



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 50 which defines the names used throughout the MD&A in reference to operating companies, limited partnerships, portfolio companies and their respective subsidiaries and also defines certain performance measures that we use to measure our business.

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 September 30, 2020, our investment portfolio, which relates exclusively to our Alternative Corporate Financing business, was carried at \$250.2 million (December 31, 2019 - \$250.1 million) including Special Situations Financing investments totaling \$230.9 million (December 31, 2019 - \$214.9 million) and Long-Term Financing investments totaling \$19.3 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 September 30, 2020, Crown Power Fund's aggregate equipment-related investment was carried at \$28.2 million (December 31, 2019 - \$16.6 million) including amounts invested in distributed power equipment under development and related deposits (\$22.0 million), distributed power equipment (\$5.5 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 September 30, 2020, Crown had invested a total of \$9.5 million in WireIE, net of capitalized interest (December 31, 2019 - \$9.2 million).

On September 15, 2020, the Corporation acquired 100% of the common shares and voting interests of Galaxy, an Ontario-based network services company that provides connectivity to remote and underserved enterprise customers across Canada. The Corporation expects to achieve revenue growth, obtain scale and expand capabilities within its Network Services segment to target a growing need for broadband connectivity to remote locations. For details regarding the acquisition, please refer to the Network Services discussion in *Part 3 – Review of Operations*.

Revenue earned by Network Services businesses 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, and hardware sales.

Crown's strategy regarding its investments in Network Services businesses involves the planned creation of a capital pool that invests in certain revenue-generating assets of Galaxy, 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 (December 31, 2019 – 100%) 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 September 30, 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.

Effective September 15, 2020, Crown acquired a 100% interest in Galaxy.

The financial results of the Corporation as at and for the three and nine months ended September 30, 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, from date of its acquisition on July 12, 2019, WireIE and its wholly owned subsidiaries WireIE Canada and WireIE Development Inc, and, from date of its acquisition on September 15, 2020, Galaxy.

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 and nine months ended September 30, 2020, we incurred a net loss and comprehensive loss of \$8.1 million and \$10.9 million compared with a net income and comprehensive income of \$0.5 million and net loss and comprehensive loss of \$1.3 million in the three and nine months ended September 30, 2019, respectively. The primary contributing factors to the net loss in the third quarter of 2020 were:

- a provision for credit losses of \$11.2 million (2019 – a recovery of \$0.02 million) that relates primarily to the PenEquity loan, which is carried at amortized cost; and
- a loss before income taxes of \$0.4 million attributable to WireIE (2019 - \$0.8 million), inclusive of depreciation and amortization expenses totaling \$1.0 million (2019 - \$1.2 million); partially offset by
- a net gain on investments of \$2.9 million (2019 – \$(2.0) million) including a net unrealized gain of \$3.6 million on the investments of Crown Partners Fund and a net unrealized loss of \$(0.7) million on the investments of Crown Private Credit Fund, of which a net gain of \$0.7 million was attributable to Shareholders (2019 – \$(0.5) million).

Other items contributing to the negative variance between the net loss of \$8.1 million recognized in the third quarter of 2020 and net income of \$0.5 million earned in the prior-year period included a \$0.5 million (\$0.4 million attributable to Shareholders) increase in finance costs related to a higher average level of outstanding debt, a \$0.4 million (\$0.2 million attributable to Shareholders) impairment charge in relation to distributed power equipment under development, and a \$0.9 million reduction in the level of interest revenue attributable to Shareholders due primarily to a lower average level of interest-yielding investments of Crown Private Credit Fund and partially offset by a higher average level of interest-yielding investments of Crown Partners Fund.

The net loss of \$10.9 million in the nine months ended September 30, 2020 was \$9.6 million larger than the net loss of \$1.3 million incurred in the prior year primarily due to the following items: a \$15.3 million increase in the provision for credit losses that largely relates to the PenEquity loan, a loss of \$2.2 million in relation to WireIE (2019 – \$0.6 million), a \$2.1 million increase in finance costs (\$1.4 million attributable to Shareholders) that relates to a higher average level of outstanding debt, a \$1.1 million (\$0.5 million attributable to Shareholders) impairment charge recognized in relation to distributed power equipment under development and a \$7.0 million increase in income attributable to non-controlling interests, partially offset by a \$14.1 million improvement in net investment gains (\$4.5 million attributable to Shareholders) and the prior-year inclusion of a \$3.0 million provision for bad debt.

Other factors contributing to the year-over-year variance in net loss for the period include a lower level of fees and other income which benefitted in the nine months ended September 30, 2019 from the prepayment of the Baylin, BGO and Canadian Helicopter investments, a \$(1.2) million reduction in the level of interest revenue attributable to Shareholders due primarily to a lower average level of interest-yielding investments of Crown Private Credit Fund and partially offset by a higher average level of interest-yielding investments of Crown Partners Fund, and a \$1.5 million increase in the performance bonus expense that relates primarily to an improved level of net investment gains of Crown Partners Fund.

Adjusted Funds from Operations in the three and nine months ended September 30, 2020 totaled \$2.1 million and \$9.8 million compared with \$(0.3) million and \$2.6 million in the three and nine months ended September 30, 2019, respectively. Adjusted Funds from Operations for the three months ended September 30, 2020 increased year-over-year due primarily to the recognition of a realized loss related to the Solo investment in the comparative period of which \$(4.1) million was attributable to Shareholders, partially offset by a lower level of interest and fee income

attributable to Shareholders due to both a lower average level of interest-yielding investments in the third quarter of 2020 and incremental interest and fee income recognized in the comparative period upon repayment of the Canadian Helicopters investment. For a reconciliation between Adjusted Funds from Operations and Net Income, please refer to *Non-IFRS Measures – Adjusted Funds from Operations* on page 51.

INCOME STATEMENT ANALYSIS

The following table summarizes the financial results of the Corporation for the three and nine months ended September 30, 2020 and 2019:

FOR THE PERIODS ENDED SEP. 30 (THOUSANDS)	Three Months Ended			Nine Months Ended		
	2020	2019	Change	2020	2019	Change
Revenues						
Interest revenue.....	\$ 6,878	\$ 7,545	\$ (667)	\$ 21,435	\$ 21,222	\$ 213
Fees and other income.....	304	528	(224)	1,420	2,910	(1,490)
Network services revenue.....	2,526	1,885	641	6,377	1,885	4,492
Net realized gain (loss) from investments.....	-	(10,796)	10,796	1,233	(9,866)	11,099
Net change in unrealized gains (losses) of investments.....	2,884	8,806	(5,922)	1,801	(1,197)	2,998
Total revenue	12,592	7,968	4,624	32,266	14,954	17,312
Expenses						
Salaries, management fees and benefits.....	(1,269)	(1,297)	28	(3,601)	(2,897)	(704)
Share-based compensation.....	(394)	(163)	(231)	(594)	(419)	(175)
Performance bonus (expense) recovery.....	(562)	5	(567)	(820)	654	(1,474)
General and administration.....	(1,231)	(949)	(282)	(2,680)	(2,664)	(16)
Cost of network services revenue.....	(1,159)	(592)	(567)	(2,638)	(592)	(2,046)
Depreciation.....	(1,034)	(1,242)	208	(4,037)	(1,312)	(2,725)
Provision for bad debt.....	-	442	(442)	-	(2,576)	2,576
Provision for credit losses.....	(11,153)	21	(11,174)	(15,399)	(130)	(15,269)
Impairment of equipment.....	(24)	-	(24)	(47)	-	(47)
Impairment of distributed power equipment under development and related deposits.....	(357)	-	(357)	(1,057)	-	(1,057)
Finance costs.....	(1,561)	(1,074)	(487)	(4,819)	(2,698)	(2,121)
Total expenses	(18,744)	(4,849)	(13,895)	(35,692)	(12,634)	(23,058)
Income (loss) before other adjustments						
and income taxes.....	(6,152)	3,119	(9,271)	(3,426)	2,320	(5,746)
Gain (loss) on acquisition.....	105	(195)	300	105	(195)	300
Non-controlling interests.....	(4,723)	(1,893)	(2,830)	(10,453)	(3,485)	(6,968)
Income taxes.....	2,692	(571)	3,263	2,852	85	2,767
Net income (loss) and comprehensive income (loss).....	(8,078)	460	(8,538)	(10,922)	(1,275)	(9,647)
Net income (loss) per share attributable						
to Shareholders - basic.....	\$ (0.87)	\$ 0.05	\$ (0.92)	\$ (1.17)	\$ (0.13)	\$ (1.04)
Net income (loss) per share attributable						
to Shareholders - diluted.....	\$ (0.86)	\$ 0.05	\$ (0.91)	\$ (1.16)	\$ (0.13)	\$ (1.03)

