



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

ORGANIZATION OF THE MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

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|--|----|--|----|
| PART 1 – OUR BUSINESS | | PART 4 – CAPITALIZATION AND LIQUIDITY | |
| Business Overview..... | 3 | Capitalization..... | 36 |
| Basis of Consolidation..... | 5 | Liquidity..... | 39 |
| PART 2 – REVIEW OF CONSOLIDATED FINANCIAL RESULTS | | Review of the Condensed Consolidated Interim Statements of Cash Flows..... | 41 |
| Overview..... | 7 | PART 5 – ACCOUNTING POLICIES AND INTERNAL CONTROLS | |
| Income Statement Analysis..... | 8 | Accounting Policies, Estimates and Judgements..... | 42 |
| Balance Sheet Analysis..... | 15 | Disclosure Controls and Internal Controls..... | 43 |
| Summary of Quarterly Results..... | 20 | PART 6 – RISKS AND FORWARD-LOOKING STATEMENTS | |
| Related Party Transactions..... | 22 | Risk Factors..... | 45 |
| PART 3 – REVIEW OF OPERATIONS | | Financial Instruments and Associated Risks..... | 46 |
| Alternative Corporate Financing..... | 24 | Forward-Looking Statements..... | 47 |
| Distributed Power..... | 34 | Non-IFRS Measures..... | 50 |
| Network Services..... | 35 | Market and Industry Data..... | 50 |
| | | Trademarks, Trade Names and Service Marks..... | 50 |
| | | GLOSSARY OF TERMS | 51 |

"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 51 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, which are eliminated on consolidation (see *Part 2 – Review of Consolidated Financial Results – Related Party Transactions* on page 22).

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**”.

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.

On March 1, 2021, we acquired 100% of the common shares of PSCC, whose assets include entitlements to future cash flows in relation to the sale of its interest in a grocery-anchored community retail plaza located in Hamilton, Ontario, plus adjacent land. Pursuant to the transaction, Crown acquired the equity of PSCC in exchange for consideration of \$10.4 million, representing a reduction in the amount owed to Crown by PenEquity.

As at March 31, 2021, our investment portfolio, which relates exclusively to our Alternative Corporate Financing business, was carried at \$233.8 million (December 31, 2020 - \$246.1 million) including Special Situations Financing investments totaling \$224.9 million (December 31, 2020 - \$226.1 million) and Long-Term Financing investments totaling \$8.9 million (December 31, 2020 - \$19.9 million).

In May 2020, we announced our intention to improve the efficiency of our capital by shifting towards a capital-light business model, involving the planned reduction of ownership in Crown Partners Fund to a target of 20% or less, and

by achieving liquidity in our lending portfolio, where possible. We intend to use the proceeds from such realizations to pursue strategic growth opportunities and to rationalize our capital structure. Towards this end, effective March 31, 2021, we reduced our effective ownership interest in Crown Partners Fund from 38.8% to 36.5% through a sale of limited partnership units that achieved net proceeds to Crown of \$4.4 million, which were received in April 2021 and applied as a partial repayment of the balance outstanding on the Crown Credit Facility. These limited partnership units were sold to third-party investors at a transaction price equal to fair value and resulted in the recognition of a nominal realized gain in the first quarter.

Distributed Power

Crown is also deploying capital through its partially owned subsidiary Crown Power Fund, an investment fund established in June 2018 to invest directly in power generation assets that provide electricity under long-term contracts to mid- to large-scale electricity users (“**Distributed Power**”). In February 2019, Crown Power Fund completed a closing with subscriptions that increased its total committed capital to \$57.9 million, including an aggregate capital commitment of \$32.9 million by third-party investors, and reduced our ownership of Crown Power Fund, which we hold through wholly owned subsidiary CCFC, from 100.0% to 43.2%.

