

Condensed Consolidated Interim Financial Statements of

**CROWN CAPITAL PARTNERS INC.**

Three months ended March 31, 2020 and 2019

# CROWN CAPITAL PARTNERS INC.

## Condensed Consolidated Interim Statements of Financial Position (unaudited)

(expressed in thousands of Canadian dollars)

As at	March 31, 2020	December 31, 2019
<b>Assets</b>		
Cash and cash equivalents	\$ 14,912	\$ 8,361
Accounts receivable	12,796	10,881
Income taxes recoverable	145	227
Prepaid expenses and deposits	441	311
Investments (Note 4)	275,376	250,137
Share purchase loans (Note 10)	198	163
Property and equipment (Note 14)	13,899	14,876
Network services contracts (Note 15)	3,040	3,371
Net investment in leased distributed power equipment (Note 4)	646	644
Distributed power equipment under development and related deposits (Note 16)	16,407	10,540
Deferred income taxes	146	142
	<b>\$ 338,006</b>	<b>\$ 299,653</b>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable and accrued liabilities	\$ 4,628	\$ 4,177
Distributions payable to non-controlling interests	2,346	2,432
Promissory notes payable (Note 4)	6,384	8,512
Lease obligations	4,021	4,324
Deferred compensation (Note 6)	224	386
Contingent consideration	284	284
Provision for performance bonus (Note 9)	2,081	2,096
Credit facilities (Note 7)	65,295	38,406
Convertible debentures - liability component (Note 8)	18,651	18,562
Non-controlling interests (Note 11)	139,291	122,996
<b>Total Liabilities</b>	<b>243,205</b>	<b>202,175</b>
<b>Equity</b>		
Share capital (Note 5)	95,710	95,342
Convertible debentures - equity component (Note 8)	483	483
Contributed surplus	620	1,087
Retained earnings (deficit)	(2,012)	566
<b>Total Equity</b>	<b>94,801</b>	<b>97,478</b>
	<b>\$ 338,006</b>	<b>\$ 299,653</b>

**Commitments and contingencies (Note 17)**

**Subsequent events (Note 18)**

See accompanying notes to consolidated financial statements.

# CROWN CAPITAL PARTNERS INC.

## Condensed Consolidated Interim Statements of Comprehensive Income (Loss) (unaudited)

(expressed in thousands of Canadian dollars, except earnings per share and weighted average number of shares)

	For the three months ended	
	March 31,	
	2020	2019
<b>Revenues</b>		
Interest revenue	\$ 7,333	\$ 7,963
Fees and other income	337	1,576
Network services revenue	1,983	-
Net gain (loss) on investments		
Net realized gain from investments	311	930
Net change in unrealized losses of investments	(3,556)	(14,439)
	6,408	(3,970)
<b>Expenses</b>		
Salaries, management fees and benefits	1,458	615
Share-based compensation (Note 6)	105	175
General and administration	632	473
Cost of network services revenue	759	-
Performance bonus recovery	(15)	(1,137)
Provision for bad debt	-	3,018
Depreciation	1,941	35
Provision for credit losses	306	112
Impairment of equipment (Note 14)	6	-
Finance costs (Notes 7 and 8)	1,578	866
	6,770	4,157
<b>Loss before other adjustments and income taxes</b>	(362)	(8,127)
Non-controlling interests (Note 11)	(763)	2,645
<b>Loss before income taxes</b>	(1,125)	(5,482)
Income taxes		
Current tax expense	81	(1,435)
Deferred tax	(4)	(59)
	77	(1,494)
<b>Net loss and comprehensive loss</b>	\$ (1,202)	\$ (3,988)
Loss per share attributable to shareholders:		
Basic	\$ (0.13)	\$ (0.41)
Diluted	\$ (0.13)	\$ (0.41)
Weighted average number of shares, basic	9,428,241	9,613,379
Weighted average number of shares, diluted	9,488,255	9,729,605

See accompanying notes to consolidated financial statements.

# CROWN CAPITAL PARTNERS INC.

## Condensed Consolidated Interim Statements of Changes in Equity (unaudited)

For the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars, except number of shares)

	Number of shares	Share capital	Convertible debentures - equity component	Contributed surplus	Retained earnings (deficit)	Total Equity
Balance as at January 1, 2019	9,616,555	\$ 97,615	\$ 483	\$ 1,397	\$ 5,397	\$ 104,892
Net loss and comprehensive loss attributable to shareholders of the Corporation	-	-	-	-	(3,988)	(3,988)
Share-based compensation (Note 6)	-	-	-	120	-	120
Cash-settled share-based compensation (Note 6)	-	-	-	(106)	(11)	(117)
Issuance of common shares (Note 5)	11,033	104	-	(104)	-	-
Shares repurchased (Note 5)	(16,761)	(170)	-	-	5	(165)
Cancellation of stock options (Note 6)	-	-	-	(521)	521	-
Dividends declared (Note 5)	-	-	-	-	(1,441)	(1,441)
Balance as at March 31, 2019	9,610,827	\$ 97,549	\$ 483	\$ 786	\$ 483	\$ 99,301
Balance as at January 1, 2020	9,393,242	\$ 95,342	\$ 483	\$ 1,087	\$ 566	\$ 97,478
Net loss and comprehensive loss attributable to shareholders of the Corporation	-	-	-	-	(1,202)	(1,202)
Share-based compensation (Note 6)	-	-	-	74	-	74
Cash-settled share-based compensation (Note 6)	-	-	-	(173)	39	(134)
Issuance of common shares (Note 5)	37,470	368	-	(368)	-	-
Dividends declared (Note 5)	-	-	-	-	(1,415)	(1,415)
Balance as at March 31, 2020	9,430,712	\$ 95,710	\$ 483	\$ 620	\$ (2,012)	\$ 94,801

See accompanying notes to consolidated financial statements.