Interest Revenue

FOR THE PERIODS ENDED SEP. 30 (THOUSANDS)	Attributable to Shareholders							
	Three Months		Nine Months		Three Months		Nine Months	
	2020	2019	2020	2019	2020	2019	2020	2019
Interest revenue								
Crown Partners Fund.....	\$ 6,451	\$ 6,088	\$ 18,903	\$ 16,806	\$ 2,501	\$ 2,253	\$ 7,329	\$ 6,218
Crown Private Credit Fund.....	102	1,344	1,748	4,303	102	1,344	1,748	4,303
Crown Power Fund.....	325	113	784	113	140	49	338	49
Total interest revenue.....	\$ 6,878	\$ 7,545	\$ 21,435	\$ 21,222	\$ 2,743	\$ 3,646	\$ 9,415	\$ 10,570

Interest revenue totaled \$6.9 million and \$21.4 million in the three and nine months ended September 30, 2020 compared with \$7.5 million and \$21.2 in the three and nine months ended September 30, 2019 and was comprised of:

- interest revenue of \$6.5 million and \$18.9 million earned by Crown Partners Fund (2019 - \$6.1 million and \$16.8 million), with the year-over-year increase due primarily to a year-over-year increase in the average level of interest-yielding investments in the 2020 periods, which was partially offset by the inclusion of \$3.0 million of interest revenue recognized in relation to the repayments of the BGO, Baylin and Canadian Helicopters loans in the nine months ended September 30, 2019;
- interest revenue of \$0.1 million and \$1.7 million earned by Crown Private Credit Fund (2019 - \$1.3 million and \$4.3 million), with the year-over-year decrease due primarily to a lower average level of interest-yielding investments following the non-accrual of interest revenue recognized in relation to the PenEquity loan beginning in the second quarter of 2020, the non-accrual of interest revenue recognized in relation to the Mill Street loan beginning in August 2020, and to the settlement of the WireIE loan prior to the WireIE acquisition in July 2019 for which interest revenue was recognized in the nine months ended September 30, 2019; and
- interest revenue of \$0.3 million and \$0.8 million recognized by Crown Power Fund (2019 - \$0.1 million and \$0.1 million), 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 \$1.0 million and \$2.4 million in the three and nine months ended September 30, 2020 (2019 - \$1.4 million and \$3.6 million).

Of total consolidated interest revenue, \$2.7 million and \$9.4 million was attributable to Shareholders in the three and nine months ended September 30, 2020 compared with \$3.6 million and \$10.6 million in 2019.

Fees and Other Income

FOR THE PERIODS ENDED SEP. 30 (THOUSANDS)	Attributable to Shareholders							
	Three Months		Nine Months		Three Months		Nine Months	
	2020	2019	2020	2019	2020	2019	2020	2019
Transaction fees and other income <u>received</u> :								
Crown Partners Fund ⁵	\$ 80	\$ 310	\$ 1,487	\$ 3,160	\$ 31	\$ 115	\$ 576	\$ 1,170
Crown Power Fund	-	10	-	24	-	4	-	10
Crown ¹	-	70	355	320	-	70	355	320
	80	390	1,842	3,504	31	189	931	1,500
Less: Transaction fees <u>deferred</u> in relation to investments carried at amortized cost								
Crown Partners Fund.....	-	(70)	(923)	(1,320)	-	(26)	(358)	(490)
Crown.....	-	(70)	(355)	(70)	-	(70)	(355)	(70)
Transaction fees and other income <u>recognized</u>	80	250	564	2,114	31	93	218	940
Royalty revenue.....	186	187	727	628	72	69	282	232
Other interest income ²	21	31	78	108	19	31	59	108
Management fee revenue ^{3,4}	17	60	51	60	17	60	51	60
Total fees and other income.....	\$ 304	\$ 528	\$ 1,420	\$ 2,910	\$ 139	\$ 253	\$ 610	\$ 1,340

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 \$nil and \$450 of fees capitalized to loan principal in the three and nine months ended September 30, 2020 (2019 - \$nil and \$1,000, respectively).

In the three and nine months ended September 30, 2020, we recognized fees and other income totaling \$0.3 million and \$1.4 million (2019 - \$0.5 million and \$2.9 million), comprised primarily of the following:

- Transaction fees and other income of \$0.1 million earned in relation to a loan amendment and to a partial loan repayment; and
- Royalty revenues of \$0.2 million and \$0.7 million, respectively (2019 - \$0.2 million and \$0.6 million) earned in respect of royalty arrangements by Crown Partners Fund which, for the nine months ended September 30, 2020, increased compared with 2019 due in part to amendments made in October 2019 in respect of each of the Touchstone and Triple Five royalty agreements to yield higher royalty rates.

Compared with the prior year period, total fees and other income declined in the nine months ended September 30, 2020 primarily due to a reduction in the amount of transaction fees recognized as revenue which were relatively high in the nine months ended September 30, 2019 due to the inclusion of fees in relation to the repayment of the BGO, Baylin and Canadian Helicopters loan investments.

Of total consolidated fees and other income recognized in the three and nine months ended September 30, 2020, \$0.1 million and \$0.6 million was attributable to Shareholders, respectively, compared to \$0.3 million and \$1.3 million in 2019, respectively.

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.

The Corporation recognized transaction fees and other income totaling \$0.1 million and \$0.6 million in the three and nine months ended September 30, 2020, respectively, compared to \$0.3 million and \$2.1 million in the comparative prior period. In the three and nine months ended September 30, 2020, we received additional transaction fees totaling \$nil and \$1.3 million, respectively, including \$0.5 million of other fees capitalized to loan principal value (2019 - \$0.1 million and \$1.4 million, respectively, 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, in the three and nine months ended September 30, 2020, we received or capitalized transaction and other fees totaling \$0.1 million and \$1.8 million, respectively, compared with \$0.4 million and \$3.5 million, respectively, in the three and nine months ended September 30, 2019.

Net Investment Gains (Losses)

FOR THE PERIODS ENDED SEP. 30 (THOUSANDS)	Attributable to Shareholders							
	Three Months		Nine Months		Three Months		Nine Months	
	2020	2019	2020	2019	2020	2019	2020	2019
Net realized gains (losses) on investments								
Crown Partners Fund.....	\$ -	\$ (11,062)	\$ 1,233	\$ (10,132)	\$ -	\$ (4,093)	\$ 477	\$ (3,749)
Crown Private Credit Fund.....	-	266	-	266	-	266	-	266
Total realized gains (losses)	-	(10,796)	1,233	(9,866)	-	(3,827)	477	(3,483)
Net unrealized gains (losses) on investments								
Crown Partners Fund.....	3,578	\$ 8,717	2,399	\$ (1,539)	1,387	3,225	931	(569)
Crown Private Credit Fund.....	(690)	\$ 126	(690)	\$ 379	(690)	126	(690)	379
Crown ¹	(4)	(37)	92	(37)	(4)	(37)	92	(37)
Total unrealized gains (losses)	2,884	8,806	1,801	(1,197)	693	3,314	333	(227)
Total net gains (losses) on investments	\$ 2,884	\$ (1,990)	\$ 3,034	\$ (11,063)	\$ 693	\$ (513)	\$ 810	\$ (3,710)

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

In the three and nine months ended September 30, 2020, we recognized net gains on investments of \$2.9 million and \$3.0 million, respectively (2019 – net losses of \$2.0 million and \$11.1 million, respectively), including both realized and unrealized gains, of which net gains of \$0.7 million and \$0.8 million, respectively, were attributable to Shareholders (2019 – net losses of \$0.5 million and \$3.7 million, respectively).

Net realized gains of \$1.2 million in the nine months ended September 30, 2020 relate to the repayment of the Touchstone loan and to a partial recovery on the Solo investment achieved through a receivership process, both of which were recognized by Crown Partners Fund. Net realized losses in the nine months ended September 30, 2019 of \$10.8 million were in relation to the recognition by Crown Partners Fund of an \$11.1 million realized loss on the Solo investment, partially offset by a \$0.9 million gain on repayment of the Baylin loan, and a \$0.3 million gain recognized by Crown Private Credit Fund in connection with the settlement of the pre-existing WireIE investment.

The net unrealized gain on investments for the three months ended September 30, 2020 of \$2.9 million includes a net unrealized gain recognized in respect of the investments of Crown Partners Fund that relates primarily to an increase in the fair value of the investment in Rokstad, partially offset by an unrealized loss recognized on the Mill Street loan held in Crown Private Credit Fund which, based on management's expectation of amounts to be recovered through a

receivership process, is carried at a fair value that is modestly higher than the loan's par value as at the end of the third quarter. The net unrealized gain on investments for the nine months ended September 30, 2020 of \$1.8 million is comprised of a net unrealized gain recognized in respect of the investments of Crown Partners Fund, inclusive of amendment gains on loans recorded at amortized cost (see next paragraph for more details), which was partially offset by a reduction in the fair values of a loan held by Crown Private Credit Fund.

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. Net unrealized gains of \$nil million and \$2.6 million, respectively were recognized in the three and nine months ended September 30, 2020 in relation to the restructuring of the terms of certain loans measured at amortized cost.