As at March 31, 2021, Crown Power Fund’s aggregate equipment-related investment was carried at \$33.4 million (December 31, 2020 - \$32.0 million) including amounts invested in distributed power equipment under development and related deposits (\$16.9 million), distributed power equipment (\$6.8 million, included in property and equipment) and net investment in leased distributed power equipment (\$9.8 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 (see *Part 2 – Review of Consolidated Financial Results – Related Party Transactions* on page 22).

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 its WireIE Inc. and Galaxy subsidiaries, Crown provides network connectivity to customers in otherwise underserved markets (“**Network Services**”).

Through WireIE Inc., a wholly owned subsidiary, Crown owns and operates broadband networks that deliver reliable, scalable and secure network availability to businesses in underserved markets.

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 underserviced enterprise customers across Canada. Through this acquisition, Crown 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.

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 Inc. 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 (Loss), 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 (Loss); 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 36.5% effective interest in Crown Partners Fund (December 31, 2020 – 38.8%), its approximate 43.2% interest in Crown Power Fund (December 31, 2020 – 43.2%) and its 100% interest in Crown Private Credit Fund (December 31, 2020 – 100%) and reflects the interests of other investors in these funds, if any, as non-controlling interests.

Crown’s 36.5% effective interest in Crown Partners Fund as at March 31, 2021 includes its 35.3% 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 38.8% from December 31, 2019 to March 30, 2021.

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.

Crown holds a 100% interest in WireIE and its wholly owned subsidiaries, WireIE Canada and WireIE Development Inc.

Crown holds a 75% interest in Onsite Power.

Effective September 10, 2020, Crown holds 100% interest in WireIE Inc.

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

Effective September 28, 2020, Crown holds a 100% interest in PenEquity Development GP Inc., the general partner of PDLP.

Effective September 30, 2020, through Crown Private Credit Fund, Crown holds a 100% interest in PDLP; and

Effective March 1, 2021, through PDLP, Crown acquired a 100% interest in PSCC.

The financial results of the Corporation as at and for the three months ended March 31, 2021 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, WireIE and its wholly owned subsidiaries WireIE Canada and WireIE Development Inc, Onsite Power, WireIE Inc. from the date of its incorporation on September 10, 2020, Galaxy from the date of its acquisition on September 15, 2020, PenEquity Development GP Inc. from the date of its incorporation on September 28, 2020, PDLP from the date of its registration on September 30, 2020, and PSCC from the date of its acquisition on March 1, 2021.

PART 2 – REVIEW OF CONSOLIDATED FINANCIAL RESULTS

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

OVERVIEW

For the three months ended March 31, 2021, we recognized net income and comprehensive income of \$1.4 million compared with a net loss and comprehensive loss of \$1.2 million in first quarter of 2020. The primary contributing factors to the year-over-year improvement in net income in the first quarter of 2021 were:

- net income before income taxes of \$1.3 million attributable to the network services segment (2020 – a loss before income taxes of \$1.6 million), inclusive of depreciation and amortization expenses totaling \$0.7 million (2020 - \$1.9 million);
- a net gain on investments attributable to Shareholders of \$0.1 million in the quarter compared with a net loss on investments attributable to Shareholders of \$1.2 million in the first quarter of 2020;
- a decrease in salaries and benefits expense, net of amounts related to Network Services businesses, of \$0.3 million related primarily to a reduced headcount and a reduction in executive salaries.

The above-noted factors were partially offset by:

- a provision for credit losses of \$0.6 million (2020 - \$0.3 million expense) that relates to an increase in the allowance for credit losses recognized on the PenEquity loan, which is carried at amortized cost; partially offset by a recovery of credit losses on settlement of a portion of the PenEquity loan at the time of acquisition of PSCC, resulting in the reclassification of a previously-recognized allowance for credit loss as a realized loss. There were nominal increases in provision for credit losses in the quarter in respect of other loans;
- a decrease in interest revenue attributable to Shareholders of \$1.1 million compared with the first quarter of 2020 due entirely to a decrease in the aggregate amount recognized in respect of the PenEquity and Mill Street loans from \$1.3 million a year ago to \$nil in the first quarter;
- an increase in general and administration expenses, net of amounts related to Network Services businesses, of \$0.3 million related primarily to an increase in costs associated with the realization on certain on-balance sheet loans; and
- a \$0.4 million increase in the performance bonus expense that relates primarily to an improved level of net investment gains recognized by Crown Partners Fund.

