensive income attributable to Shareholders in the nine months ended September 30, 2019 was lower due primarily to both a \$10.1 million realized loss recognized in relation to the Solo investment and a \$2.6 million provision for bad debt recognized in relation to amounts owing from an operating partner formerly affiliated with Crown Power Fund, which had an aggregate after-tax impact of \$(4.6) million, as well as to a post-acquisition net loss of \$0.6 million attributable to WireE (including depreciation expense of \$1.2 million) and to increases in legal and GST/HST expenses that management believes will be non-recurring.

### **Basis of Consolidation**

Crown consolidates 100% of its approximate 37.0% effective interest in Crown Partners Fund (June 30, 2018 – 36.5%; December 31, 2018 – 37.0%), its approximate 43.2% interest in Crown Power Fund (June 30, 2018 – 100%; 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.

Effective July 12, 2019, Crown acquired a 100% interest in WireE and its wholly-owned subsidiaries, WireE Canada and WireE Development Inc., which are collectively engaged in the provision of broadband network service to businesses in underserved communities. On August 20, 2019, CPO Corp., in which Crown owns a 100% interest, and its wholly-owned subsidiaries CPO I Inc. and CPO II Inc. were incorporated. CPO I Inc. and CPO II Inc. were established for the purpose of entering contracts with customers to supply power produced by assets leased from Crown Power Fund, or to own entities that enter such contracts. Effective August 23, 2019, CPO II Inc. acquired a 100% interest in MCS 17 for nominal consideration.

The financial results of the Corporation as at and for the three and nine months ended September 30, 2019 discussed in this MD&A include the results of operations of CCF III, CCFC, Crown Partners Fund, Crown Partners Fund GP, Crown Power Fund, Crown Power GP, Crown Private Credit Fund, and, from their respective dates of incorporation or acquisition in the three months ended September 30, 2019, CPO Corp. and its subsidiaries and WireE and its subsidiaries.

### **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. Through its WireE subsidiary, Crown owns and operates broadband networks that provide network services to businesses in underserved markets.

Crown's revenue sources from investing activities 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. Revenue earned by Crown's wholly-owned subsidiary WireE includes network services revenue, comprised of contractual revenue related to the access and usage of telecommunications infrastructure in addition to revenue from professional services, network support, maintenance and repair services.

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**"). In addition to investment-related revenues earned by the Corporation in relation to its partial ownership of Crown Partners Fund, Crown also earns fees from non-controlling interests in relation to its management of Crown Partners Fund.

Through its wholly-owned subsidiary, Crown Private Credit Fund, Crown deploys its capital 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 September 30, 2019, Crown Power Fund had advanced \$13.4 million to suppliers and contractors in relation to the construction of power generation assets that are not yet operational. In addition to revenues earned by the Corporation in relation to its partial ownership of Crown Power Fund, Crown also earns fees from non-controlling interests in relation to its management of Crown Power Fund which are currently being voluntarily waived for an undetermined period through this fund's early development phase. Crown also anticipates earning revenue in relation to the partial interests that it holds, both directly and through Crown Power Fund, in multiple operating partners of Crown Power Fund as these operating partners achieve scale and profitability.

Through WireE, a wholly-owned subsidiary acquired effective July 12, 2019, Crown owns and operates broadband networks that deliver reliable, scalable and secure network availability to businesses in underserved markets ("**Network Services**"). As at September 30, 2019, Crown had invested a total of \$8.5 million in WireE. Crown's strategy regarding its investment in WireE involves the planned creation of a capital pool that invests in certain revenue-generating assets of WireE, in which investment commitments from third-party investors will be sought to fund future asset growth, and from which Crown anticipates earning fees in relation to its role as manager of this capital pool.

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.



## Investment Portfolio at September 30, 2019

At September 30, 2019, Crown held ownership interests in 13 loans.

Borrower	Loan Principal Amount Outstanding at December 31, 2018 <sup>(1)</sup>	Loan Principal Amount Outstanding at September 30, 2019 <sup>(1)</sup>	Attributable at September 30, 2019 to:		Status
			Shareholders	Non-controlling interests	
<b>Special Situations Financing transactions</b>					
BGO	\$15,000,000	N/A	N/A	N/A	N/A
Touchstone <sup>2</sup>	\$15,000,000	\$15,000,000	\$5,546,320	\$9,453,680	Current
Source <sup>3</sup>	\$12,428,000	\$12,428,000	\$4,595,311	\$7,832,689	Current
Solo <sup>3</sup>	\$15,000,000	N/A	N/A	N/A	N/A
Ferus <sup>2</sup>	\$25,000,000	\$25,000,000	\$9,243,867	\$15,756,133	Current
RBee <sup>2, 4</sup>	\$17,414,343	\$17,414,343	\$6,439,035	\$10,975,308	Current
Active <sup>3</sup>	\$7,000,000	\$7,000,000	\$2,588,283	\$4,411,717	Current
Canadian Helicopters	\$8,000,000	N/A	N/A	N/A	N/A
Baylin <sup>5</sup>	\$30,000,000	N/A	N/A	N/A	N/A
Data Communications <sup>2</sup>	\$12,000,000	\$19,000,000	\$7,025,000	\$11,975,000	Current
Persta <sup>2, 6</sup>	\$20,000,000	\$22,879,572	\$8,459,829	\$14,419,743	Current
Triple Five <sup>2</sup>	\$15,000,000	\$20,000,000	\$7,395,093	\$12,604,907	Current
VIQ Solutions <sup>2</sup>	\$8,935,000	\$8,935,000	\$3,303,758	\$5,631,242	Current
Rokstad Power <sup>3</sup>	N/A	\$25,000,000	\$9,243,867	\$15,756,133	Current
Rokstad Power - Bridge <sup>2</sup>	N/A	\$10,000,000	\$3,697,546	\$6,302,454	Current
<b>Long-Term Financing transactions</b>					
PenEquity <sup>2</sup>	\$25,000,000	\$25,000,000	\$25,000,000	Nil	In Arrears
Mill Street <sup>3</sup>	\$10,000,000	\$10,000,000	\$10,000,000	Nil	Current
WireE <sup>7</sup>	\$6,492,758	N/A	N/A	N/A	N/A

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 September 30, 2019 condensed consolidated interim financial statements. The pro rata portions held by co-investors, if any, are excluded. (2) As at September 30, 2019, the loan component of this investment is carried at amortized cost. (3) As at September 30, 2019, the loan component of this investment is carried at FVTPL. (4) The total size of the RBee loan as at September 30, 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. (6) Loan principal outstanding in respect to the Persta loan includes capitalized fees and interest totaling \$2.9 million as at September 30, 2019. (7) The loan to WireE was effectively terminated when the Corporation acquired WireE on July 12, 2019.

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 September 30, 2019, Crown Partners Fund held ownership interests in 450,000 Medicare 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, 1,510,000 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 3.00% 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.

