



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

ORGANIZATION OF THE MANAGEMENT’S DISCUSSION AND ANALYSIS (“MD&A”)

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“Crown”, the “Corporation”, “we”, “us” or “our” refers to Crown Capital Partners Inc. and its consolidated subsidiaries.

Please refer to the Glossary of Terms beginning on page 46 which defines certain performance measures that we use to measure our business and also defines the names used throughout the MD&A in reference to operating companies, limited partnerships, portfolio companies and their respective subsidiaries.

Additional information about the Corporation, including our Annual Information Form, is available on our website at www.crowncapital.ca and on the Canadian Securities Administrators’ website at www.sedar.com. Information contained in or otherwise accessible through the websites mentioned does not form part of this report. All references in this report to websites are inactive textual references and are not incorporated by reference.

PART 1 – OUR BUSINESS

BUSINESS OVERVIEW

Crown is a specialty finance company operating in each of the alternative corporate finance, distributed power and telecommunications infrastructure markets. We act as both an asset manager of capital pools invested in alternative asset classes, and as a direct investor, including minority ownership interests in certain of our managed investment funds.

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

Alternative Corporate Financing

In the alternative corporate finance sector, we are 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 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 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**”).

Collectively, we refer to Special Situations Financing and Long-term Financing as “**Alternative Corporate Financing**”.

As at March 31, 2020, our investment portfolio, which relates exclusively to our Alternative Corporate Financing business, was carried at \$275.4 million (December 31, 2019 - \$250.1 million) including Special Situations Financing investments totaling \$240.4 million (December 31, 2019 - \$214.9 million) and Long-Term Financing investments totaling \$35.0 million (December 31, 2019 - \$35.2 million).

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.

Distributed Power

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**”). In February 2019, Crown Power Fund completed a closing with subscriptions that increased its total committed capital to \$57.9 million, including an aggregate capital commitment of \$32.9 million by third-party investors, and reduced our ownership of Crown Power Fund, which we hold through wholly owned subsidiary CCFC, from 100.0% to 43.2%.

As at March 31, 2020, Crown Power Fund’s aggregate equipment-related investment was carried at \$22.5 million (December 31, 2019 - \$16.6 million) including amounts invested in distributed power equipment under development and related deposits (\$16.4 million), distributed power equipment (\$5.4 million, included in property and equipment) and net investment in leased distributed power equipment (\$0.6 million).

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.

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 (“**Operating Partners**”) as these Operating Partners achieve scale and profitability. Operating Partners are third-party entities engaged exclusively in sourcing, designing, constructing and operating distributed power projects on behalf of Crown Power Fund. The arrangements with each Operating Partner involve the granting of non-controlling ownership interests in the Operating Partner to each of Crown and Crown Power Fund for nominal consideration.

Network Services

Through WireIE, 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 March 31, 2020, Crown had invested a total of \$9.9 million in WireIE (December 31, 2019 - \$9.4 million). Revenue earned by WireIE 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.

Crown’s strategy regarding its investment in WireIE involves the planned creation of a capital pool that invests in certain revenue-generating assets of WireIE and, potentially, of other companies operating in its market segment, 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.

BASIS OF CONSOLIDATION

We generally invest significant amounts of capital alongside third-party investors in our managed funds, which, in addition to management fees and performance fees, means that we earn meaningful returns as a principal investor in addition to our asset management returns compared to a manager who acts solely as an agent. Contractual arrangements also generally provide us with the irrevocable ability to direct the activities of our managed funds. As a result, in certain cases, we are deemed to control entities in which we hold only a minority economic interest.

All entities that we control are consolidated for financial reporting purposes. As a result, we include 100% of the revenues and expenses of these entities in our Consolidated Statements of Comprehensive Income, even though a substantial portion of their net income is attributable to non-controlling interests. Furthermore, we include all assets and liabilities of these entities in our Consolidated Statements of Financial Position and include the portion of equity held by others as non-controlling interests.

Intercompany revenues and expenses between Crown and its subsidiaries are eliminated in our Consolidated Statements of Comprehensive Income; however, these items affect the attribution of net income between shareholders of the Corporation (“**Shareholders**”) and non-controlling interests. For example, management fees paid by Crown Partners Fund and Crown Power Fund are eliminated from consolidated revenues and expenses. However, as the Shareholders are attributed all of the fee revenues while only attributed their proportionate share of the investment funds’ expenses, the amount of net income attributable to Shareholders is increased with a corresponding decrease in the net income attributable to 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 consolidates 100% of its approximate 38.8% effective interest in Crown Partners Fund (December 31, 2019 – 38.8%), its approximate 43.2% interest in Crown Power Fund (December 31, 2019 – 43.2%) and its 100% interest in Crown Private Credit Fund and reflects the interests of other investors in these funds, if any, as non-controlling interests.

Crown's 38.8% effective interest in Crown Partners Fund as at March 31, 2020 includes its 37.7% direct interest in Crown Partners Fund in addition to its 19.8% interest in CCF IV Investment LP, whose net assets are comprised solely of a 5.6% interest in Crown Partners Fund. Our effective interest in Crown Partners Fund was 37.0% from October 1, 2018 to December 30, 2019.

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 WireIE and its wholly owned subsidiaries, WireIE Canada and WireIE Development Inc.

The financial results of the Corporation as at and for the three months ended March 31, 2020 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 date of its acquisition on July 12, 2019, WireIE and its wholly owned subsidiaries WireIE Canada and WireIE Development Inc.

PART 2 – REVIEW OF CONSOLIDATED FINANCIAL RESULTS

The following section contains a discussion and analysis of line items presented within our condensed consolidated interim financial statements.

OVERVIEW

For the three months ended March 31, 2020, we incurred a net loss and comprehensive loss of \$1.2 million compared with a net loss and comprehensive loss of \$4.0 million in the first quarter of 2019. The primary contributing factors to the net loss in the first quarter of 2020 were:

- a net loss on investments of \$3.2 million (2019 - \$13.5 million) that relates primarily to the investments of Crown Partners Fund and of which \$1.2 million was attributable to Shareholders (2019 - \$4.9 million); and
- a loss before income taxes of \$1.6 million attributable to WireIE (2019 - \$nil), inclusive of depreciation and amortization expenses totaling \$1.9 million (2019 - \$nil).

The net loss of \$1.2 million in the first quarter of 2020 was lower than the \$4.0 million net loss incurred in the prior year primarily due to the following two items which had an aggregate net earnings impact of \$(6.5) million in the first quarter of 2019: a \$3.0 million provision for bad debt in 2019 (2020 - \$nil) recognized in relation to an Operating Partner formerly affiliated with Crown Power Fund and a \$15.6 million unrealized loss recognized by Crown Partners Fund in relation to the Solo investment included in net investment losses of \$13.5 million for that period.

Other factors contributing to the year-over-year variance in net loss for the period include an increase in finance costs resulting from a higher average level of outstanding debt, a lower level of fees and other income which benefitted in the first quarter of 2019 from the prepayment of the Baylin and BGO investments, a reduction in the size of the performance bonus recovery that relates to a lower level of net investment losses incurred by Crown Partners Fund, and an increase salary expense that relates mainly to a higher staff bonus accrual of \$0.3 million (vs. \$nil in 2019).

Adjusted Funds from Operations in the three months ended March 31, 2020 totaled \$4.2 million compared with \$0.7 million in the three months ended March 31, 2019. Adjusted Funds from Operations increased year-over-year due primarily to the \$3.0 million provision for bad debt recognized in the comparative prior period in relation to an Operating Partner formerly affiliated with Crown Power Fund (2020 - \$nil) and to the inclusion of amounts in relation to WireIE which was acquired in July 2019, partially offset by lower levels of interest income and transaction fees attributable to Shareholders and received in cash compared with the first quarter of 2019, which had included related cash receipts in respect of the Baylin and BGO loan prepayments.

INCOME STATEMENT ANALYSIS

The following table summarizes the financial results of the Corporation for the three months ended March 31, 2020 and 2019:

FOR THE PERIODS ENDED MAR. 31 (THOUSANDS)	Three Months Ended		
	2020	2019	Change
Revenues			
Interest revenue.....	\$ 7,333	\$ 7,963	\$ (630)
Fees and other income.....	337	1,576	(1,239)
Network services revenue.....	1,983	-	1,983
Net realized gain from investments.....	311	930	(619)
Net change in unrealized losses of investments.....	(3,556)	(14,439)	10,883
Total revenue	6,408	(3,970)	10,378
Expenses			
Salaries, management fees and benefits.....	(1,458)	(615)	(843)
Share-based compensation.....	(105)	(175)	70
General and administration.....	(632)	(473)	(159)
Cost of network services revenue.....	(759)	-	(759)
Performance bonus recovery.....	15	1,137	(1,122)
Provision for bad debt.....	-	(3,018)	3,018
Depreciation.....	(1,941)	(35)	(1,906)
Provision for credit losses.....	(306)	(112)	(194)
Impairment of equipment.....	(6)	-	(6)
Finance costs.....	(1,578)	(866)	(712)
Total expenses	(6,770)	(4,157)	(2,613)
Loss before other adjustments and income taxes	(362)	(8,127)	7,765
Non-controlling interests.....	(763)	2,645	(3,408)
Income taxes.....	(77)	1,494	(1,571)
Net loss and comprehensive loss	(1,202)	(3,988)	2,786
Net loss per share attributable to Shareholders - basic.....	\$ (0.13)	\$ (0.41)	\$ 0.28
Net loss per share attributable to Shareholders - diluted.....	\$ (0.13)	\$ (0.41)	\$ 0.28

Interest Revenue

FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	2020	2019	Attributable to Shareholders	
			2020	2019
Interest revenue				
Crown Partners Fund.....	\$ 5,790	\$ 6,498	\$ 2,245	\$ 2,404
Crown Private Credit Fund.....	1,348	1,465	1,348	1,465
Crown Power Fund.....	195	-	84	-
Total interest revenue.....	\$ 7,333	\$ 7,963	\$ 3,677	\$ 3,869

Interest revenue totaled \$7.3 million in the three months ended March 31, 2020 compared with \$8.0 million in the three months ended March 31, 2019 and was comprised of:

- interest revenue of \$5.8 million earned by Crown Partners Fund (2019 - \$6.5 million), with the year-over-year decrease due primarily to the inclusion of \$1.7 million of interest revenue recognized in relation to the repayments of the BGO and Baylin loans in the prior year period, partially offset by an increase in the average level of interest-yielding investments;
- interest revenue of \$1.3 million earned by Crown Private Credit Fund (2019 - \$1.5 million), with the year-over-year decrease due primarily to a lower average level of interest-yielding investments following the settlement of the WireIE loan at the time of its acquisition in July 2019, partially offset by an increase in interest revenue in relation to the PenEquity loan; and
- interest revenue of \$0.2 million recognized by Crown Power Fund (2019 - \$nil), comprised mostly of interest capitalized to distributed power equipment under development and related deposits that will be subsequently recovered through receipt of lease payments over the duration of lease contracts in relation to such assets.

In accordance with International Financial Reporting Standard (“IFRS”) 9, interest revenue on loan investments carried at amortized cost is calculated using the effective interest rate method and includes an amortization component which totaled \$0.4 million in the three months ended March 31, 2020 (2019 - \$0.8 million).

Of total consolidated interest revenue, \$3.7 million was attributable to Shareholders in the three months ended March 31, 2020 compared with \$3.9 million in 2019.

Fees and Other Income

FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	2020	2019	Attributable to Shareholders	
			2020	2019
Transaction fees and other income <u>received</u> :				
Crown Partners Fund ⁵	\$ 805	\$ 2,600	\$ 312	\$ 962
Crown ¹	355	-	355	-
	1,160	2,600	667	962
Less: Transaction fees <u>deferred</u> in relation to investments carried at amortized cost				
Crown Partners Fund.....	(805)	(1,250)	(312)	(463)
Crown.....	(355)	-	(355)	-
Transaction fees and other income <u>recognized</u>	-	1,350	-	499
Royalty revenue.....	289	183	112	68
Other interest income ²	31	43	24	43
Management fee revenue ^{3,4}	17	-	17	-
Total fees and other income	\$ 337	\$ 1,576	\$ 153	\$ 610

1. Includes fees attributable to Crown in its role as an investment manager.

2. Other interest income is comprised of interest earned on cash and cash equivalents and on share purchase loans.

3. Management fee revenue excludes fees charged to Crown Partners Fund and Crown Power Fund, which are eliminated on consolidation.