# CROWN CAPITAL PARTNERS INC.

## Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(expressed in thousands of Canadian dollars)

For the three months ended March 31,	2020	2019
Cash provided by (used in) operating activities		
Net income (loss)	\$ (1,202)	\$ (3,988)
Non-controlling interests (Note 11)	763	(2,645)
Adjustments for:		
Net realized gain from investments	(311)	(930)
Net change in unrealized losses in fair value of investments	3,556	14,439
Finance fees received on loans carried at amortized cost, net of non-cash finance fees	710	250
Interest income	(7,333)	(7,963)
Interest income received in the period	4,965	6,202
Provision for expected credit loss	306	112
Non-cash finance costs	231	200
Depreciation	1,941	35
Current income tax (recovery)	81	(1,435)
Income taxes paid in the period	-	(523)
Deferred income tax	(4)	(59)
Share-based compensation, net of cash settlements	(29)	26
Provision for performance bonus	(15)	(1,137)
Provision for bad debt	-	3,018
Impairment of equipment (Note 14)	6	-
Net change in non-cash working capital (Note 12)	(671)	(774)
	2,994	4,828
Cash provided by (used in) investing activities		
Proceeds from repayment of debt securities	5,311	45,000
Addition of investments	(33,565)	(5,068)
Share purchase loan repayments, net of advances	(35)	508
Purchase of property and equipment	(639)	(3)
Purchase of distributed power equipment under development and related deposits (Note 16)	(5,867)	(301)
	(34,795)	40,136
Cash provided by (used in) financing activities		
Non-controlling interests contributions to Crown Partners Fund (Note 11)	10,777	3,492
Non-controlling interests contributions to Crown Power Fund (Note 11)	7,105	13,289
Distributions paid by Crown Partners Fund to non-controlling interests	(2,432)	(12,219)
Repayment of promissory notes (Note 4)	(2,128)	-
Payments of lease obligations	(303)	(25)
Credit facility advances, net of repayments (Note 7)	26,900	(7,000)
Shares repurchased (Note 5)	-	(165)
Dividends (Note 5)	(1,415)	(1,441)
Deferred financing costs	(152)	(629)
	38,352	(4,698)
Increase in cash and cash equivalents	6,551	40,266
Cash and cash equivalents, beginning of period	8,361	11,307
Cash and cash equivalents, end of period	\$ 14,912	\$ 51,573
Supplemental cash flow information:		
Interest paid in the period	\$ 1,347	\$ 370

See accompanying notes to consolidated financial statements.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

---

## 1. Reporting entity:

Crown Capital Partners Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act on September 8, 1999 and commenced operations effective October 1, 2000. The Corporation provides investment management services and its registered office is 150 9<sup>th</sup> Avenue S.W., Suite 2827, Calgary, Alberta. These condensed consolidated interim financial statements as at and for the three months ended March 31, 2020 and 2019 comprise the Corporation and its subsidiaries, which include:

- A 100% interest (March 31, 2019 - 100%) in Crown Capital Funding Corporation ("CCFC");
- Through CCFC, a 100% interest (March 31, 2019 - 100%) in Crown Capital Private Credit Fund, LP ("Crown Private Credit Fund");
- Through CCFC, an effective interest of 38.8% (March 31, 2019 - 37.0%) in Crown Capital Partner Funding, LP ("Crown Partners Fund");
- A 100% interest (March 31, 2019 - 100%) in Crown Capital Private Credit Management Inc. ("CCPC MI"), the General Partner of Crown Private Credit Fund;
- A 100% interest (March 31, 2019 - 100%) in Crown Capital LP Partner Funding Inc. ("CCPF MI"), the general partner of Crown Partners Fund and Crown Capital Fund IV Investment, LP ("CCF IV Investment");
- A 100% interest (March 31, 2019 - 100%) in Crown Capital Fund III Management Inc. ("CCF III"), the general partner and manager of Norrep Credit Opportunities Fund, LP ("NCOF LP");
- A 100% interest (March 31, 2019 - 100%) in 10824356 Canada Inc. ("Crown Power Fund GP"). Crown Power Fund GP was incorporated on June 8, 2018 and is the general partner of Crown Capital Power Limited Partnership ("Crown Power Fund");
- Through CCFC, an interest of 43.2% (February 28, 2019 to March 31, 2019 – 43.2%; January 1, 2019 to February 27, 2019 - 100%) in Crown Power Fund; and
- Effective July 12, 2019, a 100% interest in WireIE Holdings International Inc., WireIE (Canada) Inc. and WireIE (Development) Inc. (hereinafter collectively referred to as "WireIE").

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

---

## 2. Basis of preparation:

### (a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Corporation’s financial position and results of operations since the last annual consolidated financial statements as at and for the year ended December 31, 2019. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2019.

These condensed consolidated interim financial statements were authorized for issue by the Corporation’s Board of Directors on May 4, 2020.

### (b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis, other than investments and certain share-based awards carried at fair value through profit or loss (“FVTPL”).

### (c) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

### (d) Use of estimates and judgments:

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.

The significant judgments made by management in applying the Corporation’s accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2019.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 2. Basis of preparation (continued):

### (d) Use of estimates and judgments (continued):

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic. Emergency measures enacted globally have caused material disruption to businesses resulting in an economic slowdown. The duration and full financial effect of the COVID-19 pandemic is unknown at this time, and there is significant uncertainty surrounding the potential impact it may have on the Corporation’s assets, liabilities, revenues, expenses and cash flows. Significant sources of estimation uncertainty include the fair value measurement of investments and the determination of expected credit losses on financial assets.

The Corporation actively monitors developments related to COVID-19, including existing and potential economic impacts on the underlying businesses associated with the Corporation’s financial assets, and the ability of such businesses to meet their financial obligations to the Corporation’s investment subsidiaries on a timely basis. The Corporation also reviews collateral values and monitors financial results of the underlying businesses on an ongoing basis.

### (e) Reclassification of prior period presentation:

Certain comparative figures have been reclassified to conform with the current year’s presentations.

## 3. Significant accounting policies:

The accounting policies applied to these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements as at and for the year ended December 31, 2019.

## 4. Financial instruments:

### (a) Investments

As at	March 31, 2020	December 31, 2019
Investments at FVTPL:		
Canadian debt securities at FVTPL	\$ 72,365	\$ 72,227
Canadian equity securities	1,669	2,662
Other investments	7,849	10,532
Total Investments at FVTPL	81,883	85,421
Canadian debt securities at amortized cost	194,498	165,460
Allowance for credit losses	(1,005)	(744)
Total Investments at amortized cost, net of allowance for credit losses	193,493	164,716
Total Investments	\$ 275,376	\$ 250,137



# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 4. Financial instruments:

### (b) Canadian debt securities

The gross carrying value of Canadian debt securities broken down by contractual maturity is as follows:

<b>Contractual maturity</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
On demand	\$ 17,625	\$ 17,414
0 – 12 months	7,900	7,900
1 – 3 years	89,557	77,737
3 – 5 years	103,629	101,357
5 years or more	48,152	33,279
<b>Total debt securities</b>	<b>\$ 266,863</b>	<b>\$237,687</b>

As at March 31, 2020, investments held in the form of Canadian debt securities had coupon interest rates ranging from 8.0% to 14.0% (December 31, 2019 – 8.0% to 14.0%) per annum.

Interest revenue calculated using the effective interest rate method for debt securities carried at amortized cost totaled \$5,088 for the three months ended March 31, 2020 (March 31, 2019 - \$5,313). The effective interest rates as at March 31, 2020 ranged from 7.5% to 15.1%.

Finance fees recognized in revenue in relation to the repayment of debt securities carried at amortized cost totaled \$nil for the three months ended March 31, 2020 (for the three months ended March 31, 2019 - \$900).