The net unrealized gain on investments of \$8.8 million in the three months ended September 30, 2019 related primarily to the reversal upon realization of an unrealized loss of \$11.0 million in relation to the Solo investment, partially offset by the reversal upon realization of an unrealized gain of \$1.2 million in relation to the Canadian Helicopters investment and to aggregate unrealized losses on equity-related investments of \$1.6 million.

Network Services Revenue

Through its wholly owned subsidiaries WireIE, which was acquired in July 2019, and Galaxy, which was acquired on September 15, 2020, 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, and hardware sales. The Corporation's revenues in the three and nine months ended September 30, 2020 include network services revenue of \$2.6 million and \$6.4 million, respectively (2019 - \$1.9 and \$1.9, respectively).

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 by the customer related to the installation of network elements, 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 and nine months ended September 30, 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 decreased by \$0.03 million and increased by \$0.7 million in the three and nine month periods ended September 30, 2020, respectively, to \$1.3 million and \$3.6 million, including \$0.3 million and \$0.8 million attributable to Network Services businesses compared to \$0.3 million and \$0.3 million in the three and nine months ended September 30, 2019, respectively. Net of the additional expense related to acquired Network Services businesses, salaries, management fees and benefits expense was relatively unchanged in the three months ended September 30, 2020 and increased by \$0.2 million in the nine-month period, with the year-to-date increase due primarily to an increase in the number of employees to support new business initiatives.

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 was consistent with the comparatives for each of the three- and nine-month periods ended September 30, 2020. 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 \$1.2 million and \$2.7 million in the three and nine months ended September 30, 2020, respectively (2019 - \$0.9 million and \$2.7 million, respectively), including \$0.3 and \$0.7 million, respectively, in relation to acquired Network Services businesses (2019 - \$0.2 million and \$0.2 million, respectively). Excluding amounts in relation to Network Services businesses, general and administrative expenses for the three and nine months ended September 30, 2020 increased by \$0.2 million and decreased by \$(0.5) million, respectively, with the year-to-date decrease due primarily to non-recurring GST/HST-related expense incurred by each of Crown and Crown Partners Fund in the comparable period.

Through its Network Services businesses, the Corporation incurs costs directly related to the generation of revenue earned in relation to the provision of network services. For the three and nine months ended September 30, 2020, the cost of network services revenue totaled \$1.2 million and \$2.6 million, respectively (2019 - \$0.6 million and \$0.6 million, respectively), primarily comprised of bandwidth fees of \$0.9 million and \$2.3 million in addition to license fees and network equipment maintenance costs. Increases compared with the comparable prior-year periods relate to the acquisition of Network Services businesses.

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 and nine months ended September 30, 2020, we recognized a performance bonus expense of \$0.6 million and \$0.8 million (2019 – recovery of \$0.005 million and \$0.7 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 and nine months ended September 30, 2020.

In the three and nine months ended September 30, 2020, depreciation expense totaled \$1.0 million and \$4.0 million, respectively, compared to \$1.2 million and \$1.3 million, respectively, in the three and nine months ended September 30, 2019, with the change comprised primarily of:

- depreciation of the right-of-use assets associated with network services equipment, property and vehicle lease arrangements of Network Services businesses totaling \$0.3 million and \$0.9 million, respectively (2019 - \$0.3 million and \$0.3 million, respectively);
- depreciation of network services equipment totaling \$0.4 million and \$2.0 million, respectively (2019 - \$0.6 million and \$0.6 million, respectively); and
- depreciation of \$0.3 million and \$1.0 million, respectively, in relation to network services contracts recognized as intangible assets with finite useful lives in connection with the WireIE and Galaxy acquisitions (2019 - \$0.3 million and \$0.3 million, respectively).

The provision for credit losses in the three and nine months ended September 30, 2020 totaled \$11.2 million and \$15.4 million, respectively, reflecting increases of \$11.2 million and \$15.3 million, respectively, compared with the three and nine months ended September 30, 2019. Compared with the prior-year periods, these increases relate primarily to an increase in the overall level of default risk in relation to debt investments carried at amortized cost and are mostly in respect of the PenEquity loan which was transferred from Stage Two to Stage Three in the second quarter of 2020. PenEquity’s business was negatively affected by the sudden and severe impact to the retail environment caused by

COVID-19, which caused us to reassess the collateral value of its development properties, resulting in an \$11.5 million increase in the allowance for credit loss in respect of this loan in the third quarter.

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. 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.

In the three and nine months ended September 30, 2020, an impairment charge of \$0.4 million and \$1.1 million, respectively (2019 - \$nil and \$nil) was recognized in relation to certain capitalized costs that are no longer expected to be recoverable through our assessment of the economics associated with the related distributed power project.

Finance costs totaled \$1.6 million and \$4.8 million in the three and nine months ended September 30, 2020, respectively, reflecting an increase of \$0.5 million and \$2.1 million, respectively, compared to the prior comparative period, and were comprised of:

- current period interest accruals, standby fees and the amortization of deferred financing costs related to the Crown Credit Facility totaling \$0.6 million and \$1.6 million (2019 - \$0.2 million and \$0.8 million), with the increase in finance costs due to a higher 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 and \$1.5 million (2019 - \$0.4 million and \$0.6 million), with the year-over-year increase explained by the establishment of this facility in February 2019 and to an increase in the average level of debt outstanding in respect of this facility;
- a current period interest accrual of \$nil and \$0.3 million (2019 - \$nil) in relation to Crown Partners Fund Promissory Notes that were settled in the second quarter of 2020;
- 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 and \$1.2 million (2019 - \$0.3 million and \$1.1 million); and
- interest in relation to right-of-use lease arrangements totaling \$0.1 million and \$0.3 million (2019 - \$0.1 million and \$0.1 million), an increase compared with the three and nine months ended September 30, 2019 due to the acquisitions of WireIE and Galaxy in July 2019 and September 2020, respectively.

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 (recovery) of \$(2.7) million and \$(2.9) million in the three and nine months ended September 30, 2020, respectively, compared to \$0.6 million and \$(0.1) million in the prior comparative periods, respectively. Included in aggregate income tax expense (recovery) in the three and nine months ended September 30, 2020 is a current tax expense (recovery) of \$(2.3) million and \$(2.5) million, respectively (2019 – \$0.5

million and \$(0.2) million, respectively) and deferred tax recoveries of \$(0.4) million and \$(0.4) million, respectively (2019 – deferred tax expense of \$0.1 million and \$0.1 million, respectively).

For the three and nine months ended September 30, 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 and nine months ended September 30, 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 September 30, 2020 of \$0.7 million (December 31, 2019 - \$0.1 million) and deferred tax recovery for the nine months ended September 30, 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, performance bonus expenses which are not deductible for tax purposes until they are paid in future periods, the portion of the provision for credit losses that is not deductible in the current period for tax purposes and non-capital losses available for carry-forward to the extent they are supported by the expectation of future taxable profits.

BALANCE SHEET ANALYSIS

The following table summarizes the statement of financial position of the company as at September 30, 2020 and December 31, 2019:

AS AT SEP. 30, 2020 AND DEC. 31, 2019 (THOUSANDS)	2020	2019	Change
Assets			
Cash and cash equivalents.....	\$ 17,935	\$ 8,361	\$ 9,574
Accounts receivable and other assets.....	15,013	11,724	3,289
Investments.....	250,238	250,137	101
Property and equipment.....	15,383	14,876	507
Network services contracts.....	4,274	3,371	903
Net investment in leased power distribution equipment.....	640	644	(4)
Distributed power equipment under development and related deposits.....	22,044	10,540	11,504
Total assets	\$ 325,527	\$ 299,653	\$ 25,874
Liabilities			
Accounts payable and other liabilities.....	\$ 12,979	\$ 7,279	\$ 5,700
Lease obligations.....	3,624	4,324	(700)
Crown Partners Fund Promissory Notes payable.....	-	8,512	(8,512)
Provision for performance bonus.....	2,916	2,096	820
Credit facilities.....	63,566	38,406	25,160
Convertible debentures - liability component.....	18,836	18,562	274
Non-controlling interests.....	139,148	122,996	16,152
Equity			
Share capital.....	79,033	95,342	(16,309)
Convertible debentures - equity component.....	483	483	-
Contributed surplus.....	15,696	1,087	14,609
Retained earnings (deficit)	(10,754)	566	(11,320)
Total equity.....	84,458	97,478	(13,020)
	\$ 325,527	\$ 299,653	\$ 25,874

September 30, 2020 vs. December 31, 2019

Consolidated assets at September 30, 2020 were \$325.5 million, an increase of \$25.9 million since December 31, 2019. This increase was due primarily to a \$9.6 million increase in cash and cash equivalents and an \$11.5 million aggregate net increase in the equipment-related assets of Crown Power Fund.