4. Management fee revenue includes fees from investment management services provided to a third party financial institution.

5. Includes \$450 of fees capitalized to loan principal.

In the three months ended March 31, 2020, we recognized fees and other income totaling \$0.3 million (2019 - \$1.6 million). This was comprised primarily of royalty revenue of \$0.3 million (2019 - \$0.2 million) earned in respect of royalty arrangements by Crown Partners Fund which increased compared with 2019 due in part to amendments made in respect of each of the Touchstone and Triple Five royalty agreements to yield higher royalty rates in October 2019. Compared with the prior year period, total fees and other income declined primarily due to a reduction in the amount of transaction fees recognized as revenue, as discussed separately below.

Of total consolidated fees and other income recognized in the three months ended March 31, 2020, \$0.2 million was attributable to Shareholders compared to \$0.6 million in 2019.

Transaction fees and other income

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. Transaction fees received in relation to loans carried at amortized cost are not recognized as fee income in the periods received and are instead deferred and amortized as a component of interest revenue calculated using the effective interest rate method. The level of aggregate transaction and other fees received may vary from period to period depending on the number and size of investment transactions, loan repayments, loan amendments, etc.

Compared with the prior year period, when we recognized transaction fees and other income totaling \$1.4 million, we did not recognize any transaction fees and other income in the first quarter of 2020. In the three months ended March 31, 2020, we received additional transaction fees totaling \$1.2 million including \$0.5 million of other fees capitalized to loan principal value (2019 - \$1.3 million in total including \$1.0 million of other fees capitalized to loan principal value) in relation to loans carried at amortized cost, which were not recognized as fee income in the periods. In aggregate, we received or capitalized transaction and other fees totaling \$1.2 million compared with \$2.6 million in the three months ended March 31, 2019.

Net Investment Gains (Losses)

FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	2020	2019	Attributable to Shareholders	
			2020	2019
Net realized gains on investments				
Crown Partners Fund.....	\$ 311	\$ 930	\$ 120	\$ 344
Total realized gains	311	930	120	344
Net unrealized gains (losses) on investments				
Crown Partners Fund.....	(3,621)	(14,555)	(1,404)	(5,385)
Crown Private Credit Fund.....	-	127	-	127
Crown ¹	65	(11)	65	(11)
Total unrealized losses	(3,556)	(14,439)	(1,339)	(5,269)
Total net losses on investments	\$ (3,245)	\$ (13,509)	\$ (1,219)	\$ (4,925)

1. Represents gains(losses) on investments held directly by Crown (i.e., not by a subsidiary investment fund).

In the three months ended March 31, 2020, we recognized a net loss on investments of \$3.2 million (2019 – net loss of \$13.5 million), including both realized and unrealized gains (losses), of which a net loss of \$1.2 million was attributable to Shareholders (2019 – net loss of \$4.9 million).

The net realized gain of \$0.3 million in the three months ended March 31, 2020 relates to a partial recovery by Crown Partners Fund on the Solo investment achieved through the receivership process. The net realized gain of \$0.9 million recognized by Crown Partners Fund in the three months ended March 31, 2019 was in relation to the repayment of the Baylin loan.

The net unrealized loss on investments for the three months ended March 31, 2020 of \$3.6 million relates primarily to reductions in the fair values of the Ferus warrants and of the investment in Source.

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. A net unrealized gain of \$0.3 million was recognized in the three months ended March 31, 2020 in relation to the restructuring of the terms of two loans measured at amortized cost.

In the three months ended March 31, 2019, the net unrealized loss on investments of \$14.4 million related primarily to a \$15.6 million unrealized loss recognized in relation to a reduction in the carrying value of the Solo investment, partially offset by increases in the fair values of the Touchstone and Triple Five royalties resulting 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.

Network Services Revenue

Through its wholly owned subsidiary WireIE, which was acquired in July 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. The Corporation's revenues in the three months ended March 31, 2020 include network services revenue of \$2.0 million (2019 - \$nil).

The vast majority of network services revenue is contractual revenue in relation to the access and usage of telecommunications infrastructure comprised of both up-front payments related to the installation of network elements by the customer, which are deferred and recognized on a straight line basis over the life of the contract, and 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. Upon the acquisition of WireIE in July 2019, the balance of deferred network

services revenue was assigned a fair value of \$nil by Crown. Accordingly, network services revenue recognized in the three months ended March 31, 2020 does not include any amount in relation to the amortization of deferred network services revenue received prior to July 12, 2019 that related to network services contracts in effect at the time of the acquisition.

Expenses

Salaries, management fees and benefits expense increased by \$0.8 million in the three months ended March 31, 2020 to \$1.5 million, including \$0.3 million attributable to WireIE compared to \$nil in the three months ended March 31, 2019. Other than the increase related to WireIE, which was acquired in July 2019, the increase in salaries, management fees and benefits expense in the three months ended March 31, 2020 was due primarily to an increase in the amount accrued with respect to annual staff bonuses of \$0.3 million compared with \$nil in the comparative prior period.

Share-based compensation expense includes amounts recognized over the expected vesting period of each award in addition to changes in the carrying value of liabilities in relation to director deferred share units and medium-term performance units (“**MTPUs**”) which are influenced by changes in the trading price of Common Shares. Share-based compensation expense decreased by \$0.1 million in the three months ended March 31, 2020 to \$0.1 million due mainly to a reduction in the number of restricted share units and performance share units outstanding and to a reduction in the trading price of Common Shares. Additional information about share-based compensation can be found in *Note 6, Share-based compensation* in the Corporation’s condensed consolidated interim financial statements.

General and administration expenses include costs such as legal and audit fees, travel, promotion, occupancy costs, insurance, office administration and other costs. General and administration expenses totaled \$0.6 million in the three months ended March 31, 2020 (2019 - \$0.5 million) with the \$0.1 million increase due primarily to the inclusion of \$0.2 million of general and administration expenses in relation to WireIE, which was acquired in July 2019 (2019 - \$nil).

Through its wholly owned subsidiary WireIE, which was acquired in July 2019, the Corporation incurs costs directly related to the generation of revenue earned in relation to the provision of network services. For the three months ended March 31, 2020, the cost of network services revenue totaled \$0.8 million (2019 - \$nil), primarily comprised of bandwidth fees of \$0.7 million, license fees of \$0.03 million and network equipment maintenance costs of \$0.03 million.

The Corporation has asset performance bonus pool (“**APBP**”) arrangements for certain individuals, primarily employees (“**APBP Participants**”), whereby a portion of performance fees recognized in consolidated earnings to date in relation to certain investment funds managed by the Corporation 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 the related investment funds. In the three months ended March 31, 2020, we recognized a performance bonus recovery of \$0.02 million (2019 – recovery of \$1.1 million) reflecting a change in the level of accrued performance fee relating to Crown Partners Fund.

The provision for bad debt of \$3.0 million recorded in the first quarter of 2019 related to advances from the Corporation to a former Operating Partner of Crown Power Fund that were deemed to be unrecoverable, of which \$0.5 million was subsequently recovered in 2019. No amount in respect of a provision for bad debt was recorded in the three months ended March 31, 2020.

Depreciation expense totaled \$1.9 million in the three months ended March 31, 2020, compared to \$0.03 million in the three months ended March 31, 2019, with the change comprised primarily of:

- depreciation of the right-of-use assets associated with network services equipment and property lease arrangements of WireIE following its acquisition in July 2019 totaling \$0.3 million (2019 - \$nil);
- depreciation of network services equipment of WireIE totaling \$1.3 million (2019 - \$nil); and

- depreciation of \$0.3 million in relation to network services contracts recognized as intangible assets with finite useful lives in connection with the WireIE acquisition.

The provision for credit losses totaled \$0.3 million in the three months ended March 31, 2020, an increase of \$0.2 million compared with the three months ended March 31, 2019, and relates primarily to an increase in the overall level of default risk in relation to debt investments carried at amortized cost. In determining the allowance for credit losses in respect of investments carried at amortized cost, we have considered the potential impact of the COVID-19 pandemic on our assumptions regarding probability of default and loss given default. In making these assessments, we have not assumed a long-term impact of the COVID-19 pandemic. As an emerging risk, the duration and impact of the COVID-19 pandemic is unknown at this time, and accordingly, any estimates of the extent to which this pandemic may materially impact the business, operations, financial condition and/or underlying security value of our borrowers are subject to significant uncertainty.

For financial assets, including debt investments, carried at amortized cost, the Corporation determines 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 assets. The provision for credit losses primarily reflects changes in the allowance for credit losses resulting from factors such as the addition or repayment of financial assets carried at amortized cost or revisions to the expected credit losses for existing assets carried at amortized cost.

Finance costs totaled \$1.6 million in the three months ended March 31, 2020, an increase of \$0.7 million compared to the prior year, and were comprised of:

- current period interest accruals, standby fees and the amortization of deferred financing costs related to the Crown Credit Facility totaling \$0.4 million (2019 - \$0.4 million), with the comparability to the prior year amount due to a comparable average level of debt outstanding in relation to this facility;
- current period interest accruals, standby fees and the amortization of deferred financing costs related to the CCPF Credit Facility of \$0.5 million (2019 - \$0.03), with the year-over-year increase explained by the establishment of this facility in February 2019;
- a current period interest accrual of \$0.2 million (2019 - \$nil) in relation to promissory notes payable by Crown Partners Fund;
- interest expense in relation to the Convertible Debentures, determined using the effective interest rate method as these debentures are measured at amortized cost, of \$0.4 million (2019 - \$0.4 million); and
- interest in relation to right-of-use lease arrangements totaling \$0.1 million in the three months ended March 31, 2020 (2019 - \$0.01), an increase compared with the three months ended March 31, 2019 due to the acquisition of WireIE in July 2019.

Additional information about the credit facilities and Convertible Debentures can be found in *Note 7 – Credit facilities* and *Note 8 – Convertible Debentures* in the Corporation’s condensed consolidated interim financial statements.

Income Taxes

We recorded an aggregate income tax expense of \$0.08 million in the three months ended March 31, 2020, compared to a \$1.5 million recovery in the prior comparative period, including a current tax expense of \$0.08 million (2019 – recovery of \$1.4 million) and a nominal deferred tax recovery (2019 – recovery of \$0.1 million).

For the three months ended March 31, 2020, the net loss attributable to WireIE for the period, 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 months ended March 31, 2020 on earnings before income taxes attributable to Shareholders was 26.5%. As an asset manager, many of our operations are held in partially owned "flow through" limited partnerships, and any tax liability is incurred by the investors as opposed to the entity. As a result, while our consolidated earnings include income attributable to non-controlling ownership interests in these entities, our consolidated tax provision includes only income tax on our proportionate share of the income of these entities. In other words, we are consolidating all of the net income, but only our share of the associated tax provision.

The deferred income tax asset at March 31, 2020 of \$0.1 million (December 31, 2019 - \$0.1 million) and nominal deferred tax recovery for the three months ended March 31, 2020 result primarily from the recognition of a deferred tax asset associated with the accrual in relation to MTPUs, 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 International Accounting Standard 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.