Adjusted Funds from Operations for the three months ended March 31, 2021 increased year-over-year due primarily to increased operating income from the Network Services segment, including recognition of a full quarter of operating income from Galaxy following its acquisition in September 2020, and to a higher level of realized gains attributable to Shareholders, comprised mostly of a realized gain recognized in the quarter in relation to the exercise of VIQ Solutions warrants held by Crown Partners Fund and the sale of the related common shares.

INCOME STATEMENT ANALYSIS

The following table summarizes the financial results of the Corporation for the three months ended March 31, 2021, and 2020:

| FOR THE PERIODS ENDED MAR. 31 (THOUSANDS) | Three Months Ended | | |
|---|--------------------|------------------|----------------|
| | 2021 | 2020 | Change |
| Revenues | | | |
| Interest revenue..... | \$ 6,554 | \$ 7,333 | \$ (779) |
| Fees and other income..... | 559 | 337 | 222 |
| Network services revenue..... | 6,386 | 1,983 | 4,403 |
| Net realized gain from investments..... | 1,120 | 311 | 809 |
| Net change in unrealized losses of investments..... | (575) | (3,556) | 2,981 |
| Total revenue | 14,044 | 6,408 | 7,636 |
| Expenses | | | |
| Salaries and benefits..... | (1,718) | (1,458) | (260) |
| Share-based compensation..... | (217) | (105) | (112) |
| Performance bonus (expense) recovery..... | (338) | 15 | (353) |
| General and administration..... | (800) | (632) | (168) |
| Cost of network services revenue..... | (3,164) | (759) | (2,405) |
| Depreciation..... | (754) | (1,941) | 1,187 |
| Provision for credit losses..... | (561) | (306) | (255) |
| Impairment of property and equipment..... | - | (6) | 6 |
| Finance costs..... | (1,491) | (1,578) | 87 |
| Total expenses | (9,043) | (6,770) | (2,273) |
| Income (loss) before other adjustments and income taxes | 5,001 | (362) | 5,363 |
| Non-controlling interests..... | (3,493) | (763) | (2,730) |
| Income taxes..... | (76) | (77) | 1 |
| Net income (loss) and comprehensive income (loss)..... | 1,432 | (1,202) | 2,634 |
| Net income (loss) per share attributable to Shareholders - basic..... | \$ 0.16 | \$ (0.13) | \$ 0.29 |
| Net income (loss) per share attributable to Shareholders - diluted..... | \$ 0.16 | \$ (0.13) | \$ 0.29 |

Interest Revenue

| FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS) | | | Attributable to Shareholders | |
|---|-----------------|-----------------|---------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest revenue | | | | |
| Crown Partners Fund..... | \$ 6,123 | \$ 5,790 | \$ 2,374 | \$ 2,245 |
| Crown Private Credit Fund..... | - | 1,348 | - | 1,348 |
| Crown Power Fund..... | 431 | 195 | 186 | 84 |
| Total interest revenue..... | \$ 6,554 | \$ 7,333 | \$ 2,560 | \$ 3,677 |

Interest revenue totaled \$6.6 million in the three months ended March 31, 2021 compared with \$7.3 million in the three months ended March 31, 2020 and was comprised of:

- interest revenue of \$6.1 million earned by Crown Partners Fund (2020 - \$5.8 million), with the year-over-year increase due primarily to a year-over-year increase in the average level of interest-yielding investments;
- interest revenue of \$nil earned by Crown Private Credit Fund (2020 - \$1.3 million), with the year-over-year decrease resulting from the decision to stop accruing interest revenue in respect of the PenEquity and Mill Street loans beginning in the second and third quarters of 2020, respectively; and
- interest revenue of \$0.4 million recognized by Crown Power Fund (2020 - \$0.2 million), comprised of interest earned on net investment in leased distributed power equipment and interest capitalized to distributed power equipment under development and related deposits that will be subsequently recovered through receipt of lease payments over the duration of lease contracts in relation to such assets.