Assets

Cash and cash equivalents of \$17.9 million as at September 30, 2020 increased by \$9.6 million compared to the prior year end and includes \$7.0 million received on September 30, 2020 as a partial repayment in respect of the Mill Street loan. 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 \$15.0 million as at September 30, 2020 (December 31, 2019 - \$11.7 million) consists of accounts receivable, income taxes recoverable, prepaid expenses and deposits, share purchase loans, inventory 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 \$3.2 million in the nine months ended September 30, 2020 primarily due to the inclusion of accounts receivable, inventory and prepaid expenses of Galaxy totaling \$2.3 million following its acquisition on September 15, 2020, net of which the balance has increased by \$0.9 million since the end of 2019. This increase is net of the reclassification in the second quarter of \$5.7 million of interest receivable in relation to the PenEquity loan from accounts receivable to investments upon capitalization of this amount to the outstanding loan principal balance. Other items also impacting the year-to-date change in accounts receivable and other assets included a \$2.7 million increase in income taxes recoverable, a \$1.0 million increase in interest receivable by Crown Partners Fund, mostly consisting of interest receivable from Source, and a \$1.2 million increase in GST/HST recoverable by Crown Power Fund.

Investments of \$250.2 million as at September 30, 2020 consist of Canadian debt securities, Canadian equity securities and other investments. The balance increased by \$0.1 million in 2020 due primarily to:

- net additions to investments, including capitalized interest and fees and net of repayment of debt securities, of \$12.4 million including new investments by Crown Partners Fund in each of CareRx and CCI Wireless, net of a repayment of the Touchstone loan, a partial repayment of the Mill Street loan, a partial repayment of the Ferus loan and the repayment of the Rokstad bridge loan; and
- an increase in the allowance for credit losses of \$15.4 million; and
- net investment gains, including a net realized gain and the net change in unrealized losses in fair value of investments, of \$3.0 million.

At September 30, 2020, the Corporation held investments in 17 Canadian companies, including loans to 13 companies, carried at an aggregate carrying value of \$250.2 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 September 30, 2020, the Corporation held debt securities in nine Canadian companies carried at amortized cost with an aggregate carrying value of \$172.3 million, net of an allowance for credit losses of \$15.9 million. The fair value of these debt securities as at the reporting date was \$172.0 million. As at September 30, 2020, the Corporation held debt securities in four Canadian companies carried at FVTPL with an aggregate carrying value of \$66.9 million. The carrying value of other investments carried at FVTPL, including equity securities, as at September 30, 2020 was \$11.0 million.

As at September 30, 2020, \$110.2 million (December 31, 2019 - \$106.4 million) of the \$172.3 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 nine months ended September 30, 2020, one additional investment at amortized cost was transferred to the Stage Two classification based on our assessment of the change in credit risk warranting the migration.

As at September 30, 2020, \$16.1 million (December 31, 2019 - \$nil) of the \$172.3 million (December 31, 2019 - \$164.7 million) carrying value of debt securities carried at amortized cost was classified as Stage Three in relation to one loan that is now considered credit-impaired and was transferred from Stage Two in the nine months ended September 30, 2020, and for which credit loss provisions are determined based on *lifetime* expected credit losses. No interest was recognized in respect of this loan in the three months ended September 30, 2020.

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 \$15.4 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 \$9.0 million (December 31, 2019 - \$8.9 million) that relate to Network Services businesses;
- distributed power equipment of \$5.5 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 \$0.9 million (December 31, 2019 - \$0.6 million).

The network services contracts balance of \$4.3 million as at September 30, 2020 (December 31, 2019 - \$3.4 million) is an intangible asset representing the fair value of service contracts assumed on the acquisition of WireIE and Galaxy of \$4.0 million and \$1.9 million, respectively, 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 is one such lease in effect as at September 30, 2020, which was transferred in Q4 2019 from distributed power equipment under development and related deposits and which is carried at \$0.6 million (December 31, 2019 - \$0.6 million).

Distributed power equipment under development and related deposits of \$22.0 million as at September 30, 2020 (December 31, 2019 - \$10.5 million) consists of power generation assets acquired in relation to projects under development. The balance increased by \$11.5 million in 2020 due primarily to purchases of equipment in relation to projects under development, including capitalized interest of \$0.7 million, partially offset by a \$1.1 million impairment charge recognized on distributed power equipment under development in relation to certain capitalized costs that are no longer expected to be recoverable through our assessment of the economics associated with the related project.

Liabilities

Accounts payable and other liabilities of \$13.0 million as at September 30, 2020 consists of accounts payable and accrued liabilities of \$8.4 million, distributions payable to non-controlling interests of \$2.5 million, deferred network services revenue, a contingent consideration liability, vendor promissory notes related to the Galaxy acquisition, and a deferred compensation liability. The balance increased by \$5.7 million in 2020 primarily as a result of the inclusion of accounts payable and accrued liabilities, vendor promissory notes and a contingent consideration liability in relation to Galaxy following its acquisition in September 2020.

Lease obligations of \$3.6 million at September 30, 2020 is comprised of \$3.3 million of lease obligations in relation to network services equipment and properties that were assumed on the acquisition of WireIE and Galaxy in 2019 and 2020, respectively, including the usage of third-party tower space through network co-location arrangements, plus \$0.8 million in relation to office and vehicle leases. Lease obligations are largely offset by right-of-use lease assets included in property, office equipment and network services equipment.

The provision for performance bonus of \$2.9 million at September 30, 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.

The Crown Partners Fund Promissory Notes payable represented amounts payable in respect to the redemption of limited partnership units of Crown Partners Fund effective December 31, 2019. The Crown Partners Fund Promissory Notes bear interest at 8% per annum and were to be repaid by Crown Partners Fund in four equal quarterly installments at the end of each calendar quarter, and in the event of a disposition or repayment of investments, proceeds received

by Crown Partners Fund in excess of \$5.0 million were to be applied as a prepayment of Crown Partners Fund Promissory Notes payable. As at September 30, 2020, Crown Partners Fund Promissory Notes payable are \$nil (December 31, 2019 - \$8.5 million) following repayment of the remaining balance outstanding of \$6.4 million by Crown Partners Fund in the second quarter of 2020 from proceeds of the repayment of the Touchstone loan.

Credit facilities of \$63.6 million as at September 30, 2020 (December 31, 2019 - \$38.4 million) was comprised of \$29.6 million outstanding under the Crown Credit Facility and \$34.6 million outstanding under the CCPF Credit Facility, net of unamortized deferred financing costs of \$0.3 million and \$0.4 million, respectively. The \$25.0 million increase in credit facilities was comprised of a \$15.3 million increase in the amount outstanding in relation to the Crown Credit Facility and a \$9.6 million increase in the CCPF Credit Facility which was used to fund additions to investments of Crown Partners Fund.

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 SEP. 30, 2020 and DEC. 31, 2019
(THOUSANDS)

	2020	2019	Change
Crown Partners Fund.....	\$ 119,289	\$ 110,010	\$ 9,279
Crown Power Fund.....	19,859	12,986	6,873
	<u>\$ 139,148</u>	<u>\$ 122,996</u>	<u>\$ 16,152</u>

Non-controlling interests increased by \$16.2 million during the nine-month period, primarily due to:

- non-controlling interests' contributions to Crown Partners Fund and Crown Power Fund totaling \$19.0 million; and
- net income attributable to non-controlling interests of \$10.5 million; partially offset by
- \$13.3 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 SEP. 30 (THOUSANDS)	2020	2019
Equity, beginning of period.....	<u>\$ 93,043</u>	<u>\$ 99,987</u>
Changes in period:		
Net income (loss) attributable to Shareholders.....	(8,078)	460
Dividends declared.....	-	(1,427)
Shares repurchased.....	(545)	(986)
Share-based compensation.....	38	124
	<u>(8,585)</u>	<u>(1,829)</u>
Equity, end of period.....	<u><u>\$ 84,458</u></u>	<u><u>\$ 98,158</u></u>

Total equity decreased in the three months ended September 30, 2020 by \$8.6 million primarily due to the following:

- a net loss attributable to Shareholders of \$8.1 million; and
- share repurchases made in relation to the Corporation's normal course issuer bid totaling \$0.5 million.

As at September 30, 2020 the share capital component of total equity was \$79.0 million (December 31, 2019 - \$95.3 million) reflecting a \$16.3 million reduction in 2020. On May 5, 2020, the Corporation's Shareholders approved a special resolution authorizing the reduction of the stated capital of the Common Shares of the Corporation by \$15.0 million pursuant to Section 38(1) of the Canada Business Corporation Act (the "Stated Capital Reduction"). Effective May 5, 2020, share capital was reduced by \$15.0 million and \$15.0 million was added to contributed surplus with no net impact on total equity. Share repurchases under the NCIB reduced share capital by \$1.7 million in the nine months ended September 30, 2020 and the issuance of common shares as a result of vesting of restricted share units and performance share units in the period increased share capital by \$0.4 million.