BALANCE SHEET ANALYSIS

The following table summarizes the statement of financial position of the company as at March 31, 2020 and December 31, 2019:

AS AT MAR 31 2020 AND DEC. 31 2019 (THOUSANDS)	2020	2019	Change
Assets			
Cash and cash equivalents.....	\$ 14,912	\$ 8,361	\$ 6,551
Accounts receivable and other assets.....	13,726	11,724	2,002
Investments.....	275,376	250,137	25,239
Property and equipment.....	13,899	14,876	(977)
Network services contracts.....	3,040	3,371	(331)
Net investment in leased power distribution equipment.....	646	644	2
Distributed power equipment under development and related deposits.....	16,407	10,540	5,867
Total assets	\$ 338,006	\$ 299,653	\$ 38,353
Liabilities			
Accounts payable and other liabilities.....	\$ 7,482	\$ 7,279	\$ 203
Lease obligations.....	4,021	4,324	(303)
Promissory notes.....	6,384	8,512	(2,128)
Provision for performance bonus.....	2,081	2,096	(15)
Credit facilities.....	65,295	38,406	26,889
Convertible debentures - liability component.....	18,651	18,562	89
Non-controlling interests.....	139,291	122,996	16,295
Equity			
Share capital.....	95,710	95,342	368
Convertible debentures - equity component.....	483	483	-
Contributed surplus.....	620	1,087	(467)
Retained earnings (deficit).....	(2,012)	566	(2,578)
Total equity	\$ 94,801	\$ 97,478	(2,677)
	\$ 338,006	\$ 299,653	\$ 38,353

March 31, 2020 vs. December 31, 2019

Consolidated assets at March 31, 2020 were \$338.0 million, an increase of \$38.4 million since December 31, 2019. This increase was due primarily to a \$25.2 million net increase in investments, a \$6.6 million increase in cash and cash equivalents as a result of additional capital contributions to Crown Power Fund by non-controlling interests, and a \$5.9 million aggregate net increase in the equipment-related assets of Crown Power Fund.

Assets

Cash and cash equivalents of \$14.9 million as at March 31, 2020 increased by \$6.6 million compared to the prior year end. For further information, refer to our condensed consolidated interim statements of cash flows and to *Part 4 – Capitalization and Liquidity*.

Accounts receivable and other assets of \$13.7 million as at March 31, 2020 (December 31, 2019 - \$11.7 million) consists of accounts receivable, income taxes recoverable, prepaid expenses and deposits, share purchase loans and deferred income taxes. The largest component, accounts receivable, is comprised primarily of interest receivable from investments, GST/HST recoverable by Crown Power Fund, amounts receivable in relation to network services contracts and management fees receivable from NCOF LP. Accounts receivable and other assets increased by \$2.0 million in the three months ended March 31, 2020 primarily due to a \$1.0 million increase in interest receivable in relation to the PenEquity loan to \$5.7 million as at March 31, 2020 (December 31, 2019 - \$4.7 million), a \$0.4 million increase in accounts receivable of WireE (December 31, 2019 - \$1.3 million), a \$0.3 million increase in GST/HST recoverable in Crown Power Fund, and a \$0.3 million increase in interest receivable in relation to the Source loan which is paid on a semi-annual basis in June and December.

Investments of \$275.4 million as at March 31, 2020 consist of Canadian debt securities, Canadian equity securities and other investments. The balance increased by \$25.2 million in 2020 due primarily to:

- additions to investments, including capitalized interest and fees and net of repayment of debt securities, of \$29.8 million including new investments by Crown Partners Fund in each of Centric Health and CCI Wireless; net of
- net investment losses, including a net realized gain and the net change in unrealized losses in fair value of investments, of \$3.2 million; and
- an increase in the allowance for credit losses of \$0.3 million.

At March 31, 2020, the Corporation held investments in 17 Canadian companies, including loans to 14 companies, carried at an aggregate carrying value of \$275.4 million (December 31, 2019 - \$250.1 million). In accordance with IFRS 9, the Corporation classifies its investments in debt securities to be carried at either amortized cost or FVTPL. All investments in equity securities are carried at FVTPL.

As at March 31, 2020, the Corporation held debt securities in 11 Canadian companies carried at amortized cost with an aggregate carrying value of \$193.5 million, net of an allowance for credit losses of \$1.0 million. The fair value of these debt securities as at the reporting date was \$197.2 million. As at March 31, 2020, the Corporation held debt securities in 4 Canadian companies carried at FVTPL with an aggregate carrying value of \$72.4 million. The carrying value of other investments carried at FVTPL, including equity securities, as at March 31, 2020 was \$9.5 million.

As at March 31, 2020, \$107.4 million (December 31, 2019 - \$106.4 million) of the \$193.5 million (December 31, 2019 - \$164.7 million) carrying value of debt securities carried at amortized cost was classified as Stage Two. The Stage Two classification represents loans for which credit loss has increased significantly since initial recognition, and for which credit loss provisions are determined based on lifetime expected credit losses (i.e., vs. Stage One investments, for which provisions are based on 12 months expected credit losses). In the three months ended March 31, 2020, the number of investments at amortized cost classified as Stage Two did not change based on our assessment of the change in credit risk of the loan portfolio that might otherwise warrant a migration of loans between the Stage

One and Stage Two classifications. With our secured lending model, we believe that our allowance for credit losses in respect of loan investments is sufficient to provide for currently expected losses in the portfolio.

Additional information about investments can be found in *Note 4, Financial instruments* in the Corporation's condensed consolidated interim financial statements and in *Part 3 – Review of Operations*.

Property and equipment of \$13.9 million (December 31, 2019 - \$14.9 million) is comprised of:

- network services equipment, including right-of-use assets in relation to leased equipment and properties, of \$8.0 million (December 31, 2019 - \$8.9 million) that relate to WireIE;
- distributed power equipment of \$5.4 million (December 31, 2019 - \$5.4 million) representing power generation assets acquired by Crown Power Fund that are not assigned for use in specific projects in development; and
- office and other equipment of \$0.5 million (December 31, 2019 - \$0.6 million).

The network services contracts balance of \$3.0 million as at March 31, 2020 (December 31, 2019 - \$3.4 million) is an intangible asset representing the fair value of service contracts assumed on the acquisition of WireIE of \$4.0 million, net of subsequent amortization. Network services contracts are amortized on a straight-line basis over estimated useful lives ranging between 4-6 years, and the recoverability of the carrying value is assessed at each reporting date.

Net investment in leased distributed power equipment represents power generation assets subject to contractual lease agreements. There was one such lease in effect as at March 31, 2020, which was transferred in Q4 2019 from distributed power equipment under development and related deposits and which was carried at \$0.6 million (December 31, 2019 - \$0.6 million).

Distributed power equipment under development and related deposits of \$16.4 million as at March 31, 2020 (December 31, 2019 - \$10.5 million) consists of power generation assets acquired in relation to projects under development. The balance increased by \$5.9 million in the first quarter of 2020 due primarily to purchases of equipment in relation to projects under development, including capitalized interest of \$0.2 million.

Liabilities

Accounts payable and other liabilities of \$7.5 million as at March 31, 2020 consists of accounts payable and accrued liabilities of \$4.6 million, distributions payable to non-controlling interests of \$2.3 million, deferred network services revenue, a contingent consideration liability, and a deferred compensation liability. The balance increased by \$0.2 million in 2020 due to an increase in accounts payable and accrued liabilities.

Lease obligations of \$4.0 million at March 31, 2020 is comprised of \$3.6 million of lease obligations in relation to network services equipment and properties that were assumed on the acquisition of WireIE in 2019, including the usage of third-party tower space through network co-location arrangements, plus \$0.4 million in relation to office leases. Lease obligations are largely offset by right-of-use lease assets included in property, office equipment and network services equipment. 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 provision for performance bonus of \$2.1 million at March 31, 2020 (December 31, 2019 - \$2.1 million) reflects the portion of performance fees related to the Crown Partners Fund APBP 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. To date, no amounts have been accrued in relation to the Crown Power Fund APBP.

Promissory notes of \$6.4 million as at March 31, 2020 (December 31, 2019 - \$8.5) represent amounts payable in respect to the redemption of limited partnership units of Crown Partners Fund effective December 31, 2019. The promissory notes bear interest at 8% per annum and are to be repaid by Crown Partners Fund in four equal quarterly installments at the end of each calendar quarter commenced March 31, 2020. Any proceeds to Crown Partners Fund from the disposition or repayment of investments in excess of \$5.0 million must be applied as a prepayment of promissory notes payable. During the three months ended March 31, 2020, \$2.1 million of principal was repaid.

Credit facilities of \$65.3 million as at March 31, 2020 (December 31, 2019 - \$38.4 million) was comprised of \$29.2 million outstanding under the Crown Credit Facility and \$36.1 million outstanding under the CCPF Credit Facility, net of unamortized deferred financing costs of \$0.4 million and \$0.5 million, respectively. The \$26.9 million increase in credit facilities was comprised of a \$11.6 million increase in the CCPF Credit Facility which was used to fund additions to investments of Crown Partners Fund, and a \$15.3 million increase in the amount outstanding in relation to the Crown Credit Facility.

For further information regarding credit facilities and Convertible Debentures, refer to *Part 4 – Capitalization and Liquidity*.

Non-controlling Interests

Non-controlling interests in our consolidated results consist of third-party interests in Crown Partners Fund and Crown Power Fund as follows:

AS AT MAR. 31, 2020 and DEC. 31, 2019
(THOUSANDS)

	2020	2019	Change
Crown Partners Fund.....	\$ 119,006	\$ 110,010	\$ 8,996
Crown Power Fund.....	20,285	12,986	7,299
	<u>\$ 139,291</u>	<u>\$ 122,996</u>	<u>\$ 16,295</u>

Non-controlling interests increased by \$16.3 million during the three-month period, primarily due to:

- non-controlling interests' contributions to Crown Partners Fund and Crown Power Fund totaling \$17.9 million; and
- net income attributable to non-controlling interests of \$0.8 million; partially offset by
- \$2.4 million of distributions from Crown Partners Fund to non-controlling interests.

Common Equity

The following table presents the major contributors to the period-over-period variances for common equity:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	2020	2019
Equity, beginning of period.....	<u>\$ 97,478</u>	<u>\$ 104,892</u>
Changes in period:		
Net loss attributable to Shareholders.....	(1,202)	(3,988)
Dividends declared.....	(1,415)	(1,441)
Shares repurchased.....	-	(165)
Share-based compensation.....	74	120
Cash-settled share-based compensation.....	(134)	(117)
	<u>(2,677)</u>	<u>(5,591)</u>
Equity, end of period.....	<u>\$ 94,801</u>	<u>\$ 99,301</u>

Total equity decreased in the three months ended March 31, 2020 by \$2.7 million due to the following:

- a net loss attributable to Shareholders of \$1.2 million;
- dividends declared to Shareholders of \$1.4 million; and
- share-based compensation, net of cash-settled share-based compensation, of \$0.1 million.

As at March 31, 2020 the share capital component of total equity was \$95.7 million (December 31, 2019 - \$95.3 million). The \$0.4 million increase in share capital in the three months ended March 31, 2020 relates to the issuance of Common Shares valued at \$0.4 million to employees and directors as a result of vesting of performance share units.

The contributed surplus component of total equity as at March 31, 2020 was \$0.6 million, \$0.5 million lower than \$1.1 million as at December 31, 2019. This decrease reflects an addition of \$0.1 million in relation to share-based compensation expense recorded for share units and stock options outstanding during the period less \$0.4 million transferred to share capital for share units vested, and \$0.2 million for cash-settled share-based compensation.

The dividends declared by the Corporation on outstanding Common Shares in the three months ended March 31, 2020 totaled \$0.15 per Common Share and in the three months ended March 31, 2019 totaled \$0.15 per Common Share.

SUMMARY OF QUARTERLY RESULTS

A range of factors impact quarterly variances. The main factors affecting quarterly variances in interest revenue are completion of new investment transactions and loan repayments in a quarter. Major factors affecting quarterly variances in fees and other income include new investment transactions, amendments to investment agreements, and loan prepayments completed in a quarter. Factors affecting net gains (losses) on investments, including both realized and unrealized gains (losses), include changes in the fair value of loan investments carried at FVTPL 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 or redemptions from non-controlling interests impact total comprehensive income, net of non-controlling interests.

The following table provides selected quarterly information about the Corporation's financial condition and performance for the most recent eight quarters.