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

---

## 4. Financial instruments (continued):

### (c) Canadian equities

As at March 31, 2020, investments in equity securities included common shares of Canadian public companies, warrants in Canadian public companies, common shares of a Canadian private company and warrants in a Canadian private company.

### (d) Other investments

Other investments include royalty arrangements and other investment structures that are neither debt securities nor equity-linked.

### (e) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and are used by the Corporation in the management of short-term commitments.

### (f) Other receivable

Included in accounts receivable is a receivable that comprises an amount owing from an operating partner formerly affiliated with Crown Power Fund. This amount relates to advances from the Corporation that were used by the operating partner to fund unauthorized operating expenses. A provision for bad debt has been set up in the amount of \$2,526, representing the gross amount of the receivable, and is based on the Corporation's current assessment of the recoverability of this amount.

### (g) Network services receivables

Included in accounts receivable are amounts owing from parties with which the Corporation has entered into network services contracts.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 4. Financial instruments (continued):

### (h) Net investment in leased distributed power equipment

During 2019, the Corporation entered into a finance lease contract upon completion of the development of the related distributed power assets. There was no resultant gain or loss on reclassification of the distributed power equipment under development to a net investment in leased distributed power equipment. For the three months ended March 31, 2020, the Corporation recognized interest income in relation to its net investment in leased distributed power equipment of \$13 (for the three months ended March 31, 2019 - \$nil).

The following table sets out a maturity analysis of its net investment in leased distributed power equipment, showing the undiscounted lease payments to be received as at the reporting date.

	<b>2020</b>
Less than one year	\$ 65
One to two years	65
Two to three years	65
Three to four years	65
Four to five years	65
Greater than five years	946
Total undiscounted lease payments	1,271
Unearned finance income	(684)
Undiscounted unguaranteed residual value	65
Net investment in leased distributed power equipment, before allowance for credit loss	652
Allowance for credit loss	(6)
Net investment in leased distributed power equipment	\$ 646

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 4. Financial instruments (continued):

### (i) Allowance for credit losses

The changes to the Corporation's allowance for credit losses under IFRS 9, as at and for the three months ended March 31, 2020 and March 31, 2019, are shown in the following tables.

<b>March 31, 2020</b>				
<b>Allowance for credit losses</b>	<b>Debt securities</b>	<b>Net investment in leased distributed power equipment</b>	<b>Network services receivables</b>	<b>Total</b>
Opening balance	\$ 744	\$ 6	\$ 81	\$ 831
Additions	11	-	44	55
Net remeasurement of loss allowance	250	-	-	250
Transfer from Stage One to Stage Two – not credit impaired <sup>1</sup>	-	-	-	-
Ending balance	\$1,005	\$ 6	\$ 125	\$1,136

<sup>1</sup> There were no transfers from Stage Two to Stage One in the three months ended March 31, 2020.

<b>March 31, 2019</b>				
<b>Allowance for credit losses</b>	<b>Debt securities</b>	<b>Net investment in leased distributed power equipment</b>	<b>Network services receivables</b>	<b>Total</b>
Opening balance	\$ 221	\$ -	\$ -	\$ 221
Additions	1	-	-	1
Repayment	(14)	-	-	(14)
Net remeasurement of loss allowance	73	-	-	73
Transfer from Stage One to Stage Two – not credit impaired <sup>1</sup>	52	-	-	52
Ending balance	\$ 333	\$ -	\$ -	\$ 333

<sup>1</sup> There were no transfers from Stage Two to Stage One in the three months ended March 31, 2019.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 4. Financial instruments (continued):

### (i) Allowance for credit losses (continued)

The total gross carrying values of debt securities at amortized cost classified as Stage One, Stage Two and Stage Three and the associated allowance for credit losses, as at March 31, 2020 and December 31, 2019, are shown in the following tables:

	March 31, 2020			
	Stage One	Stage Two	Stage Three	Total
<b>Debt securities:</b>				
Gross carrying value at amortized cost	\$ 86,091	\$ 108,407	\$ -	\$ 194,498
Allowance for credit losses	(38)	(967)	-	(1,005)
Net carrying value at amortized cost, net of allowance for credit losses	\$ 86,053	\$ 107,440	\$ -	\$ 193,493
<b>Net investment in leased distributed power equipment:</b>				
Gross carrying value at amortized cost	-	652	-	652
Allowance for credit losses	-	(6)	-	(6)
Net carrying value at amortized cost, net of allowance for credit losses	\$ -	\$ 646	\$ -	\$ 646
<b>Receivables from network services:</b>				
Gross carrying value at amortized cost	-	1,746	-	1,746
Allowance for credit losses	-	(125)	-	(125)
Net carrying value at amortized cost, net of allowance for credit losses	\$ -	\$ 1,621	\$ -	\$ 1,621
<b>Total allowance for credit losses</b>	<b>\$ (38)</b>	<b>\$ (1,098)</b>	<b>\$ -</b>	<b>\$ (1,136)</b>

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 4. Financial instruments (continued):

- (i) Allowance for credit losses (continued):

	December 31, 2019			
	Stage One	Stage Two	Stage Three	Total
<b>Debt securities:</b>				
Gross carrying value at amortized cost	\$ 58,388	\$ 107,072	\$ -	\$ 165,460
Allowance for credit losses	(26)	(718)	-	(744)
Net carrying value at amortized cost, net of allowance for credit losses	\$ 58,362	\$ 106,354	\$ -	\$ 164,716
<b>Net investment in leased distributed power equipment:</b>				
Gross carrying value at amortized cost	-	650	-	650
Allowance for credit losses	-	(6)	-	(6)
Net carrying value at amortized cost, net of allowance for credit losses	\$ -	\$ 644	\$ -	\$ 644
<b>Receivables from network services:</b>				
Gross carrying value at amortized cost	-	1,287	-	1,287
Allowance for credit losses	-	(81)	-	(81)
Net carrying value at amortized cost, net of allowance for credit losses	\$ -	\$ 1,206	\$ -	\$ 1,206
<b>Total allowance for credit losses</b>	<b>\$ (26)</b>	<b>\$ (805)</b>	<b>\$ -</b>	<b>\$ (831)</b>

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

---

## 4. Financial instruments (continued):

### (j) Fair values:

The fair values of financial assets and financial liabilities that are traded on active markets are based on closing quoted market prices at the reporting date. For all other financial instruments, the Corporation determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair values of investments without quoted market prices are determined by management on the basis of the expected realizable value of the investments as at the date of the statement of financial position if they were disposed of in an orderly manner over a reasonable period of time, discounted at a discount rate which is considered by management to be appropriate at the date of the financial statement for the specific investment. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

A three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Corporation's investments. The hierarchy of inputs is summarized below:

- Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for instruments, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on the quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 4. Financial instruments (continued):

### (j) Fair values (continued):

The tables below analyze the fair value of investments at March 31, 2020 and December 31, 2019 by the level in the fair value hierarchy into which the fair value measurement is categorized. For investments carried at FVTPL, the amounts are based on the values recognized in the statement of financial position. There were no transfers between levels during the period.