The contributed surplus component of total equity as at September 30, 2020 was \$15.7 million, reflecting an increase of \$14.6 million from December 31, 2019. This increase reflects the application of the Stated Capital Reduction and the addition of \$0.2 million in relation to share-based compensation expense recorded for share units and stock options outstanding during the period, partially offset by \$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 and nine months ended September 30, 2020 totaled \$nil and \$0.15 per Common Share, respectively, and in the three and nine months ended September 30, 2019 totaled \$0.15 and \$0.45 per Common Share, respectively.

SUMMARY OF QUARTERLY RESULTS

A range of factors impact variance in quarterly results. The main factors affecting quarterly variances in interest revenue are completion of new investment transactions and loan repayments in a quarter. Major factors affecting 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. Other notable causes of variance in quarterly results include changes in the provision for credit loss caused by variations in the credit status of portfolio companies, and changes in finance costs caused mainly by fluctuating levels of outstanding debt. 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 net income (loss) attributable to Shareholders.

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	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue:								
Interest revenue.....	\$ 6,878	\$ 7,224	\$ 7,333	\$ 7,030	\$ 7,545	\$ 5,714	\$ 7,963	\$ 7,585
Fees and other income.....	304	779	337	711	528	806	1,576	1,497
Net gain (loss) on investments.....	2,884	3,395	(3,245)	395	(1,990)	4,436	(13,509)	1,326
Network services revenue.....	2,526	1,868	1,983	2,117	1,885	-	-	-
Total revenue.....	12,592	13,266	6,408	10,253	7,968	10,956	(3,970)	10,408
Net income (loss) attributable to Shareholders	(8,078)	(1,641)	(1,202)	1,065	460	2,254	(3,988)	2,373
Adjusted Funds from Operations ²	2,073	3,581	4,170	3,570	(284)	1,976	915	3,908
Total assets.....	325,527	324,905	338,006	299,653	276,520	265,709	263,607	275,921
Total equity.....	84,458	93,043	94,801	97,478	98,158	99,987	99,301	104,892
Per share:								
- Net income (loss) to Shareholders - diluted	\$ (0.86)	\$ (0.17)	\$ (0.13)	\$ 0.11	\$ 0.05	\$ 0.23	\$ (0.41)	\$ 0.24
- Net income (loss) to Shareholders - basic	(0.87)	(0.17)	(0.13)	0.11	0.05	0.23	(0.41)	0.25
- Total equity per share - basic	9.14	9.90	10.05	10.38	10.38	10.43	10.33	10.91

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 second quarter of 2020, a primary driver of the net loss attributable to Shareholders of \$(1.6) million was a provision for credit losses of \$3.9 million recognized primarily in relation to the PenEquity loan, which is carried at amortized cost. WireIE contributed a net pre-tax operating loss of \$0.9 million, inclusive of depreciation and amortization expenses totaling \$1.0 million. A \$0.7 million impairment charge was recognized on distributed power equipment under development of Crown Power Fund in relation to certain costs previously capitalized that were no longer expected to be recovered through the related project. Partially offsetting these factors in the quarter was a net gain on investments of \$3.4 million relating primarily to the investments of Crown Partners Fund, of which \$1.3 million was attributable to Shareholders.

- In the first quarter of 2020, WireIE contributed a net pre-tax operating loss of \$(1.6) million, inclusive of depreciation and amortization expenses totaling \$1.9 million, a primary factor of the net loss attributable to Shareholders of \$(1.2) million. Results also included a net loss on investments of \$3.2 million related primarily to reductions in the fair value of the Ferus warrants and of the investment in Source, of which a net loss of \$1.2 million was attributable to Shareholders.
- 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.

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.

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 September 30, 2020, there was an amount payable to Crown Power Fund by Crown of \$1.0 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 PERIODS ENDED SEP. 30 (THOUSANDS)	Three Months		Nine Months	
	2020	2019	2020	2019
Management fees to Crown by non-controlling interests in Crown Partners Fund ^{1,2}	\$ 451	\$ 410	\$ 1,378	\$ 1,207
Management fees to Crown by non-controlling interests in				
Crown Partners Fund - finance fees ^{2,3}	-	-	217	157
Management fees to Crown by non-controlling interests in				
Crown Power Fund ^{1,2}	28	-	71	-
Performance fee accrual to Crown by non-controlling interests in				
Crown Partners Fund ^{2,4}	690	(7)	1,005	(824)
	<u>\$ 1,169</u>	<u>\$ 403</u>	<u>\$ 2,671</u>	<u>\$ 540</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 September 30, 2020, \$0.4 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 (2.45% as at September 30, 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 \$2.3 million as at September 30, 2020 (December 31, 2019 - \$2.5 million), and which are secured by Common Shares owned by Share Purchase Plan Participants with a value of \$1.7 million as at September 30, 2020 (December 31, 2019 - \$3.0 million).

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 and Galaxy in relation to the deployment and management of carrier-grade data networks.

For the three and nine months ended September 30, 2020, total consolidated revenues of the Corporation of \$12.6 million and \$32.3 million, respectively, were comprised of \$10.1 million and \$25.9 million, respectively, of revenue attributable to the Specialty Finance segment (net of \$0.3 million and \$0.9 million, respectively, of inter-segment revenues) and \$2.5 million and \$6.4 million, respectively, 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 14 – 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

Q3 2020 Operating Highlights

- In July 2020, Crown Partners Fund received a partial repayment of \$1.0 million in relation to its loan to Ferus and in September 2020, RBee repaid the outstanding bridge loan balance of \$0.5 million to Crown Partners Fund plus accrued interest.
- In September 2020, in connection with the realization of certain assets as part of Mill Street's ongoing receivership process, Crown Private Credit Fund received proceeds of \$7.0 million in the form of an interim distribution by the receiver that reduced the outstanding par value of its loan to Mill Street to \$3.0 million.

Outlook

Market conditions continue to be unstable as a result of the COVID-19 pandemic. We are actively monitoring the impact of the COVID-19 pandemic and the related economic impacts on the health of our portfolio companies. All portfolio companies of Crown Partners Fund have maintained continuous operation through the pandemic and the majority have been largely unaffected by the pandemic, however, a small number of portfolio companies have had indirect challenges which is necessitating financial restructurings. PenEquity, in which Crown Private Credit Fund has a loan investment, has experienced a deterioration in the value of certain of its development properties that serve as loan collateral due to the sudden and severe impact that COVID-19 has had on the retail environment.

Management's priority is maintaining the health of the investment portfolio and generating liquidity where feasible. While we are progressing with new investments for each of the Distributed Power and Network Services platforms, we remain cautious on making new investments for the Alternative Corporate Financing platform. 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.

Within the Alternative Corporate Financing platform, 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.

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 September 30, 2020, Crown held ownership interests in 13 loans.

Borrower	Loan Principal Amount Outstanding at December 31, 2019 ⁽¹⁾	Loan Principal Amount Outstanding at September 30, 2020 ⁽¹⁾	Attributable at September 30, 2020 to:		Status
			Shareholders	Non-controlling interests	
Special Situations Financing transactions					
Touchstone	\$20,000,000	N/A	N/A	N/A	N/A
Source ^{3, 10}	\$12,428,000	\$12,428,000	\$4,817,749	\$7,610,251	Current
Ferus ²	\$25,000,000	\$21,068,725	\$8,167,350	\$12,901,375	Current
RBee ^{2, 4, 5}	\$17,414,343	\$18,288,232	\$7,089,485	\$11,198,747	Current ⁷
Active ³	\$7,000,000	\$7,000,000	\$2,713,570	\$4,286,430	Current
Data Communications ^{2, 5}	\$19,000,000	\$20,758,508	\$8,047,094	\$12,711,414	Current ⁷
Persta ^{2, 5}	\$23,578,601	\$23,815,371	\$9,232,095	\$14,583,276	Current ⁷
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
CareRx ²	N/A	\$27,000,000	\$10,466,626	\$16,533,374	Current
Long-Term Financing transactions					
PenEquity ²	\$25,000,000	\$31,808,908	\$31,808,908	Nil	Default ⁸
Mill Street ³	\$10,000,000	\$3,000,000	\$3,000,000	Nil	Default 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 September 30, 2020 consolidated year-end financial statements. The pro rata portions held by co-investors, if any, are excluded. (2) As at September 30, 2020, the loan component of this investment is carried at amortized cost. (3) As at September 30, 2020, the loan component of this investment is carried at FVTPL. (4) The total size of the RBee loan as at September 30, 2020 was \$19.7 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 \$0.9 million, \$1.8 million, \$3.8 million and \$0.5 million, respectively, as at September 30, 2020. (6) The total size of the Rokstad Power term loan as at September 30, 2020 was \$50.0 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 September 30, 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 September 30, 2020, the loan principal outstanding includes accrued interest receivable of \$5.7 million in relation to this loan. As at December 31, 2019, accrued interest in respect of this loan had been classified as a component of accounts receivable. (9) In May 2020, a receiver was appointed over the assets of Mill Street following the issuance of a formal demand for payment by Crown in the first quarter of 2020. A partial principal repayment of \$7.0 million was received in September 2020 in connection with the ongoing receivership process. (10) Payment of semi-annual interest due June 15, 2020 in respect of the Source loan has been deferred and is expected to be capitalized to the loan principal, together with all accrued and unpaid interest, pending noteholder and shareholder approval of a proposed recapitalization transaction.