In accordance with International Financial Reporting Standard (“IFRS”) 9, interest revenue on loan investments carried at amortized cost is calculated using the effective interest rate method and includes an amortization component which totaled \$0.2 million in the three months ended March 31, 2021 (2020 - \$0.4 million).

Of total consolidated interest revenue, \$2.6 million was attributable to Shareholders in the three months ended March 31, 2021 compared with \$3.7 million in the three months ended March 31, 2020.

Fees and Other Income

| FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS) | | | Attributable to Shareholders | |
|---|---------------|---------------|---------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Transaction fees and other income received: | | | | |
| Crown Partners Fund ⁵ | \$ 13 | \$ 805 | \$ 5 | \$ 312 |
| Crown ¹ | - | 355 | - | 355 |
| | 13 | 1,160 | 5 | 667 |
| Less: Transaction fees <u>deferred</u> in relation to investments carried at amortized cost | | | | |
| Crown Partners Fund..... | - | (805) | - | (312) |
| Crown..... | - | (355) | - | (355) |
| | 13 | - | 5 | - |
| Transaction fees and other income recognized: | | | | |
| Royalty and other revenue..... | 436 | 289 | 169 | 112 |
| Other interest income ² | 93 | 31 | 50 | 24 |
| Management fee revenue ^{3,4} | 17 | 17 | 17 | 17 |
| Total fees and other income | \$ 559 | \$ 337 | \$ 241 | \$ 153 |

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 of fees capitalized to loan principal in the three months ended March 31, 2021 (2020 - \$450).

In the three months ended March 31, 2021, we recognized fees and other income totaling \$0.6 million (2020 - \$0.3 million), comprised primarily of royalty and other revenue of \$0.4 million (2020 - \$0.3 million), including royalty revenue earned by Crown Partners Fund which increased compared with 2020 due in part to timing of receipts in respect of Triple Five royalty payments previously in arrears that were received in 2021.

Of total consolidated fees and other income recognized in the three months ended March 31, 2021, \$0.2 million was attributable to Shareholders, compared with \$0.2 million in 2020.

Transaction fees and other income received but not recognized as revenue in the period

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.

During the three months ended March 31, 2021, we received no additional transaction fees (2020 - \$1.2 million, including \$0.5 million of other fees capitalized to loan principal value) in relation loans carried at amortized cost, which were not recognized as fee income in the period.

Network Services Revenue

Through its wholly owned subsidiaries WireIE Inc., and Galaxy, which was acquired in September 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 months ended March 31, 2021 include network services revenue of \$6.4 million (2020 - \$2.0 million).

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.

Net Investment Gains (Losses)

| FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS) | Attributable to Shareholders | | | |
|---|---------------------------------|-------------------|---------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net realized gains (losses) on investments | | | | |
| Crown Partners Fund..... | \$ 1,231 | \$ 311 | \$ 477 | \$ 120 |
| Crown Private Credit Fund..... | (130) | - | (130) | - |
| Crown ¹ | 19 | - | 19 | - |
| Total realized gains (losses) | 1,120 | 311 | 366 | 120 |
| Net unrealized gains (losses) on investments | | | | |
| Crown Partners Fund..... | (575) | (3,621) | (223) | (1,404) |
| Crown ¹ | - | 65 | - | 65 |
| Total unrealized gains (losses) | (575) | (3,556) | (223) | (1,339) |
| Total net gains (losses) on investments..... | \$ 545 | \$ (3,245) | \$ 143 | \$ (1,219) |

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

In the three months ended March 31, 2021, we recognized net gains on investments of \$0.5 million (2020 – net losses of \$3.2 million) of which net gains of \$0.1 million were attributable to Shareholders (2020 – net losses of \$1.2 million).