<b>March 31, 2020</b>					
	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total fair value</b>	<b>Carrying value</b>
Canadian debt securities at FVTPL	\$ -	\$ -	\$ 72,365	\$ 72,365	\$ 72,365
Canadian equity securities	440	1,229	-	1,669	1,669
Other investments	-	-	7,849	7,849	7,849
<b>Total Investments at FVTPL</b>	<b>440</b>	<b>1,229</b>	<b>80,214</b>	<b>81,883</b>	<b>81,883</b>
Canadian debt securities at amortized cost	-	-	197,200	197,200	193,493
<b>Total Investments</b>	<b>\$ 440</b>	<b>\$ 1,229</b>	<b>\$ 277,414</b>	<b>\$ 279,083</b>	<b>\$ 275,376</b>
<b>December 31, 2019</b>					
	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total fair value</b>	<b>Carrying value</b>
Canadian debt securities at FVTPL	\$ -	\$ -	\$ 72,227	\$ 72,227	\$ 72,227
Canadian equity securities	480	706	1,476	2,662	2,662
Other investments	-	-	10,532	10,532	10,532
<b>Total Investments at FVTPL</b>	<b>480</b>	<b>706</b>	<b>84,235</b>	<b>85,421</b>	<b>85,421</b>
Canadian debt securities at amortized cost	-	-	166,107	166,107	164,716
<b>Total Investments</b>	<b>\$ 480</b>	<b>\$ 706</b>	<b>\$ 250,342</b>	<b>\$ 251,528</b>	<b>\$ 250,137</b>



# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

---

## 4. Financial instruments (continued):

### (j) Fair values (continued):

Canadian debt securities are valued using the discounted present value of expected cash flows arising from these debt instruments.

Observable inputs used in the development of an appropriate discount rate include Government of Canada benchmark interest rate for the term of the individual loan and the BBB-rated corporate interest rate spread for the term of the individual loan. Significant unobservable inputs include an illiquidity spread as well as a credit spread, both of which increase the discount rate. These rates are set initially at a level such that the loan valuation equals the initial purchase cost of the loan and are subsequently adjusted at each valuation date to reflect management's current assessment of market conditions as well as of loan-specific credit and illiquidity risk.

Discount rates are subject to adjustment based on both management's current assessment of market conditions and the economic performance of individual investments. At March 31, 2020, discount rates used range from 8.4% to 17.4% (December 31, 2019 – 10.0% to 15.3%).

The most significant input into the calculation of fair value of Level 3 debt investments is the discount rate applied to expected future cash flows. If the discount rate increased (decreased) by 100 bps, the fair value of Level 3 investments at March 31, 2020 would decrease by \$5,794 or increase by \$6,016, respectively.

The Canadian equity securities at March 31, 2020 include warrants classified as Level 3 that are valued based on a net asset value-based estimate of the underlying equity value, and common shares in a Canadian private company classified as Level 3 that are valued using an enterprise value multiple approach. The other investments classified as Level 3 are either valued using the discounted present value of expected cash flows arising from these investments with discount rates ranging from 15.1% to 30.0% or are valued using both this discounted cash flow approach and an enterprise value approach. If the discount rate increased (decreased) by 100 bps, the fair value of other Level 3 investments at March 31, 2020 would not change significantly.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 4. Financial instruments (continued):

### (j) Fair values (continued):

The following tables reconcile opening balances to closing balances for fair value measurements of investments carried at FVTPL in Level 3 of the fair value hierarchy as at and for the three months ended March 31, 2020 and March 31, 2019:

<b>For the three months ended</b>	<b>March 31, 2020</b>	<b>March 31, 2019</b>
<b>Level 3 securities at FVTPL</b>		
Opening balance	84,235	77,042
Repayment	-	(15,504)
Net change in unrealized gains	(4,021)	(14,628)
Ending balance	\$ 80,214	\$ 46,910

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable to non-controlling interests and promissory notes payable approximate their fair values due to their short term to maturity. The carrying values of the credit facilities, net investment in leased distributed power equipment and share purchase loans approximate their fair values due to the market interest rates on the loans. The carrying value of the convertible debentures – liability component approximates fair value at March 31, 2020 due to the market interest rate at March 31, 2020 which was consistent with that used to record the convertible debentures – liability component upon initial recognition at fair value on June 13, 2018.

Contingent consideration in relation to the WireIE acquisition is valued using the discounted present value of expected cash flows in excess of prescribed percentages of cumulative earnings arising from the Corporation's investment in WireIE.

The deferred compensation liability 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.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

---

## 4. Financial instruments (continued):

### (k) Promissory notes payable

Upon the redemption of 13,600 limited partnership units effective December 31, 2019 in Crown Partners Fund, the general partner elected to settle the redemption price, equal to the net asset value of the limited partnership units so redeemed calculated on December 31, 2019, by way of secured promissory notes. The promissory notes bear interest at 8.0% per annum, which is compounded semi-annually and payable quarterly in arrears. Principal amounts are to be repaid in four equal quarterly installments, payable on the last day of each calendar quarter, commencing on the last day of the first full calendar quarter ending after December 31, 2019. The Corporation has the ability to prepay all or any portion of the promissory notes at any time without penalty. Any proceeds in excess of \$5,000 received by the Corporation in relation to the disposition or prepayment of investments must be applied as a prepayment of promissory notes payable.

During the three months ended March 31, 2020, \$2,128 of principal was repaid. As at March 31, 2020, the balance of promissory notes payable is \$6,384 (December 31, 2019 - \$8,512). Interest expense in relation to promissory notes payable for the three months ended March 31, 2020 was \$170 (for the three months ended March 31, 2019 - \$nil).

## 5. Share capital:

The authorized share capital of the Corporation consists of an unlimited number of common shares, each carrying the right to one vote per common share at all meetings of shareholders of the Corporation and fully participating as to dividends of the Corporation.

On April 10, 2019, the Corporation renewed its normal course issuer bid ("NCIB") to purchase up to 300,000 common shares, representing approximately 3.1% of its issued and outstanding common shares as at March 31, 2019, over the next twelve months, or until such time as the bid is completed or terminated at the Corporation's option (see Note 18). Any shares purchased under this bid are purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid are cancelled. Total shares purchased and cancelled under the current NCIB up to March 31, 2020 was 214,111.

During the three months ended March 31, 2020, the Corporation purchased and cancelled a total of nil shares (March 31, 2019 – 16,761) for total consideration of \$nil (March 31, 2019 - \$165).

During the three months ended March 31, 2020, the Corporation issued 37,470 shares as vested share-based compensation (March 31, 2019 – 11,033) (see Note 6).