In addition to the aforementioned portfolio of debt and equity-related investments, Crown Power Fund has also invested \$13.4 million as at September 30, 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 September 30, 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
<b>Profitability</b> <ul style="list-style-type: none"> <li>• EBITDA (\$)</li> <li>• EBITDA (%)</li> <li>• EBITDA Growth (%)</li> <li>• Gross Margin (%)</li> <li>• Return on Capital (%)</li> </ul> <b>Leverage</b> <ul style="list-style-type: none"> <li>• Debt/EBITDA</li> <li>• Debt/Capital</li> <li>• Debt/EV</li> </ul> <b>Liquidity</b> <ul style="list-style-type: none"> <li>• Current Ratio</li> <li>• DSCR (EBITDA/P+I)</li> <li>• EBITDA interest coverage</li> <li>• Average Days A/P</li> <li>• Average Days A/R</li> <li>• Cash Coverage</li> </ul> <b>Size</b> <ul style="list-style-type: none"> <li>• Sales (\$)</li> <li>• Sales Growth (%)</li> <li>• Tangible Assets (\$)</li> <li>• Enterprise Value (\$)</li> </ul>	<b>Management</b> <ul style="list-style-type: none"> <li>• Experience in industry</li> <li>• Competence</li> <li>• Investment</li> </ul> <b>Customers</b> <ul style="list-style-type: none"> <li>• Concentration</li> <li>• Reputation/Financial Strength</li> <li>• Stability</li> <li>• Dependence</li> </ul> <b>Operations</b> <ul style="list-style-type: none"> <li>• Plant Quality</li> <li>• Process Flow</li> <li>• Scalability</li> <li>• Capacity</li> </ul> <b>Employees</b> <ul style="list-style-type: none"> <li>• Turnover</li> <li>• Relations</li> <li>• Wage Level</li> <li>• Pool of Labour</li> </ul> <b>Suppliers</b> <ul style="list-style-type: none"> <li>• Diversification</li> <li>• Pricing Power</li> <li>• Reliability</li> </ul> <b>Shareholders</b> <ul style="list-style-type: none"> <li>• Alignment of Interests</li> <li>• Financial Capability</li> <li>• Stability</li> </ul>	<b>Competitors</b>  <b>Business Cycle</b>  <b>History of Profitability</b>  <b>International Trade</b>  <b>Regulatory Restrictions</b>	<b>% of Security Coverage</b>  <b>Assets</b> <ul style="list-style-type: none"> <li>• Condition</li> <li>• Obsolescence</li> <li>• Specialization</li> </ul> <b>Dependence on Unsecured Creditors</b>	<b>Business Investment</b>

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. At the time of making a new loan investment, Crown generally expects the risk rating of the 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									
	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31	
	2019	2019	2019	2018	2018	2018	2018	2017	
<b>Special Situations Financing:</b>									
Touchstone	2.03	2.03	2.07	2.07	2.09	2.28	2.61	2.73	
Source	2.48	2.36	2.26	2.24	2.14	2.14	2.22	2.25	
Ferus	3.27	3.02	2.96	2.93	2.86	2.92	2.86	2.98	
RBee	2.82	2.69	2.59	2.69	2.79	2.68	2.68	2.68	
Active	2.36	2.44	2.44	2.39	2.39	2.36	2.47	2.60	
Data Communications	3.30	3.12	3.08	3.07	3.01	3.07	n/a	n/a	
Persta	3.38	3.58	3.58	3.25	2.91	2.87	n/a	n/a	
Triple Five	2.52	2.69	2.63	2.66	2.47	2.47	n/a	n/a	
VIQ Solutions	2.52	2.47	2.42	2.27	n/a	n/a	n/a	n/a	
Rokstad Power	2.69	2.74	n/a	n/a	n/a	n/a	n/a	n/a	
<b>Long-Term Financing:</b>									
PenEquity	2.98	2.98	2.97	2.88	2.77	2.53	2.54	2.47	
Mill Street	2.82	2.82	2.82	2.61	2.61	2.51	n/a	n/a	

**Note:** A risk rating of 1.0 is the best possible rating and a 5.0 is the worst possible rating.

### Portfolio Company Updates

The following tables set forth certain summary information in respect of loans held by Crown as at September 30, 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”.

#### Special Situations Financing

Touchstone Exploration Inc. (TSX: TXP)			
<b>Business Description:</b>	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.		
<b>Industry:</b>	Oil and Gas	<b>Term:</b>	84 months (extended from 60)
<b>Investment Date:</b>	November 23, 2016	<b>Interest Rate:</b>	8%
<b>Current Capital Invested:</b>	\$15 million	<b>Bonus/Participation:</b>	Royalty of 1% of gross revenue from production until November 23, 2023

<b>Source Energy Services Canada (TSX: SHLE)</b>			
<b>Business Description:</b>	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.		
<b>Industry:</b>	Energy Services	<b>Term:</b>	60 months
<b>Investment Date:</b>	December 8, 2016	<b>Interest Rate:</b>	10.5%
<b>Current Capital Invested:</b>	\$12.4 million of Senior Secured First Lien Notes (original investment \$15 million)	<b>Bonus/Participation:</b>	116,059 common shares
<b>Ferus Inc.</b>			
<b>Business Description:</b>	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.		
<b>Industry:</b>	Energy Services	<b>Term:</b>	60 months
<b>Investment Date:</b>	June 27, 2017	<b>Interest Rate:</b>	Not disclosed
<b>Current Capital Invested:</b>	\$25 million	<b>Bonus/Participation:</b>	Nominal cost share purchase warrants
<b>RBee Aggregate Consulting Ltd.</b>			
<b>Business Description:</b>	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%).		
<b>Industry:</b>	Industrial Services	<b>Term:</b>	Payable on demand
<b>Investment Date:</b>	November 1, 2017	<b>Interest Rate:</b>	Not disclosed
<b>Current Capital Invested:</b>	\$17.4 million	<b>Bonus/Participation:</b>	46.3% common equity interest
<b>Active Exhaust Corp.</b>			
<b>Business Description:</b>	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.		
<b>Industry:</b>	Manufacturing	<b>Term:</b>	66 months
<b>Investment Date:</b>	December 21, 2017	<b>Interest Rate:</b>	Not disclosed
<b>Current Capital Invested:</b>	\$7 million	<b>Bonus/Participation:</b>	Share of increase in enterprise value from date of loan to repayment

<b>Data Communications Management Corporation (TSX: DCM)</b>			
<b>Business Description:</b>	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.		
<b>Industry:</b>	Business Services	<b>Term:</b>	60 months
<b>Investment Date:</b>	May 8, 2018	<b>Interest Rate:</b>	10%
<b>Current Capital Invested:</b>	\$19 million (original investment \$12 million)	<b>Bonus/Participation:</b>	1,510,000 warrants
<b>Persta Resources Inc. (HKEX: stock code 3395)</b>			
<b>Business Description:</b>	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.		
<b>Industry:</b>	Oil and Gas	<b>Term:</b>	60 months
<b>Investment Date:</b>	May 15, 2018	<b>Interest Rate:</b>	12%
<b>Current Capital Invested:</b>	\$20 million	<b>Bonus/Participation:</b>	8,000,000 warrants
<b>Triple Five Intercontinental Group Ltd.</b>			
<b>Business Description:</b>	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.		
<b>Industry:</b>	Oil and Gas	<b>Term:</b>	Approximately 42 months
<b>Investment Date:</b>	August 31, 2018	<b>Interest Rate:</b>	10.5%
<b>Current Capital Invested:</b>	\$20 million (original investment \$15 million)	<b>Bonus/Participation:</b>	Royalty of 3% of gross revenue from production until March 12, 2022
<b>VIQ Solutions Inc. (TSXV: VQS)</b>			
<b>Business Description:</b>	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.		
<b>Industry:</b>	Business Services	<b>Term:</b>	60 months
<b>Investment Date:</b>	November 28, 2018	<b>Interest Rate:</b>	10%
<b>Current Capital Invested:</b>	\$8.9 million (total commitment: \$15 million)	<b>Bonus/Participation:</b>	2,127,659 common shares and 9,000,000 warrants

Rokstad Holdings Corporation			
<b>Business Description:</b>	Headquartered in Coquitlam, British Columbia, Rokstad is a privately held company that provides power line construction and maintenance services to customers across North America. Founded in 2008, Rokstad offers a full suite of power line services, including emergency and storm response, transmission and distribution line construction and maintenance and underground cable services. Rokstad is also a specialist in live line construction methods for distribution and transmission line projects. With operations throughout Canada and the United States, Rokstad has successfully grown from a mid-size contractor to one of the largest power line contractors in North America. The company's largest markets are British Columbia, California and Arizona.		
<b>Industry:</b>	Industrial Services	<b>Term:</b>	Term loan: 60 months Bridge loan: 6 months
<b>Investment Date:</b>	Term loan: April 26, 2019 Bridge loan: August 7, 2019	<b>Interest Rate:</b>	Not disclosed
<b>Current Capital Invested:</b>	Term loan: \$25 million Bridge loan: \$10 million	<b>Bonus/Participation:</b>	Share of increase in equity value from date of loan to repayment (term loan only)