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

In addition to the above loans, at September 30, 2020, Crown Partners Fund held ownership interests in 450,000 Medicure common share purchase warrants, 116,059 Source common shares, 4,400,000 Prairie Provident common shares, 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 CareRx 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 September 30, 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								
	September 30 2020	June 30 2020	March 31 2020	December 31 2019	September 30 2019	June 30 2019	March 31 2019	December 31 2018
Special Situations Financing:								
Source	2.95	3.05	3.05	2.54	2.48	2.36	2.26	2.24
Ferus	3.27	3.27	3.27	3.27	3.27	3.02	2.96	2.93
RBee	2.90	3.05	3.05	3.05	2.82	2.69	2.59	2.69
Active	2.55	2.60	2.60	2.35	2.36	2.44	2.44	2.39
Data Communications	3.25	3.50	3.50	3.45	3.30	3.12	3.08	3.07
Persta	3.38	3.38	3.38	3.38	3.38	3.58	3.58	3.25
Triple Five	2.87	2.87	2.55	2.48	2.52	2.69	2.63	2.66
VIQ Solutions	2.52	2.52	2.52	2.52	2.52	2.47	2.42	2.27
Rokstad Power	2.65	2.75	2.75	2.69	2.69	2.74	n/a	n/a
CCI Wireless	2.29	2.29	2.29	n/a	n/a	n/a	n/a	n/a
CareRx Corporation	2.83	2.83	2.83	n/a	n/a	n/a	n/a	n/a
Long-Term Financing:								
PenEquity	N/A	3.97	3.50	2.98	2.98	2.98	2.97	2.88
Mill Street	3.00	3.00	3.00	2.82	2.82	2.82	2.82	2.61
Note: A risk rating of 1.0 is the best possible rating and a 5.0 is the worst possible rating.								

Portfolio Company Updates

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

Source Energy Services Canada (TSX: SHLE)			
Business Description:	<p>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.</p> <p>On October 7, 2020, Source announced a proposed recapitalization which, if approved by its shareholders and noteholders on November 27, 2020, will result in Crown Partners Fund exchanging its existing loan investment for a combination of new senior secured first lien notes due March 15, 2025 and the issuance of new common shares of Source. Source will have the option of paying interest in kind at an annual rate of 12.5% until February 15, 2022, with interest otherwise payable in cash at an annual rate of 10.5%. We believe that the aggregate value of the newly issued senior notes and common shares will approximate the sum of the current carrying value of Crown Partners Fund's loan investment in Source plus accrued interest to the transaction date.</p>		
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:	\$21.1 million	Bonus/Participation:	Nominal cost share purchase warrants
Principal Repayment:	Single payment at maturity		
RBee Aggregate Consulting Ltd.			
Business Description:	Headquartered in Gibbons, Alberta, RBee has one of the largest mobile crushing fleets in Western Canada. With over 35 years of experience, previously operating as RBee Crushing, RBee offers its expertise to municipal and provincial governments, independent gravel pit owners and both private and public companies. RBee is 50%-owned by each of the management of RBee and a lending syndicate comprised of Crown Partners Fund (approximate interest in RBee of 46.3%) and a syndicate partner (approximate interest in RBee of 3.7%).		
Industry:	Industrial Services	Term:	Payable on demand
Investment Date:	November 1, 2017	Interest Rate:	Not disclosed
Current Capital Invested:	\$17.4 million plus \$0.9 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 \$1.8 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:	16%
Current Capital Invested:	\$20 million plus \$3.8 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:	Up to \$0.725 million per month commencing in October 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. On October 1, 2020, Corridor Communications Inc. repaid its loan in full, including loan principal of \$5.5 million plus accrued interest.		
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		
CareRx Corporation (TSX: CRRX) (formerly Centric Health Corporation)			
Business Description:	Headquartered in Toronto, Ontario, CareRX Corporation 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 41,000 residents in over 460 seniors' communities nationally. CareRx 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:	\$27 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 three development projects in its pipeline, two of which are grocery-anchored community retail plazas in Stoney Creek and London and one of which is a medium- to high-density residential project in Barrie.</p> <p>In the first quarter of 2020, PenEquity's Barrie commercial development property was placed in receivership by its creditors, which resulted in a loss of its equity interest in this project as well as its equity in its Brampton and Kanata developments. PenEquity continues to work to stabilize and advance its projects in Stoney Creek, London and Barrie, and as a result of deteriorating conditions, Crown and PenEquity are working on restructuring the existing loan. Crown has determined that there has been a material deterioration in the collateral value for the loan and we have increased our credit loss allowance in respect of the PenEquity loan by \$11.2 million to \$15.1 million in the third quarter. We remain hopeful that by advancing projects through to completion additional value (i.e., in addition to our net carrying value of this loan) might be realized.</p>		
Industry:	Real Estate Development	Term:	120 months
Investment Date:	December 15, 2015	Interest Rate:	Not disclosed
Current Capital Invested:	\$26.1 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:	In the second quarter of 2020, a receiver was appointed over the assets of Mill Street following the issuance in Q1 2020 of a formal demand for payment by Crown and a notice of intention to enforce security. In the third quarter of 2020, in connection with the realization of certain assets by Mill Street as part of the ongoing receivership process, Crown received proceeds of \$7.0 million in the form of an interim distribution by the receiver that was applied as a partial repayment of principal outstanding. The receiver is continuing to seek liquidity for three remaining Mill Street companies.		
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:	\$3 million (original investment \$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

Q3 2020 Operating Highlights

- In September 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 on sustainable power projects to commercial end users across North America.

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. 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.

In addition to one distributed power project that is currently operational and under lease, Crown Power Fund has nine other projects under development at various stages of completion, including three projects that are expected to become operational in the fourth quarter. Four other projects in Ontario are substantially complete and had been scheduled to become operational during the third quarter, but their commercial start-up was deferred until 2021 due to a temporary policy announced in late June by the Ministry of Energy, Northern Development and Mines that effectively froze the peak demand factor for Class A customers in 2020 in an effort to remove disincentive to restart operations ahead of the general economic recovery. As a result of this policy, which is not expected to impact 2021, these four new peak-shaving projects would no longer stand to benefit from generating electricity in 2020.

Management believes that the market opportunity continues to become more compelling for onsite power generation in Ontario, Alberta, and Eastern Canada, our current geographic regions of focus.

We presently see only minimal financial impacts of the COVID-19 pandemic on the financial performance of our power generation assets or pipeline opportunities.

NETWORK SERVICES

Acquisition of Galaxy

On September 15, 2020, the Corporation acquired 100% of the common shares and voting interests of Galaxy, an Ontario-based network services company that provides connectivity to remote and underserved enterprise customers across Canada. The Corporation expects to achieve revenue growth, obtain scale and expand capabilities within its network services segment to target a growing need for broadband connectivity to remote locations.

In exchange for the common shares of Galaxy, Crown (i) transferred \$0.5 million of cash consideration; (ii) issued promissory notes to the selling shareholders totaling \$0.6 million which bear interest at 5% per annum and which are to be repaid in two equal installments on September 15, 2020 and September 15, 2021; and (iii) agreed to pay the selling shareholders additional consideration on an annual basis at a predefined percentage of cumulative revenue and earnings of Galaxy, in accordance with prescribed dollar thresholds starting in 2021 for a four-year period, and not to exceed an aggregate amount of \$4.3 million. Crown recognized \$0.9 million as a contingent consideration liability in relation to this additional consideration, which represents its fair value at the date of acquisition and which Crown has determined remains appropriate as at September 30, 2020.

Crown incurred legal fees of \$0.04 million in relation to this acquisition, which have been included in general and administrative expenses.

As at the date of acquisition, Crown recognized \$2.1 million of identifiable net assets measured at fair value, primarily related to accounts receivable, network services contracts and property and equipment, net of accounts payable and accrued liabilities. A gain on acquisition of \$0.1 million was recognized in the three months ended September 30, 2020 in relation to the acquisition of Galaxy.

Outlook

Crown's strategy with regards to its investments in Network Services businesses involves the creation of a capital pool that invests in high-quality, recurring network services revenue of WireIE and Galaxy 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 issued by the Corporation excluding amounts in relation to its Crown Partners Fund, Crown Power Fund, Galaxy and WireIE subsidiaries. Corporate debt includes amounts drawn upon the Crown Credit Facility. At September 30, 2020, our corporate capitalization was \$137.1 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 September 30, 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, partially offset by a reduction in retained earnings (deficit) caused by a net loss incurred in the nine months ended September 30, 2020. At September 30, 2020, our consolidated capitalization was \$325.5 million (December 31, 2019 - \$299.7 million).