During the three months ended March 31, 2020, the Corporation declared and paid dividends of \$0.15 per share (March 31, 2019 - \$0.15 per share) for a total payment of \$1,415 (March 31, 2019 - \$1,441).

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

---

## 6. Share-based compensation:

The Corporation issues performance share units (“PSUs”) and restricted share units (“RSUs”) to employees. Prior to May 8, 2018, the Corporation issued RSUs to directors. PSUs and RSUs are collectively referred to as “Share Units”. On the vesting date, each Share Unit is exchanged for one common share of the Corporation, except that the holder may elect to be compensated in cash based on the fair value of such common shares to the extent necessary to pay any tax withholdings related to the vesting of the Share Units. The PSUs vest when certain performance objectives are achieved. RSUs issued to employees vest on January 3, 2021 provided the holder of the RSUs remains an employee of the Corporation. RSUs issued to directors vest over a three-year period from the issue date provided the holder remains a director of the Corporation.

The Corporation issues additional Share Units to employees and directors in lieu of dividends on outstanding Share Units. These Share Units vest on the same date as the respective Share Units for which they were awarded. The number of Share Units issued in lieu of dividends is based on the weighted average trading price of the common shares in the five days preceding payment of a dividend.

Effective May 8, 2018, the Corporation revised its compensation program for directors and introduced a Director Deferred Share Unit (“DDSU”) Plan under which it issues DDSUs to directors. DDSUs vest immediately upon grant and are redeemable no earlier than the date at which a director ceases to be a director, and no later than 367 days following such date. Upon redemption, DDSUs are settled by cash payments based on the market value of the DDSUs being redeemed, net of applicable tax withholdings. The Corporation’s liability related to its DDSU settlement obligation is measured based on the market value of the Corporation’s share price and is recorded in provision for deferred compensation, with the impact of any resulting changes in carrying value included in share-based compensation expense in the period. At March 31, 2020, the deferred compensation liability was \$224 (December 31, 2019 - \$386).

Effective December 20, 2019, the Corporation revised its compensation program for employees and introduced a Medium-Term Performance Unit (“MTPU”) Plan under which it issues MTPUs to employees. The Corporation does not expect to issue PSUs and RSUs to employees in the future. MTPUs vest when certain performance objectives are achieved. Vested MTPUs are settled in cash or Employee Deferred Share Units (“EDSUs”) on the date of vesting.

EDSUs vest immediately upon grant and are redeemable no earlier than the date on which an employee ceases to be an employee, and no later than 367 days following such date. Upon redemption, EDSUs are settled by cash payments based on the market value of the EDSUs being redeemed, net of applicable tax withholdings. The Corporation’s liability related to its EDSU settlement obligation is measured based on the market value of the Corporation’s share price and is recorded in provision for deferred compensation, with the impact of any resulting changes in carrying value included in share-based compensation expense in the period. As at March 31, 2020, there are no EDSUs outstanding and \$nil liability related to the EDSU settlement obligation.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 6. Share-based compensation (continued):

The Corporation issues additional DDSUs to directors and additional MTPUs and EDSUs to employees in lieu of dividends on outstanding DDSUs, MTPUs and EDSUs. These DDSUs, MTPUs and EDSUs vest on the same terms as the respective units for which they were awarded. The number of DDSUs, MTPUs and EDSUs issued in lieu of dividends is based on the weighted average trading price of the common shares for a ten-day period ending at the dividend payment date.

Stock options granted are valued using a Black-Scholes formula and the expense is recognized over the vesting period. The stock options vest over a three-year period and have terms of five to seven years and exercise prices of \$10.00 to \$11.00. During the three months ended March 31, 2020, 534,024 stock options were granted. During the three months ended March 31, 2019, 450,182 stock options that had vested but had not been exercised were cancelled, and 21,212 stock options that had not vested were cancelled. In the same period, 31,818 options were granted. As at March 31, 2020, 10,606 (December 31, 2019 – nil) stock options had vested but had not been exercised, and an additional 555,236 (December 31, 2019 – 31,818) stock options which had not vested were outstanding.

The tables below detail the share-based compensation expense recognized in the three months ended March 31, 2020 and 2019. Share-based compensation expense is recognized over the expected vesting period of each award.

For the three months ended March 31, 2020						
	Number outstanding at January 1, 2020	Issued in the period	Vested or exercised	Cancelled or forfeited	Number outstanding at March 31, 2020	Expensed in the period
PSUs	55,982	-	(27,599)	-	28,383	\$ 30
RSUs	59,257	-	(27,627)	-	31,630	32
MTPUs	124,588	-	-	-	124,588	126
DDSUs	50,916	-	-	-	50,916	(95)
Total units	290,743	-	(55,226)	-	235,517	93
Stock options	31,818	534,024	-	-	565,842	12
Total	322,561	534,024	(55,226)	-	801,359	\$ 105

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 6. Share-based compensation (continued):

	For the three months ended March 31, 2019					
	Number outstanding at January 1, 2019	Issued in the period	Vested or exercised	Cancelled or forfeited	Number outstanding at March 31, 2019	Expensed in the period
PSUs <sup>1</sup>	54,825	815	-	-	55,640	\$ 62
RSUs <sup>1</sup>	85,037	921	(22,253)	(1,984)	61,721	49
DDUs <sup>1</sup>	25,433	329	(3,311)	-	22,451	55
Total units	165,295	2,065	(25,564)	(1,984)	139,812	166
Stock options	471,394	31,818	-	(471,394)	31,818	9
Total	636,689	33,883	(25,564)	(473,378)	171,630	\$ 175

<sup>1</sup> The PSUs, RSUs and DDUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

## 7. Credit facilities:

The Corporation has a \$35,000 senior secured revolving credit facility (the “Crown Credit Facility”) to fund the Corporation’s capital commitments to each of its controlled investment funds and its investment in WireIE. The Crown Credit Facility provides financing at a variable interest rate based on Prime Rate plus 275 bps to 325 bps or on Bankers Acceptance rate plus 375 to 425 bps and has a customary set of covenants. Effective February 5, 2019, the Corporation extended the maturity of the Crown Credit Facility by 17 months to May 31, 2021, which is subject to a one-year extension annually on each May 31, and amended certain terms of the facility. As of March 31, 2020, \$29,600 (December 31, 2019 - \$14,300) has been drawn on the Crown Credit Facility. The Crown Credit Facility is secured by the Corporation’s effective ownership interest in the investments held by its controlled investment funds, through CCFC and certain other investments held by the Corporation. The carrying value of assets pledged as at March 31, 2020 was \$150,191.