FOR THE PERIODS ENDED (THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2020		2019				2018	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue:								
Interest revenue.....	\$ 7,333	\$ 7,030	\$ 7,545	\$ 5,714	\$ 7,963	\$ 7,585	\$ 7,170	\$ 6,274
Fees and other income.....	337	711	528	806	1,576	1,497	208	1,636
Net gain (loss) on investments.....	(3,245)	395	(1,990)	4,436	(13,509)	1,326	542	1,124
Network services revenue.....	1,983	2,117	1,885	-	-	-	-	-
Total revenue.....	6,408	10,253	7,968	10,956	(3,970)	10,408	7,920	9,034
Net income (loss) attributable to Shareholders	(1,202)	1,065	460	2,254	(3,988)	2,373	1,808	1,970
Adjusted Funds from Operations ²	4,170	3,390	(535)	1,765	680	3,908	3,154	3,619
Total assets.....	338,006	299,653	276,519	265,709	263,607	275,921	288,176	277,115
Total equity.....	94,801	97,478	98,158	99,987	99,301	104,892	103,896	104,314
Per share:								
- Net income (loss) to Shareholders - diluted	\$ (0.13)	\$ 0.11	\$ 0.05	\$ 0.23	\$ (0.41)	\$ 0.24	\$ 0.19	\$ 0.20
- Net income (loss) to Shareholders - basic	(0.13)	0.11	0.05	0.23	(0.41)	0.25	0.19	0.21
- Total equity per share - basic	10.05	10.38	10.38	10.43	10.33	10.91	10.79	11.03

1. The amounts for periods prior to Q1 2019 have not been restated to reflect the adoption of IFRS 16 effective January 1, 2019, which was applied on a retrospective basis, and are therefore not comparable to amounts for Q1 2019 and subsequent periods which were restated.

2. For a reconciliation of earnings before income taxes to Adjusted Funds from Operations, refer to *Glossary of Terms - Non-IFRS Measures*.

Review of Prior Quarterly Results

Over the previous seven completed quarters, the factors discussed below caused variations in revenues and net income (loss) attributable to Shareholders on a quarterly basis:

- In the fourth quarter of 2019, the average level of interest-yielding investments increased following additional advances made to Rokstad Power, which also contributed to transaction fee income recognized in the period. The net gain on investments of \$0.4 million included a \$1.4 million unrealized gain in relation to the restructuring of a loan carried at amortized cost that more than offset an aggregate net unrealized loss of \$(1.0) million in relation to investments carried at FVTPL. WireIE contributed a net pre-tax operating loss of \$(0.3) million, including depreciation expense of \$0.7 million. The provision for credit losses of \$0.5 million was high relative to recent prior quarters and was primarily due to an increase in credit risk within the investment portfolio. An aggregate impairment charge of \$0.3 million was recognized in relation to certain distributed power and network services assets, and a \$0.3 million gain was recognized upon revising the gain recognized in relation to the WireIE acquisition.

- In the third quarter of 2019, the acquisition of WireIE effective July 12, 2019 introduced network services revenue to our total revenue and resulted in a \$(1.0) million net operating loss before income taxes, inclusive of depreciation expense of \$1.2 million, as well as a loss on acquisition of \$(0.2) million, a realized gain of \$0.3 million and a \$0.1 million recovery of expected credit loss in relation to our investment in the pre-existing loan to WireIE. Repayment of the Canadian Helicopters loan resulted in an unrealized gain reversal of \$(1.2) million that was more than offset by related interest income recognition of \$1.3 million plus additional fee income. Net of this \$1.3 million item, interest revenue was negatively impacted by a lower average level of interest-yielding investments held by Crown Partners Fund.
- In the second quarter of 2019, interest revenue was negatively impacted by a lower average level of interest-yielding investments held by Crown Partners Fund following multiple loan repayments in the first quarter of 2019. Net investment gains were relatively high including both a \$4.0 million unrealized loss reversal in relation to recoveries achieved in respect of the Solo investment and a \$1.3 million unrealized gain recognized in anticipation of the Canadian Helicopters loan prepayment. General and administrative expenses were higher than usual due to legal fees related to the Solo recovery process and to an increase in GST/HST expense related to an assessment in respect of which we filed a formal notice of objection.
- In the first quarter of 2019 we recognized a \$15.6 million unrealized loss in respect of the Solo loan investment, which was partially offset by an aggregate unrealized gain of \$1.0 million recognized in relation to the restructuring of three loans carried at amortized cost. The early repayment of the BGO and Baylin loan investments contributed to above-average levels of interest revenue and fees and other income.
- In the fourth quarter of 2018, revenues, benefited from the early repayment of the Marquee loan investment, which generated prepayment fees and resulted in a reversal of a related unrealized loss. The net investment gain in the quarter also included an unrealized gain recognized in relation to Crown Partners Fund's equity investment in RBee, which was partially offset by a net unrealized loss recognized in relation to other equity-related investments.
- In the third quarter of 2018, interest revenue increased compared to the prior quarter due to a higher average level of interest-yielding investments following a significant level of new loan origination in the second quarter. Finance costs increased compared with the second quarter due mainly to the introduction of costs in relation to the Convertible Debenture issuance in June 2018.
- In the second quarter of 2018, new investments were made in Data Communications, Persta, WireIE and Mill Street, resulting in sizeable increases in both total assets and fees and other income. Repayment of the Petrowest loan also contributed to fees and other income in the quarter.

RELATED PARTY TRANSACTIONS

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

On consolidation, 100% of management fees earned from Crown Partners Fund and Crown Power Fund are eliminated against the management fees expensed by these funds.

The non-controlling interests of Crown Partners Fund incur approximately 61.2% of the management fees while Crown effectively pays itself for the remaining 38.8% as a result of its ownership interests.

Beginning January 1, 2020, the non-controlling interests of Crown Power Fund incur approximately 56.8% of the management fees while Crown effectively pays itself for the remaining 43.2% as a result of its ownership interest. Crown had voluntarily waived management fees in respect of Crown Power Fund through its early development phase and charged no management fees to this fund in 2019.

Pursuant to a limited partnership agreement, Crown, for services provided, is also 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 recognized management fees in relation to NCOF LP of \$nil in 2019 (2018 - \$0.1 million). As at December 31, 2019, accounts receivable included \$0.5 million due from NCOF LP in respect of accrued management fees (2018 - \$0.5 million).

These transactions between Crown and its managed investment funds are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

As at March 31, 2020, there was an amount payable to Crown Power Fund by Crown of \$1.3 million (December 31, 2019 - \$1.4 million) that relates to a reimbursement of advances made by Crown Power Fund to a formerly affiliated Operating Partner that were subsequently determined to be unrecoverable.

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 arising from non-controlling interests as a result of Crown's roles as a fund manager and as a general partner and the financial statement captions through which these fees are reflected in net income and comprehensive income attributable to Shareholders.

FOR THE THREE MONTHS ENDED MAR. 31
(THOUSANDS)

	2020	2019
Management fees to Crown by non-controlling interests in Crown Partners Fund ^{1,2}	\$ 442	\$ 427
Management fees to Crown by non-controlling interests in Crown Partners Fund - finance fees ^{2,3}	217	-
Management fees to Crown by non-controlling interests in Crown Power Fund ^{1,2}	17	-
Performance fee accrual to Crown by non-controlling interests in Crown Partners Fund ^{2,4}	<u>(18)</u>	<u>(1,433)</u>
	<u>\$ 658</u>	<u>\$(1,006)</u>

1. Monthly management fees charged by Crown to its managed funds in its role as investment manager represent a revenue to Crown and an expense to each of Crown Partners Fund and Crown Power Fund on a non-consolidated basis and are eliminated upon consolidation. The amounts shown here represent the portion of such management fees attributable to Shareholders (i.e., excluding the amount of such fees that Crown, as an investor in these funds, is effectively paying itself as manager).

2. While fees earned by Crown in relation to its consolidated investment funds are eliminated upon consolidation and are therefore not included in revenue recognized by Crown, these amounts attributable to Shareholders are included, on an after-tax basis, in net income and comprehensive income attributable to Shareholders. This is achieved through the allocation of net income attributable to each of Shareholders and non-controlling interests.

3. In addition to monthly fees, in its role as investment manager Crown is entitled to half of transaction fees received by Crown Partners Fund in respect of new investment to a maximum of 1% of the investment value.

4. Crown Partners Fund, on a non-consolidated basis, maintains an accrual in relation to performance fees attributable to Crown in its role as general partner of the fund. These fees are eliminated upon consolidation. The amounts shown here represent the portion of such performance fees attributable to Shareholders (i.e., excluding the amount of such fees that Crown, as an investor in this fund, is effectively paying itself as general partner).

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 the Share Purchase Plan Participants in repayment of interest and principal on these loans: all dividend distributions on the Common Shares, all annual performance incentive plan payments to Share Purchase Plan Participants in excess of target bonus payouts, and all proceeds from the sale of the Common Shares.

As at March 31, 2020, \$0.2 million of these loans were outstanding to the Corporation (December 31, 2019 – \$0.2 million), including accrued interest. The loans under the Share Purchase Plan bear interest at Prime (2.95% as at March 31, 2020), 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 \$2.5 million as at March 31, 2020, and which are secured by Common Shares owned by Share Purchase Plan Participants with a value of \$1.7 million as at March 31, 2020.

PART 3 – REVIEW OF OPERATIONS

The following section contains a review of our operations, including separate discussions for each of the three distinct markets in which we operate: alternative corporate finance, distributed power and telecommunications infrastructure (which we refer to as Network Services).

For financial reporting purposes, our operations are organized into two reportable segments:

- **Specialty Finance**, involving the origination and management of, and investment in, capital pools comprised of Special Situations Financing, Long-term Financing and Distributed Power investments. In addition to reflecting revenues, expenses and net assets in relation to Crown's investment activity in these markets, the specialty finance reportable segment also includes revenues earned by Crown in its capacity as investment manager, which are eliminated on consolidation, and all corporate-level expenses other than those incurred by the Network Services segment.
- **Network Services**, involving the provision of network services by WireIE in relation to the deployment and management of carrier-grade data networks.

For the three months ended March 31, 2020, total consolidated revenues of the Corporation of \$6.4 million were comprised of \$4.4 million of revenue attributable to the Specialty Finance segment (net of \$0.3 million of inter-segment revenues) and \$2.0 million to the Network Services segment. Of total consolidated revenues, network services revenue relates exclusively to the Network Services segment and all other revenues relate exclusively to the Specialty Finance segment. For a discussion of revenues by type, refer to *Part 2 – Review of Consolidated Financial Results*. For more information regarding the performance of our reportable segments, refer to *Note 13 – Segment information* in our condensed consolidated interim financial statements.

In the review below, we discuss our operations in each of the Alternative Corporate Financing (i.e., comprised of both Special Situations Financing and Long-term Financing) and Distributed Power markets separately, noting that these are both components of our Specialty Finance reportable segment and are not themselves distinct reportable segments. Although our strategy with respect to each of these markets is similar, involving the management of and co-investment alongside third-party non-controlling interests in capital pools, the type of assets and stage of development of the related investment funds are different enough to warrant separate discussion, in the opinion of management.

ALTERNATIVE CORPORATE FINANCING

Q1 2020 Operating Highlights

- In January 2020, Crown Partners Fund achieved a partial recovery of \$0.3 million in relation to its investment in Solo.
- In February 2020, the remaining \$6.9 million available to VIQ Solutions in respect of its existing term loan facility was advanced by Crown Partners Fund, bringing aggregate advances in respect of this facility to \$15.0 million.
- In March 2020, Crown Partners Fund provided a \$30 million, 60-month term loan to Centric Health featuring a fixed interest rate and the receipt of 7.2 million common share purchase warrants. As at March 31, 2020, \$22 million has been advanced on this \$30 million commitment.
- In March 2020, Crown Partners Fund provided a \$5.5 million two-year term loan to CCI Wireless featuring a fixed interest rate.
- In March 2020, Rokstad Power repaid the remaining \$5 million principal balance outstanding on its six-month bridge loan upon maturity.

Outlook

Management continues to place a high priority on new originations of Special Situations Financing investments and on securing additional third-party funding commitments for additional investment.