*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:

	Ref.	Corporate		Consolidated		Our Share	
AS AT SEP. 30, 2020 AND DEC. 31, 2019 (THOUSANDS)		2020	2019	2020	2019	2020	2019
Corporate borrowings.....	i	\$ 29,349	\$ 13,875	\$ 29,349	\$ 13,875	\$ 29,349	\$ 13,875
Subsidiary borrowings.....	ii	-	-	34,217	24,531	13,264	9,509
		<u>29,349</u>	<u>13,875</u>	<u>63,566</u>	<u>38,406</u>	<u>42,613</u>	<u>23,384</u>
Accounts payable and other liabilities.....		4,121	2,329	15,895	9,375	12,364	6,214
Lease obligations.....		323	403	3,624	4,324	3,624	4,324
Crown Partners Fund Promissory Notes payable....		-	-	-	8,512	-	3,300
Convertible debentures - liability component.....	iii	18,836	18,562	18,836	18,562	18,836	18,562
Non-controlling interests.....		-	-	139,148	122,996	-	-
Equity							
Share capital.....		79,033	95,342	79,033	95,342	79,033	95,342
Convertible debentures - equity component.....	iii	483	483	483	483	483	483
Contributed surplus.....		15,696	1,087	15,696	1,087	15,696	1,087
Retained earnings (deficit).....		(10,754)	566	(10,754)	566	(10,754)	566
Total equity.....	iv	<u>84,458</u>	<u>97,478</u>	<u>84,458</u>	<u>97,478</u>	<u>84,458</u>	<u>97,478</u>
Total capitalization.....		<u>\$137,087</u>	<u>\$132,647</u>	<u>\$325,527</u>	<u>\$299,653</u>	<u>\$161,895</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

¹ See definition in Glossary of Terms beginning on page 50.

Facility”). Effective February 5, 2019, the Corporation extended the maturity of the Crown Credit Facility to May 31, 2021. In the second quarter of 2020, the Corporation initiated the negotiation with its lenders of an amendment and extension of the Crown Credit Facility which currently has a maturity date of May 31, 2021. These negotiations have not yet been completed. The balance outstanding on the Crown Credit Facility at September 30, 2020 of \$29.3 million is comprised of gross advances of \$29.6 million net of unamortized deferred financing costs of \$0.3 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 September 30, 2020 of \$34.2 million is comprised of gross advances of \$34.6 million net of unamortized deferred financing costs of \$0.4 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 SEP. 30 (THOUSANDS)	Three Months Ended		Nine Months Ended	
	2020	2019	2020	2019
Outstanding at beginning of period.....	9,394	9,590	9,393	9,617
Issued (repurchased)				
Repurchases.....	(155)	(134)	(193)	(174)
Share-based compensation.....	-	-	39	13
Outstanding at end of period.....	9,239	9,456	9,239	9,456
Unexercised options and other share-based plans ¹	59	113	59	113
Total diluted shares at end of period.....	9,298	9,569	9,298	9,569

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

In the three months ended September 30, 2020, the Corporation issued nil Common Shares. In the nine months ended September 30, 2020, the Corporation issued 39,024 Common Shares to employees and directors 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 as at March 31, 2019. The total number of Common Shares purchased and cancelled under this NCIB program up to its expiry on April 9, 2020 was 235,509 at an average cost of \$7.20 per Common Share.

On April 13, 2020, the Corporation renewed its 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 as at March 31, 2020. Total Common Shares purchased and cancelled under this current NCIB up to September 30, 2020 was 171,700 at an average cost of \$3.73 per Common Share.

In the three and nine months ended September 30, 2020, a total of 154,400 and 193,098 Common Shares were purchased for cancellation, respectively (2019 – 134,119 and 173,771 Common Shares, respectively).

The total number of Common Shares outstanding at September 30, 2020 was 9,239,168 (December 31, 2019 – 9,393,242; November 10, 2020 – 9,068,668).

LIQUIDITY

Liquidity and Capital Resources

As at September 30, 2020, the Corporation had working capital of \$(10.9) million, \$69.2 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 \$20.8 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 September 30, 2020, the Corporation had limited access to additional funding advances under each of these facilities.

In the second quarter of 2020, the Corporation initiated the negotiation with its lenders of an amendment and extension of the Crown Credit Facility which currently has a maturity date of May 31, 2021. These negotiations have not yet been completed. The resulting classification of the liability as a current liability in the Corporation's non-consolidated financial statements resulted in the Corporation not satisfying the minimum excess working capital requirements under applicable securities law as at September 30, 2020. The securities commission that regulates the Corporation in respect of its investment management operations is aware of this matter.

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

Working capital at September 30, 2020 was \$(10.9) million compared with \$4.4 million as at December 31, 2019, with the decrease during the period related primarily to the classification of the Crown Credit Facility as a current liability and to the reclassification of \$5.7 million of interest receivable in relation to the PenEquity loan to the investments balance, partially offset by a \$9.6 million increase in cash and cash equivalents, including \$7.0 million received on September 30, 2020 as a partial repayment in respect of the Mill Street loan, and a reduction in promissory notes payable within one year of \$8.3 million.

At September 30, 2020, \$118.6 million (68%) 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 \$56.7 million of committed capital available to Crown Partners Fund from parties other than Crown. As at September 30, 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 September 30, 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 September 30, 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 September 30, 2020 and December 31, 2019.

AS AT SEP. 30, 2020 AND DEC. 31, 2019 (THOUSANDS, EXCEPT UNITS)	2020			2019
	Units Subscribed by CCFC	Capital Commitment	Uncalled Capital Commitment	Uncalled Capital Commitment
Crown Partners Fund.....	107,840	\$ 107,840	\$ 34,859	\$ 39,262
CCF IV Investment LP.....	3,270	3,270	1,062	1,156
Crown Power Fund.....	25,000	25,000	9,514	14,909
Total.....			<u>\$ 45,435</u>	<u>\$ 55,327</u>

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 September 30, 2020, Crown Power Fund had committed to contracts valued at \$25.6 million in relation to the construction of power generation assets, of which \$21.1 million had been advanced to suppliers and contractors, resulting in an unfunded commitment of approximately \$4.5 million, of which \$2.6 million was attributable to non-controlling interests.

As at September 30, 2020, Crown Partners Fund had unfunded commitments to provide loan advances of \$3.0 million, of which \$1.8 million was attributable to non-controlling interests.

Through WireIE, the Corporation had \$0.9 million in backhaul commitments relating to its use of broadband network infrastructure as at September 30, 2020.

The Corporation, through Galaxy, has an aggregate commitment with respect to its use of broadband network infrastructure of \$6.2 million as at September 30, 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 \$2.3 million as at September 30, 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 September 30, 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 SEP. 30 (THOUSANDS)	Nine Months Ended	
	2020	2019
Operating activities.....	9,705	10,951
Investing activities.....	(18,430)	4,823
Financing activities.....	18,299	(13,184)
Increase in cash and cash equivalents.....	9,574	2,590

Operating Activities

Cash provided by operations totaled \$9.7 million in the nine months ended September 30, 2020 compared with \$11.0 million in the nine months ended September 30, 2019, a \$1.3 million decrease that includes a \$0.6 million increase in non-cash working capital.

Investing Activities

Cash (used in) provided by investing activities totaled (\$18.4) million in the nine months ended September 30, 2020 compared with \$4.8 million in the nine months ended September 30, 2019. The decrease compared with the prior-year period was due primarily to a \$33.8 million decrease in proceeds from loan repayments, an \$8.5 million increase in the purchase of distributed power equipment under development and related deposits and a \$1.3 million increase in relation to purchases of property and equipment, mostly in relation to network services equipment, partially offset by a reduction in new investments of \$21.5 million. New investments in the nine months ended September 30, 2020 included advances of \$27.0 million, \$5.5 million and \$1.1 million to CareRx, CCI Wireless and PenEquity, respectively. Loan repayments in the nine months ended September 30, 2020 included \$20.0 million in relation to Touchstone loan, a \$7.0 million partial repayment in relation to the Mill Street loan, a \$3.9 million partial repayment in relation to the Ferus loan, \$5.0 million in relation to the Rokstad bridge loan, \$0.5 million in relation to the RBee bridge loan plus a \$0.3 million recovery in respect of the Solo investment.

Financing Activities

Cash provided by (used in) financing activities totaled \$18.3 million in the nine months ended September 30, 2020 compared with (\$13.2) million in the nine months ended September 30, 2019. The primary financing-related sources of cash in the nine months ended September 30, 2020 were net credit facility advances of \$24.9 million and non-controlling interest contributions to Crown Partners Fund and Crown Power Fund totaling \$19.0 million. The primary financing-related uses of cash in the nine months ended September 30, 2020 included distributions paid by Crown Partners Fund to non-controlling interests, repayment of Crown Partners Fund 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 and nine months ended September 30, 2020 is prepared as of November 10, 2020. This discussion is the responsibility of management and should be read in conjunction with the Corporation's September 30, 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 and nine months ended September 30, 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 13 – Acquisition of subsidiary;
- Note 15 – Property and equipment; and
- Note 16 – 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.