During the three months ended March 31, 2020, \$423 (March 31, 2019 - \$448) was expensed as finance costs relating to the Crown Credit Facility including amortization of deferred financing costs of \$100, interest of \$288 and standby fees of \$35 (2019 - \$102, \$306 and \$40, respectively). The balance of unamortized deferred financing costs relating to the Crown Credit Facility as at March 31, 2020 was \$445 (December 31, 2019 - \$425).

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 7. Credit facilities (continued):

On February 5, 2019, Crown Partners Fund entered into an agreement for a \$25,000 senior secured revolving credit facility (“CCPF Credit Facility”) to fund investments in mid-market corporations (prior to February 5, 2019 - \$nil). On December 17, 2019, the size of the CCPF Credit Facility was increased to \$50,000. The CCPF Credit Facility provides financing at a variable interest rate based on Prime Rate plus 225 bps to 325 bps or on Bankers Acceptance rate plus 325 to 425 bps and has a customary set of covenants. The CCPF Credit Facility matures on May 31, 2022 and is subject to a one-year extension annually on each May 31, which is not to exceed the term of Crown Partners Fund, as defined in its limited partnership agreement.

As of March 31, 2020, \$36,600 (December 31, 2019 - \$25,000) has been drawn on the CCPF Credit Facility. The CCPF Credit Facility is secured by the investments held by Crown Partners Fund. The carrying value of assets pledged as at March 31, 2020 was \$244,619.

During the three months ended March 31, 2020, \$491 was expensed as finance costs relating to the CCPF Credit Facility including amortization of deferred financing costs of \$42, interest of \$428 and standby fees of \$21, respectively (March 31, 2019 - \$17, \$16 and \$nil, respectively). The balance of unamortized deferred financing costs relating to the CCPF Credit Facility as at March 31, 2020 was \$460 (December 31, 2019 - \$469).

The following table reconciles opening balances to closing balances for the Crown Credit Facility and CCPF Credit Facility as at March 31, 2020 and December 31, 2019:

As at	March 31, 2020		
	Crown Credit Facility	CCPF Credit Facility	Total
<b>Balance drawn</b>			
Balance, January 1, 2020	\$ 14,300	\$ 25,000	\$ 39,300
Net advances (repayments)	15,300	11,600	26,900
<b>Balance, March 31, 2020</b>	<b>\$ 29,600</b>	<b>\$ 36,600</b>	<b>\$ 66,200</b>
<b>Deferred finance costs</b>			
Balance, January 1, 2020	\$ (425)	\$ (469)	\$ (894)
Amortization	100	42	142
Additions	(120)	(33)	(153)
<b>Balance, March 31, 2020</b>	<b>\$ (445)</b>	<b>\$ (460)</b>	<b>\$ (905)</b>
<b>Carrying value – March 31, 2020</b>	<b>\$ 29,155</b>	<b>\$ 36,140</b>	<b>\$ 65,295</b>

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 7. Credit facilities (continued):

As at	March 31, 2019		
	Crown Credit Facility	CCPF Credit Facility	Total
<b>Balance drawn</b>			
Balance, January 1, 2019	\$ 18,000	\$ -	\$ 18,000
Net advances (repayments)	(7,000)	-	(7,000)
<b>Balance, March 31, 2019</b>	<b>\$ 11,000</b>	<b>\$ -</b>	<b>\$ 11,000</b>
<b>Deferred finance costs</b>			
Balance, January 1, 2019	\$ (270)	\$ -	\$ (270)
Amortization	102	17	119
Additions	(292)	(337)	(629)
<b>Balance, March 31, 2019</b>	<b>\$ (460)</b>	<b>\$ (320)</b>	<b>\$ (780)</b>
<b>Carrying value – March 31, 2019</b>	<b>\$ 10,540</b>	<b>\$ (320)</b>	<b>\$ 10,220</b>



# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

---

## 8. Convertible Debentures:

On June 13, 2018 the Corporation issued \$20,000 of 6.0% convertible unsecured subordinated debentures (the "Convertible Debentures") for net proceeds of \$18,703 with maturity date of June 30, 2023 (the "Debenture Maturity Date"). Interest on the Convertible Debentures is payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2018. The Convertible Debentures are direct, subordinated unsecured obligations of the Corporation, subordinated to the Credit Facility.

Each \$1 principal amount of Convertible Debenture is convertible at the option of the holder into approximately 72.99 common shares of the Corporation (representing a conversion price of \$13.70 per share). The Convertible Debentures are not redeemable on or before June 30, 2021, except in limited circumstances following a Change of Control (as defined in the Trust Indenture). After June 30, 2021, but prior to June 30, 2022, the Convertible Debentures may be redeemed in whole or in part from time to time at the Corporation's option, on not more than 60 days and not less than 30 days prior written notice, at a price equal to the aggregate principal amount plus accrued and unpaid interest, provided that the weighted average price of the common shares during the 20 consecutive trading days ending on the fifth day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after June 30, 2022 and prior to the Debenture Maturity Date, the Convertible Debentures may be redeemed in whole or in part from time to time at the Corporation's option at a price equal to their aggregate principal amount plus accrued and unpaid interest.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 8. Convertible Debentures (continued):

On a Redemption Date (as defined in the Trust Indenture) or on the Debenture Maturity Date, as applicable, the Corporation may, at its option, elect to satisfy its obligation to pay the aggregate principal amount of and premiums on (if any) the Convertible Debentures by issuing common shares. Payment for such Convertible Debentures, subject to the election, would be satisfied by delivering that number of common shares obtained by dividing the aggregate principal amount of the outstanding Convertible Debentures which are to be redeemed, or which will mature, by 95% of the Weighted Average Price of the Common Shares for the 20 consecutive trading days ending five trading days prior to the date fixed for redemption or the Maturity Date, as the case may be. Any accrued and unpaid interest will be paid in cash.

<b>As at</b>	<b>March 31, 2020</b>	
	<b>Liability Component</b>	<b>Equity Component</b>
Balance, January 1, 2020	\$ 18,562	\$ 483
Effective interest on Convertible Debentures	89	-
<b>Balance, March 31, 2020</b>	<b>18,651</b>	<b>483</b>

<b>As at</b>	<b>March 31, 2019</b>	
	<b>Liability Component</b>	<b>Equity Component</b>
Balance, January 1, 2019	\$ 18,222	\$ 483
Effective interest on Convertible Debentures	81	-
<b>Balance, March 31, 2019</b>	<b>18,303</b>	<b>483</b>

During the three months ended March 31, 2020, \$387 (March 31, 2019 - \$377) was expensed as finance costs relating to the Convertible Debentures including amortization of deferred financing costs of \$89 and interest of \$298 (2019 - \$81 and \$296, respectively).