### Long-Term Financing

PenEquity Realty Corporation			
<b>Business Description:</b>	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.		
<b>Industry:</b>	Real Estate Development	<b>Term:</b>	120 months
<b>Investment Date:</b>	December 15, 2015	<b>Interest Rate:</b>	Not disclosed
<b>Current Capital Invested:</b>	\$25 million	<b>Bonus/Participation:</b>	None
Mill Street & Co. Inc.			
<b>Business Description:</b>	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.		
<b>Industry:</b>	Diversified	<b>Term:</b>	120 months
<b>Investment Date:</b>	May 16, 2018	<b>Interest Rate:</b>	5-year Govt. of Canada yield plus 10% (12% minimum)
<b>Current Capital Invested:</b>	\$10 million	<b>Bonus/Participation:</b>	Share of increase in equity value from date of loan to repayment

The loans to Source, Ferus, Active, Data Communications, Persta and VIQ Solutions, as well as the bridge loan to Rokstad Power, 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, 2020 in the amount of \$475,000 per month. Principal repayments on the Rokstad Power term loan commence on April 1, 2021 in the amount of \$275,000 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.

## 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 of \$15.5 million, the \$98.5 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 totaling \$36.7 million, at September 30, 2019, the Corporation had access to up to approximately \$150.7 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 October 1, 2017 to September 30, 2019.

Quarterly Results Summary (In \$000s except per share amounts and number of shares)	Three Months Ended							
	September 30 2019 <sup>1</sup>	June 30 2019 <sup>1</sup>	March 31 2019 <sup>1</sup>	December 31 2018 <sup>1</sup>	September 30 2018 <sup>1</sup>	June 30 2018 <sup>1</sup>	March 31 2018 <sup>1</sup>	December 31 2017
Revenue:								
Interest revenue	\$ 7,545	\$ 5,714	\$ 7,963	\$ 7,585	\$ 7,170	\$ 6,274	\$ 5,563	\$ 5,487
Fees and other income	528	806	1,576	1,497	208	1,636	199	1,888
Network operator revenue	1,885	-	-	-	-	-	-	-
Net realized gain/(loss) on sale of investments	(10,796)	-	930	-	-	222	-	1,144
Net change in unrealized gains in fair value of investments	8,806	4,436	(14,439)	1,326	542	902	(458)	417
Total revenue	\$ 7,968	\$ 10,956	\$ (3,970)	\$ 10,408	\$ 7,920	\$ 9,034	\$ 5,304	\$ 8,936
Total comprehensive income (loss), net of non-controlling interests	\$ 460	\$ 2,254	\$ (3,988)	\$ 2,373	\$ 1,808	\$ 1,970	\$ 900	\$ 2,112
Weighted average shares outstanding - basic	9,538,075	9,598,620	9,613,379	9,620,530	9,597,456	9,467,790	9,496,786	9,520,611
Total comprehensive income (loss) per share - basic	\$ 0.05	\$ 0.23	\$ (0.41)	\$ 0.25	\$ 0.19	\$ 0.21	\$ 0.09	\$ 0.22
Weighted average shares outstanding - diluted	9,649,500	9,708,012	9,729,605	9,759,027	9,734,031	9,839,266	9,858,898	9,837,088
Total comprehensive income (loss) per share - diluted	\$ 0.05	\$ 0.23	\$ (0.41)	\$ 0.24	\$ 0.19	\$ 0.20	\$ 0.09	\$ 0.21
Adjusted Funds from Operations <sup>2</sup>	(472)	1,729	609	3,908	3,155	3,619	2,182	3,329
Adjusted Funds from Operations per share - basic <sup>2</sup>	(0.05)	0.18	0.06	0.41	0.33	0.38	0.23	0.35
Investments	\$ 222,184	\$ 219,799	\$ 194,417	\$ 246,862	\$ 264,923	\$ 242,954	\$ 208,289	\$ 181,302
Total assets	\$ 276,519	\$ 265,709	\$ 263,607	\$ 275,921	\$ 288,176	\$ 277,115	\$ 225,159	\$ 229,050
Total equity	\$ 98,158	\$ 99,987	\$ 99,301	\$ 104,892	\$ 103,896	\$ 104,314	\$ 103,166	\$ 104,449
Shares outstanding at the end of the period	9,455,843	9,589,962	9,610,827	9,616,555	9,624,855	9,461,372	9,484,167	9,510,017
Total equity per share - basic	\$ 10.38	\$ 10.43	\$ 10.33	\$ 10.91	\$ 10.79	\$ 11.03	\$ 10.88	\$ 10.98

Note:

- 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.
- The Corporation has included a reconciliation of earnings before income taxes to Adjusted EBITDA and Adjusted Funds from Operations in the "Non-IFRS Measures" section of the MD&A.



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 \$8.0 million and \$15.0 million, respectively, were recognized in the three and nine months ended September 30, 2019 (2018 – \$7.9 million and \$22.3 million, respectively). For each of the three- and nine-month periods ended September 30, 2019, revenues were lower than in the comparable prior year periods due to the incurrence of net investment losses (vs. net investment gains in the prior year periods), partially offset by the inclusion of network services revenue following the acquisition of WireE in July 2019 and by year-over-year increases in both interest income and fees and other income.

### Interest Revenue

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

Interest Revenue  (In \$000s)	Three Months Ended September 30,		Nine Months Ended September 30,		Attributable to:						
	2019	2018	2019	2018	Shareholders		Non-controlling interests				
					Three Months 2019	Nine Months 2019	Three Months 2019	Nine Months 2019			
Special Situations Financing:											
Crown Partners Fund	\$ 6,088	\$ 5,772	\$ 16,806	\$ 15,685	\$ 2,253	\$ 6,218	37.0%	\$ 3,835	\$ 10,588	63.0%	
Long-term Financing:											
Crown Private Credit Fund	1,344	1,398	4,303	3,322	1,344	4,303	100.0%	-	-	0.0%	
Distributed Power:											
Crown Power Fund <sup>1</sup>	113	-	113	-	49	49	43.2%	64	64	56.8%	
<b>Total interest revenue</b>	<b>\$ 7,545</b>	<b>\$ 7,170</b>	<b>\$ 21,222</b>	<b>\$ 19,007</b>	<b>\$ 3,646</b>	<b>\$ 10,570</b>		<b>\$ 3,899</b>	<b>\$ 10,652</b>		

1. Crown Power Fund earns interest revenue on amounts advanced to operating partners in relation to distributed power projects under development.

Interest revenue in the three and nine months ended September 30, 2019 was \$7.5 million and \$21.2 million, respectively (2018 - \$7.2 million and \$19.0 million, respectively). Compared with the prior year, interest revenue increased in the three months ended September 30, 2019 primarily due to the inclusion of interest revenue of \$1.3 million recognized in relation to the repayment of the Canadian Helicopters loan which more than offset the impact of a reduction in the average level of interest-yielding investments held by Crown Partners Fund. For the nine months ended September 30, 2019, interest revenue increased compared with the prior year period primarily due to the inclusion of interest revenue of \$3.0 million recognized in relation to the repayments of the BGO, Baylin and Canadian Helicopter loans, which more than offset the impact of a reduction in the average level of interest-yielding investments.

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 \$1.4 million and \$3.6 million in the three and nine months ended September 30, 2019 (2018 - \$0.4 million and \$1.1 million, respectively).

### Fees and Other Income

Fees and other income in the three and nine months ended September 30, 2019 were \$0.5 million and \$2.9 million, respectively (2018 - \$0.2 million and \$2.0 million, respectively). The following table provides an overview of the total fees and other income attributable to Shareholders and non-controlling interests.