We intend to continue focusing our corporate investment activity primarily in the form of co-investment in managed funds from which we also receive fees in our role as manager, and/or in providing seed capital to new capital pools that we intend to develop into managed funds inclusive of capital contributions from non-controlling interests. Accordingly, we are currently placing less emphasis on sourcing new Long-term Financing investments and expect that any new investments of this type will be made by managed funds that are at least partially capitalized by non-controlling interests. Where possible, Crown will seek to achieve at least partial realization of its existing Long-term Financing investments.

While market conditions for deploying capital in Crown's Special Situations Financing market segment had been softer than usual in 2019 due to a heightened level of competition from traditional finance providers, this competitive pressure appeared to be softening in the fourth quarter of 2019 and early in the first quarter of 2020. We believe the market instability caused by the COVID-19 pandemic will result in a further weakening of the credit cycle and will ultimately result in a net increase in investment opportunities in Crown's Special Situations Financing segment once corporate lending transaction activity returns to normal levels.

We are actively monitoring the impact of the COVID-19 pandemic and the related economic impacts on the health of our portfolio companies. In addition, there is increased volatility in global oil markets, however Crown's energy clients have substantial natural gas exposure and this is expected to provide stability to these companies. It is not clear at this time the extent to which our diversified portfolio companies will be impacted by the economic volatility, but management presently believes that the impacts will not materially impair their ability to make payments on their debt obligations.

In assessing the discount rates applied in the determination of fair value for loan investments carried at FVTPL and the allowance for credit losses in respect of investments carried at amortized cost, we have considered the potential impact of the COVID-19 pandemic on associated risks, including credit risk and illiquidity risk. In making these assessments, we have not assumed a long-term impact of the COVID-19 pandemic. As an emerging risk, the duration and impact of the COVID-19 pandemic is unknown at this time, and accordingly, any estimates of the extent to which this pandemic may materially impact the business, operations, financial condition and/or underlying security value of our borrowers are subject to significant uncertainty.

Investment Portfolio

At March 31, 2020, Crown held ownership interests in 14 loans.

Borrower	Loan Principal Amount Outstanding at December 31, 2019 ⁽¹⁾	Loan Principal Amount Outstanding at March 31, 2020 ⁽¹⁾	Attributable at March 31, 2020 to:		Status
			Shareholders	Non-controlling interests	
Special Situations Financing transactions					
Touchstone ²	\$20,000,000	\$20,000,000	\$7,753,056	\$12,246,944	Current
Source ³	\$12,428,000	\$12,428,000	\$4,817,749	\$7,610,251	Current
Ferus ²	\$25,000,000	\$25,000,000	\$9,691,320	\$15,308,680	Current
RBee ^{2, 4, 5}	\$17,414,343	\$17,624,786	\$6,832,298	\$10,792,488	Current ⁷
Active ³	\$7,000,000	\$7,000,000	\$2,713,570	\$4,286,430	Current
Data Communications ^{2, 5}	\$19,000,000	\$19,566,885	\$7,585,158	\$11,981,727	Current ⁷
Persta ^{2, 5}	\$23,578,601	\$23,578,601	\$9,140,311	\$14,438,290	Current
Triple Five ²	\$27,000,000	\$27,000,000	\$10,466,626	\$16,533,374	Current
VIQ Solutions ^{2, 5}	\$8,935,000	\$15,450,000	\$5,989,236	\$9,460,764	Current
Rokstad Power ^{3, 6}	\$45,000,000	\$45,000,000	\$17,444,376	\$27,555,624	Current
Rokstad Power - Bridge	\$5,000,000	N/A	N/A	N/A	N/A
CCI Wireless ²	N/A	\$5,500,000	\$2,132,090	\$3,367,910	Current
Centric Health ²	N/A	\$22,000,000	\$8,528,362	\$13,471,638	Current
Long-Term Financing transactions					
PenEquity ²	\$25,000,000	\$25,000,000	\$25,000,000	Nil	Arrears ⁸
Mill Street ³	\$10,000,000	\$10,000,000	\$10,000,000	Nil	Arrears ⁹

Notes: (1) Loan principal amounts represent the Corporation's interest in the par value of each loan. For all loans, only the amounts attributable to Shareholders and non-controlling interests are included in the Corporation's March 31, 2020 consolidated year-end financial statements. The pro rata portions held by co-investors, if any, are excluded. (2) As at March 31, 2020, the loan component of this investment is carried at amortized cost. (3) As at March 31, 2020, the loan component of this investment is carried at FVTPL. (4) The total size of the RBee loan as at March 31, 2020 was \$18.8 million, of which \$1.4 million was held by a third party. (5) Loan principal outstanding in respect to the RBee, Data Communications, Persta and VIQ Solutions loans include capitalized fees and/or interest totaling \$0.2 million, \$0.6 million, \$3.6 million and \$0.5 million, respectively, as at March 31, 2020. (6) The total size of the Rokstad Power term loan as at March 31, 2020 was \$45.0 million, of which \$5.0 million was effectively held by third parties. (7) In accordance with loan amendments agreed to by Crown Partners Fund, as at March 31, 2020 all or a portion of interest payments in relation to this investment are being added to loan principal as they accrue. (8) As at March 31, 2020, accrued interest receivable of \$5.7 million in relation to this loan was included in accounts receivable. (9) In March 2020, Crown accelerated payment of its loan to Mill Street by issuing a demand letter and a notice of intention to enforce security.

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

In addition to the above loans, at March 31, 2020, 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, 53,192 VIQ Solutions common shares, 450,000 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, 7,200,000 Centric Health 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 1.33% of Touchstone's gross revenue from production, and a royalty agreement with a maturity date of March 12, 2022 entitling it to payment of 6.0% of Triple Five's gross revenue from production in relation to wells drilled after October 31, 2019 and of 3% in relation to gross revenue from its other production. In addition to these investments owned by Crown Partners Fund, the Corporation also owned 53,191 VIQ Solutions common shares.

Loan Risk Rating

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

Financial	Business	Industry	Security	Marketability
Profitability <ul style="list-style-type: none"> • EBITDA (\$) • EBITDA (%) • EBITDA Growth (%) • Gross Margin (%) • Return on Capital (%) Leverage <ul style="list-style-type: none"> • Debt/EBITDA • Debt/Capital • Debt/EV Liquidity <ul style="list-style-type: none"> • Current Ratio • DSCR (EBITDA/P+I) • EBITDA interest coverage • Average Days A/P • Average Days A/R • Cash Coverage Size <ul style="list-style-type: none"> • Sales (\$) • Sales Growth (%) • Tangible Assets (\$) • Enterprise Value (\$) 	Management <ul style="list-style-type: none"> • Experience in industry • Competence • Investment Customers <ul style="list-style-type: none"> • Concentration • Reputation/Financial Strength • Stability • Dependence Operations <ul style="list-style-type: none"> • Plant Quality • Process Flow • Scalability • Capacity Employees <ul style="list-style-type: none"> • Turnover • Relations • Wage Level • Pool of Labour Suppliers <ul style="list-style-type: none"> • Diversification • Pricing Power • Reliability Shareholders <ul style="list-style-type: none"> • Alignment of Interests • Financial Capability • Stability 	Competitors Business Cycle History of Profitability International Trade Regulatory Restrictions	% of Security Coverage Assets <ul style="list-style-type: none"> • Condition • Obsolescence • Specialization Dependence on Unsecured Creditors	Business Investment

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

Similar to a financial ratio, the risk rating provides both a point-specific indication of the risk level of a loan as well as the trend of the risk level over a period of time. Crown's strategy is to provide loans to successful, cash flow-generating businesses. 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. In determining loan risk ratings as at March 31, 2020 we have not assumed a long-term impact of the COVID-19 pandemic on the business, operations or financial condition of borrowers or on underlying security values.

Loan Risk Ratings								
	March 31 2020	December 31 2019	September 30 2019	June 30 2019	March 31 2019	December 31 2018	September 30 2018	June 30 2018
Special Situations Financing:								
Touchstone	1.92	1.92	2.03	2.03	2.07	2.07	2.09	2.28
Source	3.05	2.54	2.48	2.36	2.26	2.24	2.14	2.14
Ferus	3.27	3.27	3.27	3.02	2.96	2.93	2.86	2.92
RBee	3.05	3.05	2.82	2.69	2.59	2.69	2.79	2.68
Active	2.60	2.35	2.36	2.44	2.44	2.39	2.39	2.36
Data Communications	3.50	3.45	3.30	3.12	3.08	3.07	3.01	3.07
Persta	3.38	3.38	3.38	3.58	3.58	3.25	2.91	2.87
Triple Five	2.55	2.48	2.52	2.69	2.63	2.66	2.47	2.47
VIQ Solutions	2.52	2.52	2.52	2.47	2.42	2.27	n/a	n/a
Rokstad Power	2.75	2.69	2.69	2.74	n/a	n/a	n/a	n/a
CCI Wireless	2.29	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Centric Health	2.83	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Long-Term Financing:								
PenEquity	3.50	2.98	2.98	2.98	2.97	2.88	2.77	2.53
Mill Street	3.00	2.82	2.82	2.82	2.82	2.61	2.61	2.51

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 March 31, 2020. 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)			
Business Description:	Headquartered in Calgary, Alberta, Touchstone is engaged in the exploration, development, and production of petroleum and natural gas. Touchstone’s primary focus is onshore oil production in the Republic of Trinidad and Tobago, where it has interests in approximately 90,000 gross acres of exploration and development rights.		
Industry:	Oil and Gas	Term:	84 months (extended from 60)
Investment Date:	November 23, 2016	Interest Rate:	8%
Current Capital Invested:	\$20 million (original investment \$15 million)	Bonus/Participation:	Royalty of 1.33% of gross revenue from production until November 23, 2023
Principal Repayment:	\$1.1 million per quarter commencing January 1, 2021; residual is payable at maturity		

Source Energy Services Canada (TSX: SHLE)			
Business Description:	Headquartered in Calgary, Alberta, Source is the leading provider of frac sand to the Western Canadian Sedimentary Basin. Source is vertically integrated with operations spanning the entire production and logistics chain, including the mining and processing of Northern White sand in Wisconsin, bulk rail and storage involving multiple transload terminals in Canada and the United States, and "last mile" logistic solutions including material handling services at the wellsite.		
Industry:	Energy Services	Term:	60 months
Investment Date:	December 8, 2016	Interest Rate:	10.5%
Current Capital Invested:	\$12.4 million of Senior Secured First Lien Notes (original investment \$15 million)	Bonus/Participation:	116,059 common shares
Principal Repayment:	Single payment at maturity		
Ferus Inc.			
Business Description:	Headquartered in Calgary, Alberta, Ferus is the leading provider of industrial gases to the energy sector in the Western Canadian Sedimentary Basin. As an integrated supplier of nitrogen and carbon dioxide for the energized fracturing industry, Ferus owns and operates numerous production plants, tractor-trailer units, and fixed and portable storage units. Ferus' logistics fleet is designed to meet the demanding off-road requirements of the oil and gas industry. Energized hydraulic fracturing involves the use of cryogenic products to increase energy content and reduce water use in well fracturing, resulting in superior hydrocarbon recovery, reduced chemical and water requirements and decreased water disposal costs.		
Industry:	Energy Services	Term:	60 months
Investment Date:	June 27, 2017	Interest Rate:	Not disclosed
Current Capital Invested:	\$25 million	Bonus/Participation:	Nominal cost share purchase warrants
Principal Repayment:	Single payment at maturity		
RBe Aggregate Consulting Ltd.			
Business Description:	Headquartered in Gibbons, Alberta, RBe has one of the largest mobile crushing fleets in Western Canada. With over 35 years of experience, previously operating as RBe Crushing, RBe offers its expertise to municipal and provincial governments, independent gravel pit owners and both private and public companies. RBe is 50%-owned by each of the management of RBe and a lending syndicate comprised of Crown Partners Fund (approximate interest in RBe of 46.3%) and a syndicate partner (approximate interest in RBe of 3.7%).		
Industry:	Industrial Services	Term:	Payable on demand
Investment Date:	November 1, 2017	Interest Rate:	Not disclosed
Current Capital Invested:	\$17.4 million plus \$0.2 million of capitalized interest	Bonus/Participation:	46.3% common equity interest
Principal Repayment:	Payable on demand		
Active Exhaust Corp.			
Business Description:	Headquartered in Toronto, Ontario, Active is a manufacturer of complete exhaust systems and components for major global original equipment manufacturers ("OEMs") operating in the off-road equipment sector. Active has a 180,000 square foot manufacturing facility in Toronto as well as manufacturing operations in China and India through majority-owned joint ventures. For over 50 years, Active has designed and manufactured industry leading exhaust systems, ranging from standard mufflers to custom-engineered exhaust and emission solutions to meet environmental demands. Active sells its products to leading OEMs in four primary categories: agriculture, commercial turf care, construction, and ATV/utility vehicles.		
Industry:	Manufacturing	Term:	66 months
Investment Date:	December 21, 2017	Interest Rate:	Not disclosed
Current Capital Invested:	\$7 million	Bonus/Participation:	Share of increase in enterprise value from date of loan to repayment
Principal Repayment:	Single payment at maturity		