Current Period Change in Accounting Policies

“Definition of a Business” – Amendments to IFRS 3 “*Business Combinations*”:

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations*. The objective of the amendments is to assist entities in determining whether a transaction should be accounted for as a business combination or an asset acquisition. These amendments apply prospectively to acquisitions that occur in annual periods beginning on or after January 1, 2020, with earlier application permitted.

In determining whether a particular set of activities and assets is a business, the Corporation assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Corporation has an option to apply a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Corporation applied these amendments to the acquisition of Galaxy as at September 15, 2020 in assessing whether it had acquired a business or a group of assets. The Corporation concluded that the acquisition should be accounted for as a business combination.

Accounting Policies Adopted in the Current Period

As a result of the acquisition of Galaxy on September 15, 2020, the following accounting policy has been adopted:

Inventory:

Inventory is measured at the lower of cost and net realizable value. Cost is inclusive of all costs of purchase (e.g. duty and freight as applicable), costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses necessary to complete the sale.

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 Galaxy, of which Crown acquired a 100% interest on September 15, 2020. The total aggregate assets acquired and total aggregate liabilities assumed at closing, before deducting amounts attributable to non-controlling interests, represented approximately 2.0% and 1.9% of total consolidated assets and total consolidated liabilities, respectively, as at September 30, 2020. The impact of the acquisition on consolidated net income attributable to Shareholders for the three months and nine months ended September 30, 2020 was net income of \$0.1 million and \$0.1 million, respectively which includes depreciation expense of \$0.03 million and \$0.03 million, respectively. 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 and nine months ended September 30, 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 Network Services businesses 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 11 portfolio companies to meet their debt obligations to Crown Partners Fund.

Through its ownership of equity and equity-related securities, Crown Partners Fund is exposed to market price risk. As at September 30, 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 \$0.1 million, Persta warrants valued at \$0.01 million, VIQ Solutions common shares which were valued at \$0.2 million, VIQ Solutions common share purchase warrants which were valued at \$1.0 million and CareRx common share purchase warrants which were valued at \$0.5 million. As at September 30, 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 risk that Crown Private Credit Fund might not be able to fully recover amounts owed to it by Mill Street through the ongoing receivership process or from PenEquity following a material deterioration in the collateral value for that loan.

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 Network Services businesses 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 contribution of Network Services businesses 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. A similar risk factor exists for Galaxy by way of its reliance on the renewal of network service contracts with a significant customer, which comprises a significant portion of its accounts receivable and network services revenue to date. An additional risk factor for both WireIE and Galaxy is key third-party supplier risk, as each entity is reliant upon the provision of broadband signal and telecommunications capacity by key third-party suppliers which, if terminated or cancelled, could have an adverse impact on the financial condition and results of operations of the Network Services segment and results of operations.

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 September 30, 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, Medicure, Baylin, Data Communications, Persta and CareRx. Source, Prairie Provident, VIQ Solutions, Medicure, Baylin, Data Communications, Persta and CareRx 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 Source, Ferus, RBee, Active, Data Communications, Persta, Triple Five, VIQ Solutions, Rokstad Power, CCI Wireless and CareRx, 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 expected timing of power distribution projects under development becoming operational;
- the Corporation's intention to create a capital pool that invests in certain assets of Network Services businesses, 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 acquisitions of WireIE and Galaxy;
- 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 50 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
- **“CareRx”** – CareRx Corporation (formerly Centric Health Corporation)
- **“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.
- **“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.
- **“Galaxy”** – Galaxy Broadband Communications, Inc.
- **“Marquee”** – Marquee Energy Ltd.
- **“Medicure”** – Medicure Inc.
- **“Mill Street”** – Mill Street & Co. Inc.
- **“NCOF LP”** – Norrep Credit Opportunities Fund, LP
- **“PenEquity”** – PenEquity Realty Corporation
- **“Persta”** – Persta Resources Inc.
- **“Prairie Provident”** – Prairie Provident Resources Inc.
- **“RBee”** – RBee Aggregate Consulting 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 SEP. 30, 2020 AND DEC. 31, 2019 (THOUSANDS)	2020	2019
Total consolidated liabilities and equity.....	325,527	299,653
Less: non-controlling interests' share of liabilities		
Accounts payable and accrued liabilities.....	(232)	(389)
Distributions payable to non-controlling interests.....	(1,513)	(1,490)
Crown Partners Fund Promissory Notes payable.....	-	(5,212)
Provision for performance bonus.....	(1,786)	(1,283)
Credit facilities.....	(20,953)	(15,021)
Non-controlling interests.....	(139,148)	(122,996)
Total capitalization at our share.....	161,895	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 September 30, 2020 totaled \$2.1 million compared with \$(0.3) million in the three months ended September 30, 2019.

A reconciliation of earnings before income taxes to Adjusted Funds from Operations for the three and nine months ended September 30, 2020 and September 30, 2019 is shown in the following table:

FOR THE PERIODS ENDED SEP. 30 (THOUSANDS)	Three Months		Nine Months	
	2020	2019	2020	2019
Income (loss) before income taxes attributable to Shareholders	(10,770)	1,031	\$ (13,774)	\$ (1,360)
Adjustments for amounts attributable to Shareholders in relation to: ¹				
Finance costs.....	1,258	863	3,733	\$ 2,338
Depreciation expense, net of lease payments on right-of-use assets.....	681	849	2,970	\$ 853
Subtotal - Earnings (loss) attributable to Shareholders before income taxes, finance costs and depreciation expense, net of lease payments on right-of-use assets.....	(8,831)	2,743	(7,071)	1,831
Adjustments for amounts attributable to Shareholders in relation to: ¹				
Non-cash share-based compensation.....	394	163	458	261
Asset impairment expense.....	178	-	504	-
(Gain) loss on acquisition.....	(105)	195	(105)	195
Net unrealized investment (gains) losses.....	(694)	(3,312)	(334)	230
Provision for credit losses.....	11,147	(65)	15,347	45
Finance fees received in investments carried at amortized cost but not included in fees and other income.....	-	96	851	558
Amortization component of interest revenue on loans carried at amortized cost.....	(398)	(164)	(675)	(575)
Network services fees received on customer contracts but not included in contractual network services revenue.....	444	229	974	229
Amortization component of network services revenue.....	(62)	(169)	(126)	(169)
Adjusted Funds from Operations	\$ 2,073	\$ (284)	\$ 9,823	\$ 2,605

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

Adjusted Funds from Operations for the three months ended September 30, 2020 increased year-over-year due primarily to the recognition of a realized loss related to the Solo investment in the prior year comparative period of which \$(4.1) million was attributable to Shareholders, partially offset by a lower level of interest and fee revenue attributable to Shareholders due to both a lower average level of interest-yielding investments in the third quarter of 2020 and to incremental interest revenue and fee income recognized in the comparative period upon repayment of the Canadian Helicopters investment.

The following table provides a quarterly reconciliation of earnings before income taxes to Adjusted Funds from Operations for the period from October 1, 2018 to September 30, 2020.

FOR THE PERIODS ENDED (THOUSANDS)	2020			2019			2018	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Earnings (loss) before income taxes attributable to Shareholders.....	\$ (10,770)	\$ (1,878)	\$ (1,125)	\$ 1,631	\$ 1,031	\$ 3,092	\$ (5,482)	\$ 3,311
Adjustments for amounts attributable to Shareholders in relation to: ²								
Finance costs.....	1,258	1,302	1,173	1,024	863	630	845	849
Depreciation expense, net of lease payments on right-of-use assets.....	681	711	1,578	298	849	2	2	15
Subtotal - Earnings (loss) attributable to Shareholders before income taxes, finance costs and depreciation expense, net of lease payments on right-of-use assets.....	(8,831)	135	1,626	2,953	2,743	3,724	(4,635)	4,175
Adjustments for amounts attributable to Shareholders in relation to: ²								
Non-cash share-based compensation.....	394	93	(29)	304	163	72	26	226
Asset impairment expense.....	178	320	6	247	-	-	-	-
(Gain) loss on acquisition.....	(105)	-	-	(280)	195	-	-	-
Net unrealized investment (gains) losses.....	(694)	(979)	1,339	(228)	(3,312)	(1,728)	5,270	(570)
Provision for credit losses.....	11,147	3,909	291	246	(65)	35	75	-
Finance fees received in investments carried at amortized cost but not included in fees and other income.....	-	46	805	214	96	-	462	391
Amortization component of interest revenue on loans carried at amortized cost.....	(398)	(103)	(174)	(210)	(164)	(127)	(283)	(314)
Network services fees received on customer contracts but not included in contractual network services revenue.....	444	199	331	133	229	-	-	-
Amortization component of network services revenue.....	(62)	(39)	(25)	191	(169)	-	-	-
Adjusted Funds from Operations.....	\$ 2,073	\$ 3,581	\$ 4,170	\$ 3,570	\$ (284)	\$ 1,976	\$ 915	\$ 3,908

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.