Fees and Other Income  (In \$000s)	Three Months Ended September 30,		Nine Months Ended September 30,		Attributable to:																	
	2019	2018	2019	2018	Shareholders		Non-controlling interests															
					Three Months 2019	Nine Months 2019	Three Months 2019	Nine Months 2019	Three Months 2019	Nine Months 2019	Three Months 2019	Nine Months 2019										
Transaction fees and other income received:																						
Special Situations Financing:																						
Transaction fees - Crown	\$ 70	\$ 150	\$ 320	\$ 850	\$ 70	\$ 320	100.0%	\$ -	\$ -	0.0%												
Transaction fees - Crown Partners Fund	310	150	560	1,085	115	207	37.0%	195	353	63.0%												
Other income - Crown Partners Fund	187	125	3,228	1,460	69	1,194	37.0%	118	2,034	63.0%												
Subtotal	567	425	4,108	3,395	254	1,721		313	2,387													
Long-Term Financing:																						
Transaction fees - Crown Private Credit Fund	-	300	-	600	-	-	100.0%	-	-	0.0%												
Total transaction fees and other income received	567	725	4,108	3,995	254	1,721		313	2,387													
Less: Transaction fees deferred in relation to investments carried at amortized cost:																						
Transaction fees - Crown	(70)	(150)	(70)	(820)	(70)	(70)	100.0%	-	-	0.0%												
Transaction fees - Crown Partners Fund	(70)	(150)	(70)	(1,085)	(26)	(26)	37.0%	(44)	(44)	63.0%												
Other income - Crown Partners Fund	-	-	(1,250)	-	-	(463)	37.0%	-	(787)	63.0%												
Transaction fees - Crown Private Credit Fund	-	(300)	-	(300)	-	-	100.0%	-	-	0.0%												
Total transaction fees and other income recognized	427	125	2,718	1,790	158	1,162		269	1,556													
Other interest income - Crown <sup>1</sup>	31	51	108	156	31	108	100.0%	-	-	0.0%												
Other interest income - Crown Power Fund <sup>1</sup>	10	-	24	-	4	10	43.16%	6	14	56.8%												
Management fee revenue <sup>2,3</sup>	60	32	60	97	60	60	100.0%	-	-	0.0%												
Total fees and other income	\$ 528	\$ 208	\$ 2,910	\$ 2,043	\$ 253	\$ 1,340		\$ 275	\$ 1,570													

Notes:

- Other interest income is comprised of interest earned on cash and cash equivalents and on share purchase loans.
- Management fee revenue excludes fees charged to Crown Partners Fund, which are eliminated on consolidation. Management fees charged to Crown Partners Fund in the three and nine months ended September 30, 2019 were \$650 and \$1,915, respectively. Management fees charged to Crown Partners Fund and NCOF LP in the three and nine months ended September 30, 2018 were \$702 and \$1,971, respectively. For the three and nine months ended September 30, 2019, management fees charged on the portion of contributed capital from non-controlling interests were \$410 and \$1,207, respectively (September 30, 2018 - \$441 and \$1,247, respectively).
- Management fee revenue includes fees from investment management services provided to a third party financial institution.

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 and nine months ended September 30, 2019, transaction fees and other income totaled \$0.4 million and \$2.7 million, respectively (2018 - \$0.1 million and \$1.8 million, respectively). For the three months ended September 30, 2019, transaction fees and other income were higher than the comparable prior-year period due mainly to revenue earned in respect of the repayment of the Canadian Helicopters loan. Transaction fees and other income for the nine months ended September 30, 2019 were higher than the comparable prior-year period due primarily to both a higher level of transaction fees, including fees recognized in relation to the repayment of the BGO, Baylin and Canadian Helicopter loan investments, and to higher royalty income earned following the Triple Five investment made in August 2018. In the three and nine months ended September 30 2019, the Corporation received other fees totaling \$0.1 and \$1.4 million, respectively, and capitalized an additional \$nil and \$1.0 million, respectively, of other fees to loan principal value (2018 -

\$0.6 million and \$2.2 million, respectively, 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. Crown has voluntarily waived management fees in respect of Crown Power Fund since its inception and intends to continue waiving these fees for an undetermined period through this fund's early development phase.

On consolidation, 100% of management fees earned from Crown Partners Fund are eliminated against the management fees expensed by this fund. 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 (see also Related Party Transactions).

#### 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  (In \$000s)	Three Months Ended September 30,		Nine Months Ended September 30,		Attributable to:						
	2019	2018	2019	2018	Shareholders		Non-controlling interests				
					Three Months 2019	Nine Months 2019	Three Months 2019	Nine Months 2019			
Realized gains (losses):											
Special Situations Financing:											
Crown Partners Fund	\$ (11,062)	\$ -	\$ (10,132)	\$ 222	\$ (4,093)	\$ (3,749)	37.0%	\$ (6,969)	\$ (6,383)	63.0%	
Long-term Financing:											
Crown Private Credit Fund	266	-	266	-	266	-	100.0%	-	-	0.0%	
sub-total - realized gains (losses)	(10,796)	-	(9,866)	222	(3,827)	(3,749)		(6,969)	(6,383)		
Unrealized gains (losses):											
Crown	(37)	-	(37)	-	(37)	(37)	100.0%	-	-	0.0%	
Special Situations Financing:											
Crown Partners Fund	8,717	416	(1,539)	776	3,225	(569)	37.0%	5,492	(970)	63.0%	
Long-term Financing:											
Crown Private Credit Fund	126	126	379	210	126	379	100.0%	-	-	0.0%	
sub-total - unrealized gains (losses)	8,806	542	(1,197)	986	3,314	(227)		5,492	(970)		
Total net gains (losses) on investments	\$ (1,990)	\$ 542	\$ (11,063)	\$ 1,208	\$ (513)	\$ (3,976)		\$ (1,477)	\$ (7,353)		

The Corporation's net gain (loss) on investments in the three and nine months ended September 30, 2019 totaled \$(2.0) million and \$(11.1) million, respectively (2018 – \$0.5 million and \$1.2 million, respectively). For the three and nine months ended September 30, 2019, \$(0.5) million and \$(4.0) million, respectively, was attributable to Shareholders and \$(1.5) million and \$(7.4) million, respectively, to non-controlling interests.

A net realized loss of \$(10.8) million was recognized in the three months ended September 30, 2019 including a realized loss of \$(11.1) million on the Solo loan and a \$0.3 million gain recognized in connection with the settlement of the pre-existing WireE loan investment. For the nine months ended September 30, 2019, the net realized loss of \$(9.9) million (2018 - \$0.2 million) also includes a realized gain of \$0.9 million recognized in relation to the repayment of the Baylin loan.

The net change in unrealized gains (losses) in fair value of investments for the three and nine months ended September 30, 2019 was \$8.8 million and \$(1.2) million, respectively (2018 - \$0.5 million and \$1.0 million, respectively). The net change in unrealized gains in the three months ended September 30, 2019 was attributable primarily to the reversal of a previously-recognized unrealized loss on the Solo investment of \$11.0 million upon realization of this loss in the period, the reversal of a previously-recognized unrealized gain of \$1.2 million with respect to the Canadian Helicopters investment which was more than offset by amounts included in interest revenue and fee income in the period in relation to this repayment, and to aggregate unrealized losses on equity-related investments of \$1.6 million.

The most significant contributors to the net change in unrealized gains in the nine months ended September 30, 2019 were increases in the fair values of the Touchstone and Triple Five royalties resulting mainly from the extension of their respective terms, 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 which, in aggregate, more than offset 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 reversal of the unrealized gain that had been recognized in relation to the Solo investment prior to the beginning of the period, and a net reduction in the aggregate fair value of equity-related investments.

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 nine months ended September 30, 2019 in relation to the restructuring of the terms of three loans measured at amortized cost.