Data Communications Management Corporation (TSX: DCM)			
Business Description:	Headquartered in Brampton, Ontario, Data Communications is the largest integrated business communications solutions provider in Canada, with clients in key verticals such as financial services, retail, healthcare, lottery and gaming, not-for-profit, and energy. Data Communications' core service offering includes commercial print services, labels and asset tracking, event tickets and gift cards, logistics and fulfillment, direct marketing, content and workflow management, data management and analytics, and regulatory communications.		
Industry:	Business Services	Term:	60 months
Investment Date:	May 8, 2018	Interest Rate:	12%
Current Capital Invested:	\$19 million (original investment \$12 million) plus \$0.6 million of capitalized interest	Bonus/Participation:	1,510,000 warrants
		Principal Repayment:	Single payment at maturity
Persta Resources Inc. (HKEX: stock code 3395)			
Business Description:	Persta is a Calgary, Alberta-based oil and gas exploration and development company focused on liquids-rich gas and light crude oil in Western Canada. Its three core areas comprise Alberta Foothills liquids-rich natural gas properties, Deep Basin Devonian natural gas properties and Peace River light oil properties. Persta was founded in 2005 and was one of the first oil and gas companies to target the Spirit River/Wilrich zones in the Alberta foothills.		
Industry:	Oil and Gas	Term:	60 months
Investment Date:	May 15, 2018	Interest Rate:	12%
Current Capital Invested:	\$20 million plus \$3.6 million of capitalized fees and interest	Bonus/Participation:	8,000,000 warrants
Principal Repayment:	Single payment at maturity		
Triple Five Intercontinental Group Ltd.			
Business Description:	Headquartered in Calgary, Alberta, Triple Five is engaged in acquiring interests in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas. Triple Five's core operation is located in Alberta's Sunchild First Nation Reserve within the Deep Basin fairway in west central Alberta, where the Company has a 100% working interest in 20 contiguous sections of land (approximately 12,800 net acres). All of its production is from the Spirit River zone (Falher A and B). The area surrounding the Sunchild First Nation is controlled by several high profile oil and gas companies including Bellatrix, Cenovus, TAQA, Peyto, Westbrick and Vermillion.		
Industry:	Oil and Gas	Term:	Approximately 42 months
Investment Date:	August 31, 2018	Interest Rate:	10.5%
Current Capital Invested:	\$27 million (original investment \$15 million)	Bonus/Participation:	Royalty of 3% of gross revenue from production (6% on wells drilled after October 31, 2019) until March 12, 2022
Principal Repayment:	\$0.725 million per month commencing September 1, 2020; residual is payable at maturity		
VIQ Solutions Inc. (TSXV: VQS)			
Business Description:	Headquartered in Mississauga, Ontario, VIQ Solutions is engaged in the transcription services industry with a leading global technology platform offering ultra-secure digital media capture, workflow management and analytics to customers in its key verticals of transcription, insurance, judicial, hearings, legal, healthcare and public safety. Its purpose-built solutions are used in over 25 countries with tens of thousands of users in government and private agencies.		
Industry:	Business Services	Term:	60 months
Investment Date:	November 28, 2018	Interest Rate:	10%
Current Capital Invested:	\$15 million plus \$0.5 million of capitalized fees	Bonus/Participation:	106,383 common shares and 450,000 warrants
Principal Repayment:	Single payment at maturity		

Rokstad Holdings Corporation			
Business Description:	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.		
Industry:	Industrial Services	Term:	Approximately 66 months
Investment Date:	April 26, 2019	Interest Rate:	Not disclosed
Current Capital Invested:	\$45 million	Bonus/Participation:	Phantom equity payout equal to a specified percentage of equity value upon exercise
Principal Repayment:	\$0.75 million per month commencing December 1, 2021; residual is payable at maturity		
Corridor Communications Inc.			
Business Description:	Headquartered in Calgary, Alberta, CCI Wireless is a privately held company that provides internet connectivity to rural and remote residential clients as well as customized connectivity solutions for First Nations and urban and rural enterprise clients across Western Canada. CCI Wireless was founded in 2007 by nine Alberta natural gas co-ops that were receiving insufficient internet service from incumbent providers. CCI maintains a carrier-grade network that covers more than 250,000 square kilometers with over 23,000 clients.		
Industry:	Telecom Infrastructure	Term:	Approximately 27 months
Investment Date:	March 25, 2020	Interest Rate:	Not disclosed
Current Capital Invested:	\$5.5 million	Bonus/Participation:	N/A
Principal Repayment:	Single payment at maturity		
Centric Health Corporation (TSX: CHH)			
Business Description:	Headquartered in Toronto, Ontario, Centric Health is a leading provider of specialty pharmacy and other healthcare services to Canadian seniors living in assisted living and long-term care facilities. The company operates a large national network of pharmacy fulfillment centres that deliver high-volume solutions for the cost-effective supply of chronic medication and other specialty clinical pharmacy services, serving more than 31,000 residents in over 460 seniors' communities nationally. Centric Health operates 14 pharmacy and fulfillment locations in British Columbia, Alberta, Saskatchewan and Ontario.		
Industry:	Pharmaceutical Services	Term:	60 months
Investment Date:	March 31, 2020	Interest Rate:	10%
Current Capital Invested:	\$22 million (total commitment: \$30 million)	Bonus/Participation:	7,200,000 warrants
Principal Repayment:	Approximately \$0.3 million per month commencing April 1, 2022; residual is payable at maturity		

Long-Term Financing

PenEquity Realty Corporation			
Business Description:	<p>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.</p> <p>In the first quarter of 2020, one of PenEquity's Barrie development properties was placed in receivership by its creditors. While this process might also have an impact on PenEquity's Brampton and Kanata developments, it will not impact PenEquity's other three development projects in Stoney Creek, London and Barrie. As a result of Crown's increasing loan-to-value with respect to its investment in PenEquity, Crown and PenEquity are currently reviewing various loan restructuring options.</p>		
Industry:	Real Estate Development	Term:	120 months
Investment Date:	December 15, 2015	Interest Rate:	Not disclosed
Current Capital Invested:	\$25 million plus \$5.7 million of accrued interest	Bonus/Participation:	None
Principal Repayment:	\$2.5 million per year commencing December 31, 2021; residual is payable at maturity		
Mill Street & Co. Inc.			
Business Description:	<p>Headquartered in Thornhill, Ontario, Mill Street is a diversified investment company that has majority ownership stakes in nine operating companies across three industry platforms: construction, commercial & home services, building supply, sales & distribution and financial services.</p> <p>In March 2020, Crown accelerated payment of its loan to Mill Street by issuing a demand letter and a notice of intention to enforce security. In April 2020, Crown filed an application to the court seeking the appointment of a receiver.</p>		
Industry:	Diversified	Term:	120 months
Investment Date:	May 16, 2018	Interest Rate:	5-year Govt. of Canada yield plus 10% (12% minimum)
Current Capital Invested:	\$10 million	Bonus/Participation:	Share of increase in equity value from date of loan to repayment
Principal Repayment:	\$0.1 million per month commencing May 1, 2023; residual is payable at maturity		

DISTRIBUTED POWER

Q1 2020 Operating Highlights

- In February 2020, Crown Power Fund commenced construction on two new distributed power projects, increasing the total number of projects in development or in operation to eleven, including one in operation, as at March 31, 2020 (December 31, 2019 – nine projects in development or in operation).
- In March 2020, Crown Power Fund established a relationship with, and partial ownership in, an additional third-party Operating Partner that is focused on providing distributed power solutions to the midstream sector in Alberta.

Outlook

We remain focused on building out assets in Crown Power Fund and on securing additional third-party funding commitments to help finance additional investment. Management expects that 2020 will be a year of accelerated growth for Crown Power Fund. The pipeline of potential transactions in the Distributed Power market, including prospective projects already in the planning stage by Crown Power Fund, is vibrant and growing.

Management believes that the market opportunity continues to become more compelling for onsite power generation in each of Ontario and Alberta, our current geographic regions of focus. Crown Power Fund is also currently prospecting opportunities in Eastern Canada, where electricity prices are among the highest in Canada but where natural gas supply is relatively limited, and is investigating potential expansion into select U.S. markets.

We do not presently see any material financial impacts of the COVID-19 pandemic on the financial performance of our power generation assets or pipeline opportunities.

NETWORK SERVICES

Crown participates in the Network Services market through its wholly owned subsidiary, WireIE.

Outlook

Crown's strategy with regards to its investment in WireIE involves the creation of a capital pool that invests in high-quality, recurring network services revenue of WireIE and, potentially, of other network services companies. As the capital pool grows, Crown will seek to raise additional capital commitments from third-party investors to fund future asset growth. In addition to investment income earned from Crown's network services investments, we anticipate that we will earn fees in relation to our role as manager of this capital pool.

We do not presently see any material financial impacts of the COVID-19 pandemic on the financial performance of our network assets or pipeline opportunities.

PART 4 – CAPITALIZATION AND LIQUIDITY

CAPITALIZATION

We review the components of our capitalization in the following sections.

Corporate Capitalization – reflects our issued and outstanding Convertible Debentures and Common Shares and the amount of debt held by the Corporation excluding amounts in relation to its Crown Partners Fund, Crown Power Fund and WireIE subsidiaries. Corporate debt includes amounts drawn upon the Crown Credit Facility. At March 31, 2020, our corporate capitalization was \$145.0 million (December 31, 2019 - \$132.6 million).

Consolidated Capitalization – reflects the full capitalization of wholly owned and partially owned entities that we consolidate in our financial statements and is equal to total liabilities plus total equity in our consolidated statement of financial position. At March 31, 2020, consolidated capitalization increased compared with December 31, 2019 due primarily to an increase in the level of borrowings of both the Corporation and Crown Partners Fund and to an increase in the balance of non-controlling interests.

*Our Share of Capitalization*¹ – reflects our proportionate exposure of debt and equity balances in consolidated entities.