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 8. Convertible Debentures (continued):

The following table reconciles total finance costs to costs recognized in relation to the Crown Credit Facility, CCPF Credit Facility, Convertible Debentures and the Corporation's lease obligations, including its office lease and network co-location arrangements for the three months ended March 31, 2020 and March 31, 2019:

For the three months ended		March 31, 2020				
	Crown Credit Facility	CCPF Credit Facility	Convertible Debentures	Promissory Notes	Lease Obligations	Total
Interest	\$ 288	\$ 428	\$ 298	\$ 170	\$ 107	\$ 1,291
Standby and other lending fees	35	21	-	-	-	56
Amortization of deferred finance costs	100	42	89	-	-	231
<b>Total Finance Costs</b>	<b>\$ 423</b>	<b>\$ 491</b>	<b>\$ 387</b>	<b>\$ 170</b>	<b>\$ 107</b>	<b>\$ 1,578</b>

For the three months ended		March 31, 2019				
	Crown Credit Facility	CCPF Credit Facility	Convertible Debentures	Promissory Notes	Lease Obligations	Total
Interest	\$ 306	\$ 16	\$ 296	\$ -	\$ 8	\$ 626
Standby and other lending fees	40	-	-	-	-	40
Amortization of deferred finance costs	102	17	81	-	-	200
<b>Total Finance Costs</b>	<b>\$ 448</b>	<b>\$ 33</b>	<b>\$ 377</b>	<b>\$ -</b>	<b>\$ 8</b>	<b>\$ 866</b>

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

---

## 9. Provision for performance bonus:

The Corporation has asset performance bonus pool (“APBP”) arrangements for certain individuals, primarily employees, collectively, the “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. The Corporation’s current compensation policy provides that 50% of such performance fees will be distributed to APBP Participants with the other 50% retained by the Corporation.

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 2025, subject to annual one-year extensions, with 50% of performance fees recognized by Crown Partners Fund allocated to employees.

Allocation of the units of the APBP relating to Crown Power Fund commenced in 2020 and will continue until the expiration of the investment fund’s term in 2026, subject to annual one-year extensions, with 50% of performance fees recognized by Crown Power Fund allocated to employees.

Performance bonus amounts will be paid to APBP Participants in accordance with the Limited Partnership Agreement of the investment fund, upon declaration by the General Partner of the investment fund.

As at March 31, 2020, the Corporation had accrued a provision for performance bonus payable of \$2,081 relating to the APBP of Crown Partners Fund (December 31, 2019 - \$2,096).

As at March 31, 2020, no amounts have been accrued in relation to the APBP of Crown Power Fund.

## 10. Share purchase loans:

The Corporation has an Executive Share Purchase Plan (the “Share Purchase Plan”) whereby the Board can approve loans to Participants (“Share Purchase Plan Participants”) for the purpose of purchasing the Corporation’s common shares in the open market. Loans in relation to the 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 management in repayment of interest and principal on these loans: all dividend distributions on the common shares, all annual performance incentive plan payments to Participants in excess of target bonus payouts, and all proceeds from the sale of the common shares.

During the three months ended March 31, 2020, the Corporation advanced \$94 of new loans under the Share Purchase Plan and \$59 of principal was repaid. During the three months ended March 31, 2019, the Corporation advanced \$120 of new loans and \$628 of principal was repaid. As at March 31, 2020, \$198 of loans to the Corporation were outstanding (December 31, 2019 - \$163), including accrued interest of \$nil (2019 - \$2). Loans to the Corporation under the Share Purchase Plan bear interest at prime (2.45% as at March 31, 2020), are repayable in full within 90 days following the date on which the Participant ceases to be employed by the Corporation and are personally guaranteed by Participants.

The Corporation has guaranteed repayment of loans advanced to Participants by a third-party financial institution pursuant to the Share Purchase Plan which totaled \$2,457 as at March 31, 2020 (December 31, 2019 - \$2,526), and which are secured by common shares of the Corporation owned by Participants with a value of \$1,688 as at March 31, 2020 (December 31, 2019 - \$3,014).

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 11. Non-controlling interests (NCI):

As at	March 31, 2020		
	Crown Partners Fund	Crown Power Fund	Total
NCI percentage	61.2% <sup>1</sup>	56.8%	
Beginning balance, January 1, 2020	\$ 110,010	\$ 12,986	\$ 122,996
Allocation of net income (loss)	568	195	763
Contributions	10,777	7,105	17,882
Distributions	(2,345)	(1)	(2,346)
Redemption of units	(4)	-	(4)
Balance, March 31, 2020	\$ 119,006	\$ 20,285	\$ 139,291

1. NCI percentage in Crown Partners Fund decreased from 63.0% to 61.2% effective January 1, 2020.

As at	March 31, 2019		
	Crown Partners Fund	Crown Power Fund	Total
NCI percentage	63.0%	56.8% <sup>1</sup>	
Beginning balance, January 1, 2019	\$ 127,938	\$ -	\$ 127,938
Allocation of net income (loss)	(2,627)	(18)	(2,645)
Contributions	3,492	13,289	16,781
Distributions	(12,065)	-	(12,065)
Balance, March 31, 2019	\$ 116,738	\$ 13,271	\$ 130,009

1. NCI percentage in Crown Power Fund increased from 0.0% to 56.8% effective February 28, 2019.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 12. Net change in non-cash working capital:

Three months ended March 31,	2020	2019
Accounts receivable	\$ (793)	\$ (534)
Prepaid expenses	(130)	46
Accounts payable and accrued liabilities	252	(286)
Total	\$ (671)	\$ (774)
Net change attributable to operating activities	(671)	(774)

## 13. Segment information:

Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses. The Corporation has two strategic divisions, which are its reportable segments. These divisions offer different services and are managed separately because they invest in different asset classes, serve different customer types, require different operational strategies and involve different regulatory treatment.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Specialty finance	Origination and management of, and investment in, capital pools comprised of special situations financing, long-term financing and distributed power investments.
Network services	Provision of network services segment in relation to the deployment and management of carrier-grade data networks.

Information related to each reportable segment is set out below. Segment net income (loss) is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 13. Segment information (continued):

Information presented in respect of reportable segments for the three months ended March 31, 2020 is presented in the table below.

For the three months ended	March 31, 2020		
	Reportable segments	Specialty finance	Network services
External revenues <sup>1</sup>	\$ 7,670	\$ 1,983	\$ 9,653
Net realized loss on investment	311	-	311
Net change in unrealized loss of investments	(3,556)	-	(3,556)
<b>Consolidated revenues<sup>2</sup></b>	<b>4,425</b>	<b>1,983</b>	<b>6,408</b>
Inter-segment revenues <sup>3</sup>	284	-	284
<b>Segment revenues</b>	<b>4,709</b>	<b>1,983</b>	<b>6,692</b>
Cost of network services	-	759	759
<b>Segment earnings (loss) before other adjustments and income taxes<sup>4</sup></b>	<b>956</b>	<b>(1,318)</b>	<b>(362)</b>
Financing costs <sup>3</sup>	1,478	100	1,578
Depreciation and amortization	34	1,907	1,941
Income taxes – current	81	-	81
Income taxes – deferred	(4)	-	(4)
Other material non-cash items:			
Provision for expected credit loss	262	44	306
Performance bonus expense (recovery)	(15)	-	(15)
Additions to property and equipment	-	639	639

<sup>1</sup> External revenues of the “specialty finance” segment include interest revenue of \$7,333. Revenues from one customer of the Corporation’s “network services” segment represented approximately \$1,237 of the Corporation’s total revenues.