### Network Services Revenue

Through its wholly-owned subsidiary WireE, which was acquired effective July 12, 2019, the Corporation earns revenue in relation to the provision of network services. Network services revenue is comprised of contractual revenue related to the access and usage of telecommunications infrastructure in addition to revenue from professional services, network support, maintenance and repair services. For the three- and nine-month periods ended September 30, 2019, the Corporation's revenues include network services revenue totaling \$1.9 million (2018 - \$nil).

### **Expenses**

Expenses in the three and nine months ended September 30, 2019 totaled \$4.8 million and \$12.6 million, respectively (2018 - \$2.3 million and \$6.7 million, respectively), including a provision (recovery) for bad debt of \$(0.4) million and \$2.6 million in the three- and nine-month periods ended September 30, 2019, respectively (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. The cost of network services revenue varies primarily in relation to the level of network services revenue.

#### Salaries, Management Fees and Benefits

Salaries, management fees and benefits expense totaled \$1.3 million and \$2.9 million, respectively, in the three and nine months ended September 30, 2019 (2018 - \$0.5 million and \$2.1 million, respectively), including \$0.3 million in each period attributable to WireIE. Other than the increase related to WireIE, the increase in salaries, management fees and benefits expense in the three months ended September 30, 2019 was due primarily to both an increase in the number of employees and to a higher accrual for annual employee bonuses, while the increase in the nine months ended September 30, 2019 was due to an increase in the number of employees, partially offset by a lower accrual for annual employee bonuses.

#### Share-based Compensation

Share-based compensation expense is recognized over the expected vesting period of each award. Share-based compensation totaled \$0.2 million and \$0.4 million, respectively, in the three and nine months ended September 30, 2019 (2018 - \$0.3 million and \$1.3 million, respectively), 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.

#### General and Administration

General and administration expenses totaled \$0.9 million and \$2.7 million, respectively, in the three and nine months ended September 30, 2019 (2018 – \$0.5 million and \$1.5 million, respectively), including \$0.2 million in each period attributable to WireIE. General and administration expenses include costs such as legal and audit fees, travel, promotion, occupancy costs, insurance, office administration and other costs. Other than the increase in relation to the addition of WireIE, compared with the prior-year periods, general and administration expenses in the three months ended September 30, 2019 increased primarily due to higher legal costs that management believes will be non-recurring in nature, with the increase in the nine months ended September 30, 2019 due primarily to higher legal costs incurred in relation to the Solo recovery process and other issues that management believes will be non-recurring in nature, and to an increase in GST/HST expense that relates primarily to an assessment in respect of which Crown has filed a formal notice of objection.

#### Cost of Network Services Revenue

Through its wholly-owned subsidiary WireIE, which was acquired effective July 12, 2019, the Corporation incurs costs directly related to the generation of revenue earned in relation to the provision of network services. The cost of network services revenue is primarily comprised of bandwidth fees of \$0.5 million and network equipment maintenance costs of \$0.1 million. For the three- and nine-month periods ended September 30, 2019, the Corporation's expenses include a cost of network services revenue totaling \$0.6 million (2018 - \$nil).

### Performance Bonus Expense

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 and nine months ended September 30, 2019, Crown recorded an expense/(recovery) of \$(5,260) and \$(0.7) million, respectively, in relation to the provision for performance bonus (2018 – \$0.2 million and \$0.5 million, respectively), reflecting changes in the level of the accrued performance fee relating to Crown Partners Fund that was heavily influenced by the realized loss recognized in respect 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 Bad Debt

In 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 a former 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 former operating partner to fund unauthorized operating expenses. As this provision was incurred directly by the Corporation rather than by its subsidiary Crown Power Fund, it is fully attributable to Shareholders.

In the three months ended September 30, 2019, a recovery of \$(0.4) million was recognized in relation to this bad debt, resulting in a provision for bad debt of \$2.6 million for the nine months ended September 30, 2019. 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.

### Depreciation Expense

In the three months ended September 30, 2019, depreciation expense of \$1.2 million (2018 - \$0.01 million) was recorded, of which \$0.3 million related to the depreciation of the right-of-use assets associated with network services equipment and property lease arrangements, \$0.6 million related to the depreciation of network services equipment, and \$0.3 million related to the depreciation of network services contracts which have been recognized as intangible assets with finite useful lives in connection with the WireE acquisition.

### 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 (recovery) for credit losses for the three and nine months ended September 30, 2019 of \$(0.02) million and \$0.1 million, respectively (2018 - \$0.02 million and \$0.1 million, respectively) relate primarily to the remeasurement of expected credit losses on existing loan investments and the settlement of the pre-existing WireIE investment.

### Finance Costs

Finance costs totaled \$1.1 million and \$2.7 million, respectively, for the three and nine months ended September 30, 2019 (2018 - \$0.8 million and \$1.2 million, respectively), including interest in relation to right-of-use lease arrangements and 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 and nine months ended September 30, 2019 compared with the comparable prior year periods due primarily 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, the Convertible Debentures, which were issued in June 2018, and interest expense in relation to network services property and equipment lease arrangements of WireIE and to office leases in respect of both Crown and WireIE.

### ***Income Taxes***

For the three and nine months ended September 30, 2019, Crown recorded current tax expense/(recovery) of \$0.5 million and \$(0.2) million (2018 – \$0.5 million and \$1.6 million, respectively) and deferred tax expense of \$0.1 million and \$0.1 million, respectively (2018 – \$0.1 million and \$0.4 million, respectively).

For the three months ended September 30, 2019, the net loss attributable to WireIE for the period, the loss on acquisition in relation to WireIE, the depreciation of intangible assets in relation to WireIE and non-cash share-based compensation expense were not deductible for purposes of determining current income tax expense.

The Corporation's consolidated statutory tax rate for the three and nine months ended September 30, 2019 on earnings before income taxes attributable to shareholders of the Corporation was 26.5%.

The deferred income tax asset at September 30, 2019 of \$0.2 million (December 31, 2018 - \$0.4 million) and deferred tax expenses for the three and nine months ended September 30, 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 and Comprehensive Income***

For the three and nine months ended September 30, 2019, net income and comprehensive income of the Corporation was \$2.4 million and \$2.2 million, respectively (2018 – \$5.0 million and \$13.6 million, respectively).

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

For the three and nine months ended September 30, 2019, net income (loss) and comprehensive income (loss) attributable to Shareholders was \$0.5 million and \$(1.3) million, respectively (2018 – \$1.8 million and \$4.7 million, respectively). The net loss for the nine months ended September 30, 2019 reflects an aggregate effect, net of income taxes, of \$(4.6) million related to a realized 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 formerly affiliated with Crown Power Fund. Net income (loss) and comprehensive income (loss) attributable to non-controlling interests for the three and nine months ended September 30, 2019 was \$1.9 million and \$3.5 million, respectively (2018 – \$3.2 million and \$8.9 million, respectively). 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 and nine months ended September 30, 2019 of \$0.4 million and \$1.2 million, respectively (2018 - \$0.4 million and \$1.2 million, respectively), which the Shareholders are entitled to retain.

### **NON-IFRS MEASURES**

Adjusted EBITDA 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 EBITDA as earnings attributable to shareholders before finance costs, income taxes, depreciation and amortization expense (net of payments made in respect of right-of-use lease assets), non-cash, share-based compensation expense and loss on acquisition. As a result of the acquisition of WireIE in the three months ended September 30, 2019, depreciation and amortization expense became a significant component of the Corporation's total expenses, such that Adjusted EBITDA has become a more useful measure of financial performance, in the opinion of management, than Adjusted EBIT, which had been presented in prior periods.