The following table presents our capitalization on a consolidated, corporate and our share basis:

AS AT MAR. 31, 2020 AND DEC. 31, 2019 (THOUSANDS)	Ref.	Corporate		Consolidated		Our Share	
		2020	2019	2020	2019	2020	2019
Corporate borrowings.....	i	\$ 29,155	\$ 13,875	\$ 29,155	\$ 13,875	\$ 29,155	\$ 13,875
Subsidiary borrowings.....	ii	-	-	36,140	24,531	14,010	9,509
		<u>29,155</u>	<u>13,875</u>	<u>65,295</u>	<u>38,406</u>	<u>43,165</u>	<u>23,384</u>
Accounts payable and other liabilities.....		1,974	2,329	9,563	9,375	6,532	6,214
Lease obligations.....		376	403	4,021	4,324	4,021	4,324
Promissory notes payable.....		-	-	6,384	8,512	2,475	3,300
Convertible debentures - liability component.....	iii	18,651	18,562	18,651	18,562	18,651	18,562
Non-controlling interests.....		-	-	139,291	122,996	-	-
Equity							
Share capital.....		95,710	95,342	95,710	95,342	95,710	95,342
Convertible debentures - equity component.....	iii	483	483	483	483	483	483
Contributed surplus.....		620	1,087	620	1,087	620	1,087
Retained earnings.....		(2,012)	566	(2,012)	566	(2,012)	566
Total equity.....	iv	<u>94,801</u>	<u>97,478</u>	<u>94,801</u>	<u>97,478</u>	<u>94,801</u>	<u>97,478</u>
Total capitalization.....		<u>\$144,957</u>	<u>\$132,647</u>	<u>\$338,006</u>	<u>\$299,653</u>	<u>\$169,645</u>	<u>\$153,262</u>

i. Corporate Credit Facility

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 investment in Long-Term Financings, including WireIE (the "Crown Credit Facility"). Effective February 5, 2019, the Corporation extended the maturity of the Crown Credit Facility to May

¹ See definition in Glossary of Terms beginning on page 46.

31, 2021. The balance outstanding on the Crown Credit Facility at March 31, 2020 of \$29.2 million is comprised of gross advances of \$29.6 million net of unamortized deferred financing costs of \$0.4 million.

ii. Subsidiary Credit Facility

On February 5, 2019, Crown Partners Fund entered into an agreement for a \$25.0 million senior, secured, syndicated credit facility with ATB Financial as agent and a maturity date of May 31, 2022 that is subject to extension annually, and that is intended to be used primarily to fund investments in mid-market corporations (the “**CCPF Credit Facility**”). Effective December 17, 2019, the size of the CCPF Credit facility was increased to \$50 million and the maturity date was extended to May 31, 2023. The balance outstanding on the CCPF Credit Facility at March 31, 2020 of \$36.1 million is comprised of gross advances of \$36.6 million net of unamortized deferred financing costs of \$0.5 million.

We provide additional detail regarding our credit facilities in *Note 7 – Credit facilities* of the condensed consolidated interim financial statements.

iii. Convertible Debentures

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 in arrears on June 30 and December 31 of each year, with a maturity date of June 30, 2023 and a conversion price of \$13.70 per Common Share (the “**Convertible Debentures**”). 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. We provide additional detail regarding the Convertible Debentures in *Note 8 – Convertible Debentures* of the condensed consolidated interim financial statements.

iv. Equity

We provide a continuity of each component of equity in the consolidated statements of changes of equity included in our consolidated financial statements.

Issued and Outstanding Shares

Changes in the number of issued and outstanding Common Shares during the periods are as follows:

AS AT AND FOR THE PERIODS ENDED MAR. 31 (THOUSANDS)	Three Months Ended	
	2020	2019
Outstanding at beginning of period.....	9,393	9,617
Issued (repurchased)		
Repurchases.....	-	(17)
Share-based compensation.....	38	11
Outstanding at end of period.....	9,431	9,611
Unexercised options and other share-based plans ¹	60	117
Total diluted shares at end of period.....	9,491	9,728

1. Includes restricted share units, performance share units and in-the-money share options

In the three months ended March 31, 2020, the Corporation issued 37,470 Common Shares to employees as a result of vesting of restricted share units and performance share units.

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. Up to March 31, 2020, the total number of Common Shares purchased and cancelled under this NCIB program was 214,111 at an average cost of \$7.42 per Common Share.

On April 13, 2020, the Corporation commenced an NCIB to purchase for cancellation during the next 12 months up to 550,000 Common Shares representing approximately 5.8% of the issued and outstanding Common Shares.

The total number of Common Shares outstanding at March 31, 2020 was 9,430,712 (December 31, 2019 – 9,393,242; May 4, 2020 – 9,405,214).

LIQUIDITY

Liquidity and Capital Resources

As at March 31, 2020, the Corporation had working capital of \$14.1 million, \$64.4 million of committed capital available to Crown Partners Fund and Crown Power Fund from parties other than Crown, and undrawn balances of the credit facilities of each of Crown and Crown Partners Fund totaling \$18.8 million.

The Corporation's access to undrawn balances of each of the Crown Credit Facility and the CCPF Credit Facility are subject to adherence to customary financial covenant restrictions. As at March 31, 2020, the Corporation had limited access to additional funding advances under each of these facilities.

The undrawn balance of the CCPF Credit Facility and the balance of uncalled committed capital available to Crown Partners Fund may only be used to support the financing requirements of Crown Partners Fund, and the uncalled committed capital available to Crown Power Fund may only be used to support the financing requirements of Crown Power Fund.

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, promissory notes 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 March 31, 2020 was \$14.1 million compared with \$4.4 million as at December 31, 2019, with the increase during the period related primarily to a \$6.6 million increase in cash and cash equivalents that was due largely to capital contributions by non-controlling interests to Crown Power Fund, and to a \$2.0 million increase in accounts receivable that included a \$1.0 million increase in interest receivable in relation to the PenEquity loan, partially offset by a \$2.1 million repayment of promissory notes payable.

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.

At March 31, 2020, \$123.4 million (70%) of the \$175.3 million committed to Crown Partners Fund to that date by limited partners other than Crown had been drawn by Crown Partners Fund, leaving \$51.9 million of committed capital available to Crown Partners Fund from parties other than Crown. As at March 31, 2020, Crown Partners Fund had total committed capital of \$286.4 million, including commitments by Crown, and a maximum size of \$500.0 million.

At March 31, 2020, \$20.4 million (62%) 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 \$12.5 million of committed capital available to Crown Power Fund from parties other than Crown. As at March 31, 2020, Crown Power Fund had total committed capital of \$57.9 million including commitments by Crown.

The Corporation also has the ability to raise additional liquidity through the issuance of securities and sale of holdings of investments and other holdings, although we are generally able to finance our operations and capital requirements through other means.

Off-Balance Sheet Arrangements and Unfunded Commitments

Uncalled Commitments to Managed Investment Funds

The Corporation, through its wholly owned subsidiary CCFC, has subscribed for limited partnership units in several investment funds managed by the Corporation, namely Crown Partners Fund, CCF IV Investment LP and Crown Power Fund. Through its ownership of these limited partnership units, the Corporation has made contractual commitments to contribute funds to each of these entities up to a prescribed maximum value per unit, as called by the respective general partners of these investment funds. The table below summarizes the total capital commitment of the Corporation to each investment fund, as well as the uncalled portion of such capital commitments as at each of March 31, 2020 and March 31, 2019.

AS AT MAR. 31 (THOUSANDS, EXCEPT UNITS)	2020		2019	
	Units Subscribed by CCFC	Capital Commitment	Uncalled Capital Commitment	Uncalled Capital Commitment
Crown Partners Fund.....	107,840	\$ 107,840	\$ 31,916	\$ 39,262
CCF IV Investment LP.....	3,270	3,270	975	1,156
Crown Power Fund.....	25,000	25,000	9,514	14,909
Total.....			\$ 42,405	\$ 55,327

As the manager of each of Crown Partners Fund, CCF IV Investment LP and Crown Power Fund, Crown controls the timing and level of funding requirements in relation to its capital commitments to these funds.

Other Unfunded Commitments

As at March 31, 2020, Crown Power Fund had committed to contracts valued at \$24.2 million in relation to the construction of power generation assets, of which \$16.0 million had been advanced to suppliers and contractors, resulting in an unfunded commitment of approximately \$8.2 million, of which \$4.7 million was attributable to non-controlling interests.

As at March 31, 2020, Crown Partners Fund had unfunded commitments to provide loan advances of \$8.0 million, of which \$4.9 million was attributable to non-controlling interests.

Through WireIE, the Corporation had \$1.1 million in backhaul commitments relating to its use of broadband network infrastructure as at March 31, 2020.

The Corporation has guaranteed the repayment of loans advanced to executives by a third-party financial institution pursuant to the Corporation's executive share purchase plan which totaled \$2.5 million as at March 31, 2020, and which are secured by Common Shares owned by participants in the executive share purchase plan with a value of \$1.7 million as at March 31, 2020.

Crown has no other material off-balance sheet arrangements.

REVIEW OF THE CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

The following table summarizes the condensed consolidated interim statements of cash flows within our consolidated financial statements:

FOR THE PERIODS ENDED MAR. 31 (THOUSANDS)	Three Months Ended	
	2020	2019
Operating activities.....	2,994	4,828
Investing activities.....	(34,795)	40,136
Financing activities.....	38,352	(4,698)
Decrease in cash and cash equivalents.....	<u>\$ 6,551</u>	<u>\$ 40,266</u>

Operating Activities

Cash provided by operations totaled \$3.0 million in the three months ended March 31, 2020 compared with \$4.8 million in the three months ended March 31, 2019, a \$1.8 million reduction due primarily to lower levels of cash receipts in respect of both interest income and finance fees.

Investing Activities

Cash (used in) provided by investing activities totaled (\$34.8) million in the three months ended March 31, 2020 compared with \$40.1 million in the three months ended March 31, 2019. The decrease was due primarily to a \$39.7 million decrease in proceeds from loan repayments, a \$28.5 million increase in new investments including amounts advanced to CCI Wireless and Centric Health in the first quarter of 2020, a \$5.6 million increase in the purchase of distributed power equipment under development and related deposits and a \$0.6 million increase in relation to purchases of property and equipment. Loan repayments in the three months ended March 31, 2020 included \$5.0 million in relation to the Rokstad bridge loan plus a \$0.3 million recovery in respect of the Solo investment.

Financing Activities

Cash provided by (used in) financing activities totaled \$38.4 million in the three months ended March 31, 2020 compared with (\$4.7) million in the three months ended March 31, 2019. The primary financing-related sources of cash in the three months ended March 31, 2020 were net credit facility advances of \$26.9 million and non-controlling interest contributions to Crown Partners Fund and Crown Power Fund totaling \$17.9 million. The primary financing-related uses of cash in the three months ended March 31, 2020 included distributions paid by Crown Partners Fund to non-controlling interests, the partial repayment of promissory notes payable and dividends paid to Shareholders of the Corporation.

PART 5 – ACCOUNTING POLICIES AND INTERNAL CONTROLS

ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Overview

This MD&A of the condensed consolidated operating and financial performance of the Corporation for the three months ended March 31, 2020 is prepared as of May 4, 2020. This discussion is the responsibility of management and should be read in conjunction with the Corporation's March 31, 2020 unaudited condensed consolidated interim financial statements and the notes thereto, prepared in accordance with IFRS, and other public filings available on SEDAR at www.sedar.com. The board of directors has approved this MD&A. All amounts therein are expressed in Canadian dollars unless otherwise indicated.

We present our consolidated balance sheets on a non-classified basis, meaning that we do not distinguish between current and long-term assets or liabilities. We believe this classification is appropriate given the nature of our business strategy.

Critical Estimates and Accounting Policies

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

Information about judgments, assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements for the three months ended March 31, 2020 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 – Property and equipment; and
- Note 15 – Network services contracts.

Additional information about critical estimates and accounting policies can be found in the Corporation's 2019 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

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 WireIE, 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 5.0% and 3.6% of total consolidated assets and total consolidated liabilities, respectively, as at March 31, 2020. The impact of the acquisition on consolidated net income attributable to Shareholders for the three months ended March 31, 2020 was a net loss of \$(1.6) million which includes depreciation expense of \$1.9 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 March 31, 2020 that have materially affected, or are reasonably likely to materially affect, Crown's ICFR. The Corporation will continue to monitor and mitigate the risks associated with any potential changes to its control environment in response to COVID-19.

PART 6 – RISKS AND FORWARD-LOOKING STATEMENTS

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 March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Governments worldwide, including those jurisdictions in which Crown operates, have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused a material disruption to businesses resulting in an economic slowdown and may, in the future, have further and larger impacts. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not yet determinable. The situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on both Crown and its borrowers is not known at this time but could be material.