<sup>2</sup> Consolidated revenues represents the Corporation’s consolidated revenues.

<sup>3</sup> Inter-segment revenue representing interest revenue earned on certain intercompany debt amounts is eliminated on consolidation of the Corporation’s revenues. The related interest expense is eliminated on consolidation from financing costs attributable to the “network services” segment.

<sup>4</sup> Total segment income (loss) before tax represents the Corporation’s consolidated income tax. Interest revenue earned on certain intercompany debt amounts is eliminated on consolidation from segment net income before tax attributable to the “specialty finance” segment. The related interest expense is eliminated on consolidation from segment net income before tax attributable to the “network services” segment.

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 13. Segment information (continued):

As at	March 31, 2020		
Reportable segments	Specialty finance	Network services	Total
Segment assets <sup>1,2</sup>	\$ 327,757	\$ 10,249	\$ 338,006
Segment liabilities <sup>1,2</sup>	236,930	6,275	243,205

<sup>1</sup> Total segment assets and total segment liabilities represent the consolidated assets and liabilities of the Corporation, respectively.

<sup>2</sup> Intercompany debt amounts are eliminated on consolidation from segment assets and segment liabilities presented above.

## 14. Property and equipment:

As at	March 31, 2020				
	Network Co-location	Network Service Equipment	Office and Other Equipment	Distributed Power Equipment	Total
<b>Cost</b>					
Beginning balance, January 1, 2020	\$ 4,307	\$ 6,113	\$ 935	\$ 5,551	\$ 16,906
Additions	-	639	-	-	639
<b>Balance, March 31, 2020</b>	<b>\$ 4,307</b>	<b>\$ 6,752</b>	<b>\$ 935</b>	<b>\$ 5,551</b>	<b>\$ 17,545</b>
<b>Accumulated depreciation and impairment of equipment</b>					
Beginning balance, January 1, 2020	\$ (654)	\$ (833)	\$ (406)	\$ (137)	\$ (2,030)
Depreciation	(302)	(1,270)	(38)	-	(1,610)
Impairment of equipment	-	(6)	-	-	(6)
<b>Balance, March 31, 2020</b>	<b>\$ (956)</b>	<b>\$ (2,109)</b>	<b>\$ (444)</b>	<b>\$ (137)</b>	<b>\$ (3,646)</b>
<b>Carrying value – March 31, 2020</b>	<b>\$ 3,351</b>	<b>\$ 4,643</b>	<b>\$ 491</b>	<b>\$ 5,414</b>	<b>\$ 13,899</b>



# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 14. Property and equipment (continued):

As at	March 31, 2019				
	Network Co-location	Network Service Equipment	Office and Other Equipment	Distributed Power Equipment	<b>Total</b>
<b>Cost</b>					
Beginning balance, January 1, 2019	\$ -	\$ -	\$ 383	\$ -	\$ 383
Impact of adoption of IFRS 16	-	-	503	-	503
Adjusted balance as at January 1, 2019	-	-	886	-	886
Additions	-	-	3	-	3
<b>Balance, March 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 889</b>	<b>\$ -</b>	<b>\$ 889</b>
<b>Accumulated depreciation and impairment of equipment</b>					
Beginning balance, January 1, 2019	\$ -	\$ -	\$ (259)	\$ -	\$ (259)
Depreciation	-	-	(35)	-	(35)
<b>Balance, March 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (294)</b>	<b>\$ -</b>	<b>\$ (294)</b>
<b>Carrying value – March 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 595</b>	<b>\$ -</b>	<b>\$ 595</b>

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

## 15. Network services contracts

The Corporation has recognized an intangible asset in the amount of \$3,972 relating to the acquisition of network services contracts acquired by the Corporation on July 12, 2019 that have finite useful lives, of which \$932 has been amortized as of March 31, 2020 and is included in depreciation expense. The unamortized balance outstanding as at March 31, 2020, is \$3,040.

## 16. Distributed power equipment under development and related deposits:

Reconciliation of carrying amount:

<b>As at</b>	<b>March 31, 2020</b>	<b>Carrying amount</b>
Balance, January 1, 2020		\$ 10,540
Additions		5,867
<b>Balance, March 31, 2020</b>		<b>\$ 16,407</b>

<b>As at</b>	<b>March 31, 2019</b>	<b>Carrying amount</b>
Balance, January 1, 2019		\$ 12,000
Additions		271
Reclassification to other receivable		(3,018)
<b>Balance, March 31, 2019</b>		<b>\$ 9,253</b>

Additions to distributed power equipment under development and related deposits included capitalized interest of \$182 as at March 31, 2020 (March 31, 2019 - \$nil).

# CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three months ended March 31, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

---

## 17. Commitments and contingencies:

The following is a summary of the Corporation's financial commitments as at March 31, 2020:

As at March 31, 2020 the Corporation, through Crown Power Fund, had committed to contracts valued at \$24,175 in relation to the construction of power generation assets, of which \$15,934 was funded, included in equipment under development and related deposits, and \$8,241 was unfunded, of which \$4,684 was attributable to non-controlling interests.

As at March 31, 2020 the Corporation, through Crown Partners Fund, had unfunded commitments to provide loan advances of \$8,000, of which \$4,899 was attributable to non-controlling interests.

The Corporation, through CCFC, has an aggregate commitment to provide funding to Crown Partners Fund and CCF IV Investment of \$32,891 as at March 31, 2020.

The Corporation, through CCFC, has an aggregate commitment to provide funding to Crown Power Fund of \$9,514 as at March 31, 2020.

The Corporation, through WireIE, has an aggregate commitment with respect to its use of broadband network infrastructure of \$1,135 as at March 31, 2020.

From time to time, the Corporation is party to legal proceedings. Based on current knowledge, the Corporation does not expect the outcome of such proceedings to have a material effect on the consolidated statement of financial position or consolidated statement of comprehensive income (loss).

## 18. Subsequent events:

The Corporation announced on April 8, 2020 that it received approval to renew its NCIB for a 12-month period commencing on April 13, 2020. Under the terms of the renewed NCIB, the Corporation will have the right to purchase up to 550,000 of its common shares, representing approximately 5.8% of its issued and outstanding shares as at March 31, 2020, over the next twelve months, or until such time as the bid is completed or terminated at the Corporation's option. Shares purchased under this bid are purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid are cancelled.