Adjusted Funds from Operations is calculated as Adjusted EBITDA 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 and network services fees that were received in the period but not recognized in revenue of the period, less amounts attributable to shareholders in relation to unrealized gains / (losses),



the amortization component of interest revenue recognized on loans carried at amortized cost and the amortization component of network services revenue. With these measures, Crown is attempting to quantify the amounts of Adjusted EBITDA 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 and nine months ended September 30, 2019 were \$(0.5) million and \$1.9 million, respectively (2018 – \$3.1 million and \$9.0 million, respectively).

A reconciliation of earnings before income taxes to Adjusted EBITDA and Adjusted Funds from Operations for the three- and nine-month periods ended September 30, 2019 and September 30, 2018 is shown in the following table:

Reconciliation of Earnings before Income Taxes to Adjusted EBITDA and Adjusted Funds from Operations (In \$000s)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Earnings before income taxes	\$ 2,924	\$ 5,597	\$ 2,125	\$ 15,534
Deduct: Net income attributable to non-controlling interests <sup>1</sup>	(1,893)	(3,176)	(3,485)	(8,889)
Earnings (loss) before income taxes attributable to shareholders	1,031	2,421	(1,360)	6,645
Adjustments for amounts attributable to shareholders in relation to: <sup>2</sup>				
Finance costs	863	768	2,338	1,247
Depreciation of property, office equipment, network services equipment and intangible assets, net of lease payments on right-of-use assets	849	15	853	19
Non-cash share-based compensation	163	(104)	261	774
Loss on acquisition	195	-	195	-
<b>Adjusted EBITDA</b>	<b>3,101</b>	<b>3,100</b>	<b>2,287</b>	<b>8,685</b>
Adjustments for amounts attributable to shareholders in relation to: <sup>2</sup>				
Unrealized investment (gains)/losses	(3,314)	(280)	227	(830)
Finance fees received on investments carried at amortized cost but not included in fees and other income	96	506	559	1,518
Amortization component of interest revenue on loans carried at amortized cost	(415)	(171)	(1,268)	(416)
Network services fees received on customer contracts but not included in contractual network services revenue	229	-	229	-
Amortization component of network services revenue	(169)	-	(169)	-
<b>Adjusted Funds from Operations</b>	<b>\$ (472)</b>	<b>\$ 3,155</b>	<b>\$ 1,865</b>	<b>\$ 8,957</b>
Notes:				
1. The Corporation is not subject to income taxation on net income attributable to non-controlling interests.				
2. Adjustments exclude any amounts attributable to non-controlling interests.				

Compared with the comparable prior-year period, Adjusted Funds from Operations in the three months ended September 30, 2019 was lower due primarily to the recognition of a realized loss related to the Solo investment.

Compared with the comparable prior-year period, Adjusted Funds from Operations in the nine months ended September 30, 2019 was lower due primarily to the recognition of a realized loss related to the Solo investment, the incurrence of a \$2.6 million provision for bad debt, a lower level of interest income

attributable to shareholders and increases in legal and GST/HST expenses that management believes will be non-recurring.

The following table provides a quarterly reconciliation of earnings before income taxes to Adjusted EBITDA and Adjusted Funds from Operations for the period from October 1, 2017 to September 30, 2019.

Reconciliation of Earnings before Income Taxes to Adjusted EBITDA and Adjusted Funds from Operations (In \$000s)	Three Months Ended							
	September 30 2019	June 30 2019	March 31 2019	December 31 2018	September 30 2018	June 30 2018	March 31 2018	December 31 2017
Earnings (loss) before income taxes	\$ 2,924	\$ 7,329	\$ (8,127)	\$ 7,647	\$ 5,597	\$ 6,486	\$ 3,450	\$ 6,987
Deduct: Net income attributable to non-controlling interests <sup>1</sup>	(1,893)	(4,237)	2,645	(4,336)	(3,176)	(3,680)	(2,033)	(4,092)
Earnings (loss) before income taxes attributable to shareholders	1,031	3,092	(5,482)	3,311	2,421	2,806	1,417	2,895
Adjustments for amounts attributable to shareholders in relation to: <sup>2</sup>								
Finance costs	863	630	845	849	768	344	135	137
Depreciation of property, office equipment, network services equipment and intangible assets, net of lease payments on right-of-use assets	849	2	2	15	15	3	1	1
Non-cash share-based compensation	163	72	26	226	(104)	420	458	382
Loss on acquisition	195	-	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>3,101</b>	<b>3,796</b>	<b>(4,609)</b>	<b>4,401</b>	<b>3,100</b>	<b>3,573</b>	<b>2,011</b>	<b>3,415</b>
Adjustments for amounts attributable to shareholders in relation to: <sup>2</sup>								
Unrealized investment (gains)/losses	(3,314)	(1,728)	5,269	(570)	(280)	(383)	(167)	(86)
Finance fees received on investments carried at amortized cost but not included in fees and other income	96	-	463	391	506	560	452	-
Amortization component of interest revenue on loans carried at amortized cost	(415)	(339)	(514)	(314)	(171)	(131)	(114)	-
Network services fees received on customer contracts but not included in contractual network services revenue	229	-	-	-	-	-	-	-
Amortization component of network services revenue	(169)	-	-	-	-	-	-	-
<b>Adjusted Funds from Operations</b>	<b>\$ (472)</b>	<b>\$ 1,729</b>	<b>\$ 609</b>	<b>\$ 3,908</b>	<b>\$ 3,155</b>	<b>\$ 3,619</b>	<b>\$ 2,182</b>	<b>\$ 3,329</b>
Notes:								
1. The Corporation is not subject to income taxation on net income attributable to non-controlling interests.								
2. Adjustments exclude any amounts attributable to non-controlling interests.								

## Liquidity and Capital Resources

Considering the Corporation's working capital of \$15.5 million, the \$98.5 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 totaling \$36.7 million, at September 30, 2019, the Corporation had access to up to approximately \$150.7 million to fund additional investments.

### Working Capital

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 deferred network services revenue, the deferred compensation liability, the provision for performance bonus, bank debt and lease obligations that are payable within one year of the reporting date.

Working capital at September 30, 2019 was \$15.5 million compared with \$(5.7) million as at December 31, 2018, with the increase during the period related primarily to a \$2.6 million increase in cash and cash equivalents, a \$4.7 million increase in accounts receivable and a reclassification of \$17.7 of bank debt as a non-current liability in the non-consolidated financial statements of the Corporation effective February

5, 2019, partially offset by a \$3.0 million increase in accounts payable and accrued liabilities, the inclusion of \$0.7 million of deferred network services revenue following the acquisition of WireIE, and \$1.3 million in current lease obligations.

Cash and cash equivalents at September 30, 2019 totaled \$13.9 million (December 31, 2018 - \$11.3 million).

Accounts receivable at September 30, 2019 totaled \$9.1 million (December 31, 2018 - \$4.4 million) and was comprised primarily of interest receivable from investments, GST and HST recoverable by Crown Power Fund, amounts receivable in relation to network services contracts and management fees receivable from NCOF LP. Also included is an amount receivable from an operating partner formerly affiliated with Crown Power Fund for which there is a fully offsetting allowance for bad debts.

Accounts payable and accrued liabilities at September 30, 2019 of \$4.2 million (December 31, 2018 - \$1.1 million) included accrued employee salaries, accrued loan interest and standby fees and normal-course amounts due to suppliers, including \$2.0 million in respect of WireIE.

Distributions payable to non-controlling interests at September 30, 2019 of \$2.2 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 deferred network services revenue balance of \$2.7 million (December 31, 2018 - \$nil) relates to customer deposits received by WireIE in relation to up-front installation and setup services provided in connection with network service contracts. Deferred revenue is recognized on a straight-line basis over the term of underlying contracts and is included in network services revenue. As at September 30, 2019, deferred network services revenue of \$0.7 million relates to services to be provided in the subsequent 12-month period.

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.