In particular, such enhanced risks associated with COVID-19 include, but are not limited to: a reduction in interest income and an increase in credit loss provisions in the event that financial hardship causes an inability of borrowers to make contractual principal and interest payments to us on a timely basis; a deterioration in the ability of the Corporation to achieve expected values on a timely basis from asset sales in connection with loan realizations; the ability to access capital markets at a reasonable cost; volatility in the trading price of the Corporation's securities; and uncertainty regarding the valuation of investments due to potential difficulty in determining unobservable inputs to the valuation of non-public securities.

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 WireIE 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 March 31, 2020, Crown Partners Fund held Source common shares which were valued at \$0.01 million, Prairie Provident common shares which were valued at \$0.1 million, Medicare common share purchase warrants which were valued at \$nil, Baylin common share purchase warrants which were valued at \$0.01 million, Data Communications common share purchase warrants valued at \$0.01 million, Persta warrants valued at \$0.03 million, VIQ Solutions common shares which were valued at \$0.2 million, VIQ Solutions common share purchase warrants which were valued at \$0.8 million and Centric Health common share purchase warrants which were valued at \$0.4 million. As at March 31, 2020, Crown held additional VIQ Solutions common shares which were valued at \$0.2 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 WireIE 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 WireIE's contribution to the consolidated net income of the Corporation. A related risk factor for WireIE is customer concentration risk, being the risk associated with WireIE's reliance on the renewal of network services contracts with a significant customer, which comprise the majority of its accounts receivable and network services revenues to date.

See *Note 5 – Financial risk management* in the Corporation's December 31, 2019 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.

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 values of share purchase loans and credit facilities approximate their respective carrying values due to the variable rate of interest applicable to these instruments. The carrying value of the convertible debenture – liability component approximates fair value due to the market interest rate as at March 31, 2020 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, Persta and Centric Health. Source, Prairie Provident, VIQ Solutions, Medicare, Baylin, Data Communications, Persta and Centric Health 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. Most of the debt instruments held by the Corporation are unrated and all are 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, Rokstad Power, CCI Wireless and Centric Health, 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 2019 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

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 duration and full financial effect of the COVID-19 pandemic, as well as the direct and indirect impacts that the virus may have on the business, operations and financial condition of the Corporation and its borrowers;
- 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 future capitalization of Crown Partners Fund, Crown Private Credit Fund, Crown Power Fund and Crown and future closings in relation thereto;
- the sourcing of deals from Crown's established network and its potential pipeline of projects;

- the investments of Crown Partners Fund in Special Situations Financing transactions and the potential structuring of such transactions;
- the investments of Crown Private Credit Fund in Long-Term Financing transactions and the potential structuring of such transactions;
- the prepayment and/or realization of the investments of Crown Private Credit Fund in Long-Term Financing transactions;
- the alternative financial market and the general economy;
- the performance of financing clients;
- the effect of delays between the repayment of loans and the redeployment of capital on Crown's financial condition;
- 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 ability of Crown to direct the activities of its managed funds and to determine the timing and level of funding requirements in relation to its capital commitment to these funds;
- 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 distributed power market in general, and in our current geographic regions of focus in particular, and the ability of Crown Power Fund to source additional projects in which to invest going forward;
- the recoverability of costs incurred in the development of distributed power assets through the subsequent receipt of lease payments over the duration of the lease contracts in relation to such assets;
- 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 estimated useful life and recoverability of carrying values in respect of intangible assets representing the fair value of service contracts assumed on the acquisition of WireIE;
- the Corporation's business plans and strategy;
- the Corporation's future cash flow and shareholder value;
- the non-recurring nature of certain expenses;
- the future recoverability of accounts receivable;
- Crown's future entitlement to base management and performance fees;
- the future accounting policies of the Corporation;

- the ability of Crown Partners Fund to achieve enhanced returns through the use of debt financing to achieve financial leverage;
- 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, 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, demand for Distributed Power solutions, demand for Network Services solutions, 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.

NON-IFRS MEASURES

We disclose a number of financial measures in this MD&A that are calculated and presented using methodologies other than in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). We utilize these measures in managing the business, including for performance measurement, capital allocation and valuation purposes and believe that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our businesses. These financial measures should not be considered as the sole measure of our performance and should not be considered in isolation from, or as a substitute for, similar financial measures calculated in accordance with IFRS. We caution readers that these non-IFRS measures or other financial metrics may differ from the calculations disclosed by other businesses and, as a result, may not be comparable to similar measures presented by other issuers and entities. Reconciliations of these non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS, where applicable, are included within this MD&A. Please refer to our *Glossary of Terms* beginning on page 46 for all non-IFRS measures.

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.

GLOSSARY OF TERMS

The below summarizes certain terms relating to our business that are made throughout the MD&A and it defines non-IFRS performance measures that we use to analyze and discuss our results.

References

“Crown”, the “Corporation”, “we”, “us” or “our” refers to Crown Capital Partners Inc. and its consolidated subsidiaries. We refer to investors in the Corporation as “shareholders” and we refer to investors in our managed limited partnerships as “investors”.

Throughout the 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
- “**CCI Wireless**” – Corridor Communications Inc.
- “**Centric Health**” – Centric Health Corporation
- “**Crown Partners Fund**” – Crown Capital Partner Funding, LP
- “**Crown Partners Fund GP**” – Crown Capital LP Partner Funding Inc.
- “**Crown Power Fund**” – Crown Capital Power Limited Partnership
- “**Crown Power GP**” – 10824356 Canada Inc.
- “**Crown Private Credit Fund**” – Crown Capital Private Credit Fund, LP
- “**Data Communications**” – Data Communications Management Corporation
- “**Ferus**” – Ferus Inc.
- “**Marquee**” – Marquee Energy Ltd.
- “**Medicure**” – Medicure Inc.
- “**Mill Street**” – Mill Street & Co. Inc.
- “**NCOF LP**” – Norrep Credit Opportunities Fund, LP
- “**PenEquity**” – PenEquity Realty Corporation
- “**Persta**” – Persta Resources Inc.
- “**Petrowest**” – Petrowest Corporation
- “**Prairie Provident**” – Prairie Provident Resources Inc.
- “**RBee**” – RBee Aggregate Consulting Inc.
- “**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.

Non-IFRS Measures

Capitalization at “our share” is a non-IFRS measure and presents our share of debt and other obligations based on our ownership percentage of the related subsidiaries. We use this measure to provide insight into the extent to which our capital is leveraged in each investment, which is an important component of enhancing shareholder returns. This may differ from our consolidated leverage because of the varying levels of ownership that we have in consolidated investments that, in turn, have different degrees of leverage. We also use capitalization at our share to make financial risk management decisions at the Corporation.

A reconciliation of consolidated liabilities and equity to capitalization at our share is provided below:

AS AT MAR 31, 2020 AND DEC. 31, 2019 (THOUSANDS)	2020	2019
Total consolidated liabilities and equity.....	338,006	299,653
Less: non-controlling interests' share of liabilities		
Accounts payable and accrued liabilities.....	(320)	(389)
Distributions payable to non-controlling interests.....	(1,436)	(1,490)
Promissory note payable.....	(3,909)	(5,212)
Provision for performance bonus.....	(1,274)	(1,283)
Credit facilities.....	(22,131)	(15,021)
Non-controlling interests.....	(139,291)	(122,996)
Total capitalization at our share.....	169,645	153,262

Adjusted Funds from Operations

Crown defines Adjusted Funds from Operations as earnings attributable Shareholders before finance costs, income taxes and depreciation and amortization expense (net of payments made in respect of right-of-use lease assets) and before amounts attributable to Shareholders in respect of the following items:

- non-cash, share-based compensation;
- non-recurring, non-cash items including impairment of distributed power equipment and loss on acquisition;
- unrealized gains / (losses) on investments;
- provision for expected credit losses;
- the amortization component of interest revenue recognized on loans carried at amortized cost;
- financing fees that were received in relation to investments measured at amortized cost but not recognized in revenue of the period;
- the amortization component of network services revenue;
- network services fees that were received in the period but not recognized in revenue of the period.

We believe that Adjusted Funds from Operations is a useful supplemental measure in the context of Crown’s specialty finance focus to assist investors in assessing the cash anticipated to be generated by Crown’s business, including cash received in relation to its various revenue streams, that is attributable to Shareholders.

Adjusted Funds from Operations in the three months ended March 31, 2020 totaled \$4.2 million compared with \$0.7 million in the three months ended March 31, 2019.

A reconciliation of earnings before income taxes to Adjusted Funds from Operations for the three months ended March 31, 2020 and March 31, 2019 is shown in the following table:

FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	2020	2019
Loss before income taxes attributable to Shareholders	\$ (1,125)	\$ (5,482)
Adjustments for amounts attributable to Shareholders in relation to: ¹		
Finance costs.....	1,173	845
Depreciation expense, net of lease payments on right-of-use assets.....	1,578	2
Subtotal - Earnings attributable to Shareholders before income, finance costs and depreciation expense, net of lease payments on right-of-use assets.....	1,626	(4,635)
Adjustments for amounts attributable to Shareholders in relation to: ¹		
Non-cash share-based compensation.....	(29)	26
Asset impairment expense.....	6	-
Gain on acquisition.....	-	-
Net unrealized investment losses.....	1,339	5,266
Provision for credit losses.....	291	75
Finance fees received in investments carried at amortized cost but not included in fees and other income.....	805	462
Amortization component of interest revenue on loans carried at amortized cost.....	(174)	(514)
Network services fees received on customer contracts but not included in contractual network services revenue.....	331	-
Amortization component of network services revenue.....	(25)	-
Adjusted Funds from Operations	\$ 4,170	\$ 680

1. Adjustments exclude any amounts attributable to non-controlling interests.

Adjusted Funds from Operations increased year-over-year due primarily to the \$3.0 million provision for bad debt recognized in the comparative prior period in relation to an Operating Partner formerly affiliated with Crown Power Fund (2020 - \$nil) and to the inclusion of amounts in relation to WireIE which was acquired in July 2019, partially offset by lower levels of interest income and transaction fees attributable to Shareholders and received in cash compared with the first quarter of 2019, which had included related cash receipts in respect of the Baylin and BGO loan prepayments.

The following table provides a quarterly reconciliation of earnings before income taxes to Adjusted Funds from Operations for the period from April 1, 2018 to March 31, 2020.

FOR THE PERIODS ENDED (THOUSANDS)	2020		2019			2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Earnings (loss) before income taxes attributable to Shareholders....	\$ (1,125)	\$ 1,631	\$ 1,031	\$ 3,092	\$ (5,482)	\$ 3,311	\$ 2,421	\$ 2,806
Adjustments for amounts attributable to Shareholders in relation to: ²								
Finance costs.....	1,173	1,024	863	630	845	849	768	344
Depreciation expense, net of lease payments on right-of-use assets....	1,578	298	849	2	2	15	15	3
Subtotal - Earnings (loss) attributable to Shareholders before income taxes, finance costs and depreciation expense, net of lease payments on right-of-use assets.....	1,626	2,953	2,743	3,724	(4,635)	4,175	3,204	3,153
Adjustments for amounts attributable to Shareholders in relation to: ²								
Non-cash share-based compensation.....	(29)	304	163	72	26	226	(104)	420
Asset impairment expense.....	6	325	-	-	-	-	-	-
(Gain) loss on acquisition.....	-	(280)	195	-	-	-	-	-
Net unrealized investment (gains) losses.....	1,339	(228)	(3,312)	(1,727)	5,266	(570)	(281)	(383)
Provision for credit losses.....	291	246	(65)	35	75	-	-	-
Finance fees received in investments carried at amortized cost but not included in fees and other	805	214	96	-	462	391	506	560
Amortization component of interest revenue on loans carried at amortized	(174)	(468)	(415)	(339)	(514)	(314)	(171)	(131)
Network services fees received on customer contracts but not included in contractual network services revenue.....	331	133	229	-	-	-	-	-
Amortization component of network services revenue.....	(25)	191	(169)	-	-	-	-	-
Adjusted Funds from Operations.....	\$ 4,170	\$ 3,390	\$ (535)	\$ 1,765	\$ 680	\$ 3,908	\$ 3,154	\$ 3,619

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.