#### Unfunded Commitments

As at September 30, 2019 Crown's aggregate unfunded commitment to Crown Partners Fund, CCF IV Investment and Crown Power Fund totaled \$61.2 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 September 30, 2019, \$110.1 million (58%) 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 \$78.9 million of committed capital available to Crown Partners Fund from parties other than Crown. As at September 30, 2019, Crown Partners Fund had total committed capital of \$300.0 million and a maximum size of \$500.0 million.

At September 30, 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 September 30, 2019, Crown Power Fund had total committed capital of \$57.9 million.

As at September 30, 2019, Crown Power Fund had committed to contracts valued at \$7.3 million in relation to the construction of power generation assets, of which \$4.3 million had been advanced to suppliers and contractors, resulting in an unfunded commitment of approximately \$2.9 million, of which \$1.7 million was attributable to non-controlling interests.

Of Crown Partners Fund's \$15 million funding commitment to VIQ Solutions, \$8.9 million had been advanced as at September 30, 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.

As at September 30, 2019, WireE had an aggregate commitment of \$2.7 million with respect to its use of broadband network infrastructure.

#### Credit Facilities and Convertible Unsecured Debentures

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 September 30, 2019 of \$6.8 million is comprised of gross advances of \$7.3 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 September 30, 2019 of \$15.7 million is comprised of gross advances of \$16.0 million 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.

#### **Investments**

As at September 30, 2019, the Corporation held investments in 15 Canadian companies, including loans to 12 companies, carried at an aggregate carrying value of \$222.2 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 September 30, 2019, the Corporation held debt securities in 9 Canadian companies carried at amortized cost with an aggregate carrying value of \$155.7 million, net of an allowance for credit losses of \$0.4 million. The fair value of these debt securities as at the reporting date was \$157.5 million.

As at September 30, 2019, the Corporation held debt securities in 4 Canadian companies carried at FVTPL with an aggregate carrying value of \$55.4 million. The carrying value of other investments carried at FVTPL, including equity securities, as at September 30, 2019 was \$11.1 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 and nine months ended September 30, 2019.

### **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 September 30, 2019, \$0.2 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 September 30, 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 \$3.2 million as at September 30, 2019, and which are secured by Common Shares owned by Share Purchase Plan Participants with a value of \$3.6 million as at September 30, 2019.

### **Lease Obligations**

The Corporation leases network services equipment and properties, including the usage of third-party tower space through network co-location arrangements, in addition to multiple office locations. As a lessee, the Corporation recognizes right-of-use assets and lease liabilities for most leases and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Lease obligations of \$5.6 million primarily relate to network co-location and network services equipment lease arrangements of WireE and to office leases of both Crown and WireE and are largely offset by right-of-use lease assets included in property, office equipment and network services equipment.

### **Provision for Performance Bonus**

The provision for performance bonus in relation to the Corporation's obligations to APBP Participants at September 30, 2019 totaled \$2.0 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. The provision that has accrued in relation to the performance of Crown Partners Fund decreased in the period primarily due to a realized loss realized in relation to the investment in Solo.

### **Contingent Consideration**

As partial consideration for the debt acquired from the previous debtholders of WireIE, Crown has agreed to pay the selling debtholders additional consideration on an annual basis at a predefined percentage of cumulative EBITDA in relation to WireIE, in accordance with prescribed dollar thresholds starting in 2020 for a five-year period, and not to exceed a \$5.0 million aggregate amount. In connection with the acquisition on July 12, 2019, Crown recognized \$0.2 million as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. The liability to pay contingent consideration is remeasured at fair value at each reporting date with any change in the fair value recognized in profit or loss.

At September 30, 2019, the contingent consideration has been recorded as a liability and is held at \$0.2 million.

### **Non-Controlling Interests**

At September 30, 2019, non-controlling interests was \$120.2 million (December 31, 2018 - \$127.9 million). The decrease is attributable to an excess of distributions, including capital returned in relation to loan repayments, over the combination of capital contributions to Crown Power Fund and Crown Partners Fund received from non-controlling interests and net income attributable to non-controlling interests over the same period.

### **Share Capital**

As at September 30, 2019, total share capital was \$96.0 million (December 31, 2018 - \$97.6 million).

In the nine months ended September 30, 2019, the Corporation issued 13,059 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, which subsequently expired on April 9, 2019, Crown repurchased and cancelled 102,583 Common Shares at an average cost of \$10.06 per Common Share.

On April 10, 2019, the Corporation commenced an NCIB to purchase for cancellation during the next 12 months up to 300,000 Common Shares representing approximately 5.3% of the public float of Common Shares and approximately 3.1% of the issued and outstanding Common Shares. Under this NCIB program, Crown repurchased and cancelled 151,510 Common Shares in the nine months ended September 30, 2019 at an average cost of \$7.56 per Common Share.

The total number of Common Shares outstanding at September 30, 2019 was 9,455,843 (December 31, 2018 – 9,616,555; November 6, 2019 – 9,397,533).

### **Contributed Surplus**

At September 30, 2019 Crown's contributed surplus of \$1.0 million included the opening balance at January 1, 2019 of \$1.4 million plus, for the nine months ended September 30, 2019, \$0.3 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 cancellation of Stock Options.

### **Cash Flows**

Cash and cash equivalents at September 30, 2019 totaled \$13.9 million (December 31, 2018 - \$11.3 million). In the nine months ended September 30, 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 investment in Triple Five, Rokstad Power and Data Communications, proceeds from the repayment of the BGO, Baylin and Canadian Helicopters loans (net of non-controlling interests' share) and from the partial repayment of the Solo investment, cash provided by operating activities and net advances in respect of the credit facilities. Primary uses of cash included investment in Triple Five, Rokstad Power, Solo and Data Communications, distributions to non-controlling interests, dividend payments to Shareholders, share repurchases, 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 November 6, 2019, the Corporation declared a quarterly dividend of \$0.15 per Common Share. The dividend will be paid on November 29, 2019 to Shareholders of record on November 15, 2019.

### **Off-Balance Sheet Arrangements**

As at September 30, 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 September 30, 2019, the Corporation had contributed capital to Crown Partners Fund totaling \$62.8 million and was committed to provide up to an additional \$45.0 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

September 30, 2019, the Corporation had contributed capital to CCF IV Investment LP totaling \$1.8 million and was committed to provide up to an additional \$1.4 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 September 30, 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 September 30, 2019 the Corporation had unfunded contractual commitments through Crown Power Fund of approximately \$2.9 million, of which \$1.7 million was attributable to non-controlling interests, and through Crown Partners Fund of \$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.

Through WireE, the Corporation has \$2.7 million in backhaul commitments relating to its use of broadband network infrastructure.

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 nine months ended September 30, 2019 of \$nil (2018 - \$0.1 million).

At September 30, 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 (\$ in 000s)	Three Months Ended September 30,		Nine Months Ended September 30,		Notes on Consolidation
	2019	2018	2019	2018	
Transaction fees - Crown	\$ -	\$ 94	\$ 157	\$ 519	allocated from net income to income attributable to Shareholders
Management Fees charged to NCOF LP	-	32	-	97	included in Revenue - Fees and Other Income
Performance fees related to non-controlling interest in Crown Partners Fund	(7)	206	(824)	657	allocated from net income to income attributable to Shareholders
Management fees related to non-controlling interest in Crown Partners Fund	410	442	1,207	1,247	allocated from net income to income attributable to Shareholders
	\$ 403	\$ 774	\$ 540	\$ 2,520	

## Acquisition of WireE

On July 12, 2019, Crown acquired 100% of the common shares, voting interests and debt in WireE, an Ontario-based broadband network operator specializing in the deployment and management of carrier-grade data networks across Canada and internationally to underserved communities. Prior to the acquisition, Crown and WireE were parties to a long-term debt security contract under which Crown invested \$7,591 in accordance with an income-streaming funding structure. Crown expects to achieve revenue growth and diversification from this acquisition and intends to provide additional capital as required.

In exchange for the common shares, voting interests and debt in WireE, Crown transferred \$0.2 million in cash consideration and has agreed to pay the selling debtholders additional consideration on an annual basis as a predefined percentage of cumulative EBITDA in relation to WireE, in accordance with prescribed dollar thresholds starting in 2020 for a five-year period, and not to exceed a \$5.0 million aggregate amount. Crown has recognized \$0.2 million in contingent consideration, which represents its fair value at the date of acquisition, and which Crown has determined remains appropriate as at September 30, 2019.

Crown incurred legal fees of \$0.1 million in relation to this acquisition, which have been included in general and administration expenses.

At the date of acquisition, Crown has recognized \$7.7 million of identifiable net assets measured at fair value, primarily related to network services contracts and network services equipment.

### Network services contracts

Network services contracts acquired relate to the access to and usage of telecommunications infrastructure by customers. These contracts are generally three to five years in duration and are comprised of two types of contractual network services revenue: (i) non-recurring revenues related to the installation of network elements; and (ii) monthly recurring revenues relating to the ongoing operation of network services.

The Corporation has recognized an intangible asset in the amount of \$3.9 million relating to the acquisition of network services contracts with finite useful lives in connection with the acquisition of WireE effective July 12, 2019, of which \$0.3 million has been amortized as of September 30, 2019.

Non-recurring revenues in relation to network services contracts are received upfront and are deferred and recognized over the term of the contract on a straight-line basis. The monthly recurring revenues are recognized as the service is rendered over the term of the arrangement.

Professional services revenue includes preliminary design studies as well as network support, maintenance and repair services, which are recognized as the related service is rendered.

### Network services equipment

Network services equipment is comprised of radios, antennae and tower equipment. WireE leases certain of this equipment and recognizes right-of-use assets and lease obligations for most leases with the exception of leases of low-value assets.

WireE also enters into network co-location agreements for the usage of third-party tower space in respect of which right-of-use assets are recognized.

### Settlement of pre-existing relationship

Crown and WireE were parties to a long-term debt security contract under which Crown advanced amounts in accordance with an income-streaming funding structure. This pre-existing relationship was effectively terminated when Crown acquired WireE.

### **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 and nine months ended September 30, 2019 are included in the following notes in those financial statements:

- Note 3 – Significant accounting policies;
- Note 4 – Financial instruments;
- Note 6 – Share-based compensation;
- Note 14 – Acquisition of Subsidiary;
- Note 16 – Property, office equipment and network services equipment; and
- Note 17 – Network services contracts.

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](http://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 IAS 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.

#### **Accounting Policies Adopted in the Current Period:**

As a result of the acquisition of WireIE on July 12, 2019, certain new accounting policies have been adopted, which are as follows:

##### Network services revenue recognition

Network services revenues are comprised of the following types of revenue:

- Professional services revenue

Revenue from professional services, network support, maintenance and repair services is recognized as the related service is rendered.

- Contractual network services revenue

Contractual network services revenue relates to the access to and usage of telecommunications infrastructure. There are two types of contractual network services revenue: (i) non-recurring revenues related to the upfront installation of network elements are invoiced at the time of installation and are deferred and recognized on a straight-line basis over the term of the customer life, which is generally three to five years in duration; and (ii) monthly recurring revenues relating to the ongoing operation of network services that are recognized as the service is rendered over the term of the arrangement.

Network services revenue is recognized to the extent the performance obligations to the customer have been satisfied.

The contracts with customers do not have a significant financing component. Payments are typically due 30-60 days from the billing date and are typically rendered on a monthly basis.

Costs of contract acquisition, namely commissions expense, are capitalized and subsequently recognized as an expense over the customer life.

### Network services equipment

Network services equipment is depreciated on a straight-line basis over its estimated useful life, which ranges between 5-15 years, depending on the nature of the equipment. Depreciation includes the amortization of right-of-use assets under finance leases where the Corporation is the lessee. The total cost of network equipment situated at customers' premises, associated installation costs and costs of contract acquisition are capitalized as incurred.

The Corporation leases network services equipment and properties, including the usage of third-party tower space through network co-location arrangements. As a lessee, the Corporation recognizes right-of-use assets and lease liabilities for most leases and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Corporation has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### Network services contracts

Intangible assets in respect of the WireIE acquisition relate to customer contracts acquired.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, which are reviewed at least annually and adjusted as appropriate.

Network services contracts are subject to amortization on a straight-line basis as the Corporation believes that this method reflects the consumption of resources related to the economic lifespan of these assets better than a diminishing basis and is more representative of the economic substance of the underlying use of the assets. The estimated useful life for a network services contract ranges between 3-5 years and the intangible assets related to such contracts are depreciated on a straight-line basis over 3-5 years, with consideration for the average remaining useful life of the contracts. Indicators of impairment such as competitive pressures and technological obsolescence are considered when determining whether the carrying value of an asset is recoverable. An impairment loss would be recorded to the extent the carrying value of an asset was not considered to be recoverable.

### **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 September 30, 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, Medicare, Baylin, Data Communications and Persta. Source, Prairie Provident, VIQ Solutions, Medicare, 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, Ferus, RBee, Active, Data Communications, Persta, Triple Five, VIQ Solutions and Rokstad Power, and Crown Private Credit Fund's loans to PenEquity and Mill Street. 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](http://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, Crown Power Fund and WireE is credit risk, as discussed in *Financial Instruments and Associated Risks*. Although Crown intends to offer financing solutions, long-term power supply contracts and network services contracts only to clients with a history of profitability, there can be no assurance that its financing clients, long-term power supply counterparties or network services 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 12 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 September 30, 2019, Crown Partners Fund held Source common shares which were valued at \$0.1 million, Prairie Provident common shares which were valued at \$0.2 million, Medicare common share purchase warrants which were valued at \$0.2 million, Baylin common share purchase warrants which were valued at \$0.2 million, Data Communications common share purchase warrants valued at \$0.2 million, Persta warrants valued at \$0.2 million, VIQ Solutions common shares which were valued at \$0.1 million and VIQ Solutions common share purchase warrants which were valued at \$0.3 million. As at September 30, 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 or Mill Street 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.

The primary risk factor for WireE is contract cancellation risk, being the risk that an above-normal level of existing term contracts is not renewed and extended at maturity and that existing month-to-month contracts are canceled at an above-normal pace. To the extent that the level of network services revenue added through the establishment of new customer contracts does not sufficiently offset the impact of contract cancellations on network services revenue, the resulting reduction of operating leverage could negatively impact WireE's contribution to the consolidated net income of the Corporation. A related risk factor for WireE is customer concentration risk, being the risk associated with WireE's reliance on the renewal of network services contracts with a significant customer, which comprise the majority of its accounts receivables and network services revenues to date.

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](http://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.

Management has limited the scope of design of its disclosure controls and procedures and its ICFR to exclude the controls, policies and procedures of WireE, of which Crown acquired a 100% interest on July 12, 2019. The total aggregate assets acquired and total aggregate liabilities assumed at closing, before deducting amounts attributable to non-controlling interests, represented approximately 6.8% and 6.2% of total consolidated assets and total consolidated liabilities, respectively, as at September 30, 2019. The impact of the acquisition on consolidated net income attributable to shareholders for the three months ended September 30, 2019, excluding the \$(0.2) million realized loss recognized in relation to the acquisition transaction and both a \$0.3 million realized gain and a \$0.1 million recovery of expected credit loss that were recognized in relation to the effective termination of the Corporation's loan to WireE, which had been measured at amortized cost, was a net loss of \$(0.6) million which includes depreciation expense of \$1.2 million. Management is committed to removing this limitation within the timeframe permitted by regulation.

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 September 30, 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 non-recurring nature of certain expenses;
- 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 Corporation’s intention to create a capital pool that invests in certain assets of WireIE, to seek funding commitments to this capital pool by third-party investors, and to generate management fee revenue in relation to managing this capital pool;



- 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](http://www.sedar.com), including the Annual Information Form.