Net realized gains of \$1.1 million in 2021 are comprised primarily of a net realized gain of \$1.2 million recognized in respect of the VIQ Solutions warrants held by Crown Partners Fund which were exercised for shares that were sold in the period. This was partially offset by a net realized loss of \$0.1 million recorded in respect of debt outstanding to PSCL that was effectively terminated at the time the Corporation acquired PSCL, resulting in the reclassification of a previously-recognized allowance for credit loss as a realized loss.

The net unrealized loss on investments in 2021 of \$0.6 million is largely comprised of the reversal of a \$1.2 million unrealized gain in respect of the exercise of the VIQ Solutions warrants in the period, resulting in the reclassification of the previously-recognized unrealized gain to a realized gain, as well as a decrease in the valuation of the Triple Five royalty following receipt of related payments in the quarter. Partially offsetting the unrealized losses recognized were increases in respect of equity-related securities held by Crown Partners Fund in the quarter of \$0.9 million, including increases in the valuations of the CareRx warrants and Source Energy common shares of \$0.3 million and \$0.3 million, respectively.

The net unrealized loss on investments in 2020 of \$3.6 million related primarily to reduction in the fair values of the Ferus warrants and the investment in Source.

Expenses

For the three months ended March 31, 2021:

Salaries and benefits expense increased by \$0.3 million in the quarter to \$1.7 million, including \$0.9 million attributable to Network Services businesses, compared to \$0.3 million in 2020. Excluding the incremental expense related to acquired Network Services businesses, salaries and benefits expense decreased by \$0.3 million in 2021, with the year-over-year decrease attributable to a reduction in headcount and to a reduction in executive salaries effective January 1, 2021.

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 increased by \$0.1 million in 2021 with the impact of an increase in the trading price of Common Shares largely offset by the cancellation of performance share units that expired unvested in the quarter. Additional information about share-based compensation can be found in *Note 6, Share-based compensation* in the Corporation’s condensed consolidated interim financial statements.

General and administration expenses include costs such as legal and audit fees, travel, promotion, occupancy costs, insurance, office administration and other costs. General and administration expenses totaled \$0.8 million in 2021 (2020 - \$0.6 million), including \$0.1 million in relation to acquired Network Services businesses (2020 - \$0.2 million). Excluding amounts in relation to Network Services businesses, general and administrative expenses for 2021 increased by \$0.3 million relative to the prior comparative period, largely on account of an increase in professional and legal fees associated with the realization on certain on-balance sheet loans.

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 2021, the cost of network services revenue totaled \$3.2 million (2020 - \$0.8 million), primarily comprised of bandwidth fees of \$2.5 million and \$0.7 million in relation to license fees and network equipment maintenance costs. The increase compared with the comparable prior-year period relates to the acquisition of Galaxy in September 2020.

The Corporation has asset performance bonus pool (“**APBP**”) arrangements for certain individuals, primarily employees (“**APBP Participants**”), whereby a portion of performance fees recognized in consolidated earnings to date in relation to certain investment funds managed by the Corporation will be payable to APBP Participants commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the limited partners of the related investment funds. In the three months ended March 31, 2021 we recognized a performance bonus expense of \$0.3 million (2020 – recovery of \$0.02 million) reflecting a change in the level of accrued performance fee relating to Crown Partners Fund based on the performance of its investments in 2021.

In the three months ended March 31, 2021, depreciation expense totaled \$0.8 million compared to \$1.9 million in 2020, and was 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 \$0.2 million (2020 - \$0.3 million);
- depreciation of network services equipment totaling \$0.3 million (2020 - \$1.3 million);
- depreciation of office and other equipment totaling \$0.1 million (2020 - \$0.03 million); and
- amortization of \$0.1 million, respectively, in relation to network services contracts recognized as intangible assets with finite useful lives in connection with the WireIE and Galaxy acquisitions (2020 - \$0.3 million).

The provision for credit losses in 2021 totaled \$0.6 million, reflecting an increase of \$0.3 million over 2020. The provision relates primarily to the PenEquity loan, which is carried at amortized cost; partially offset by a recovery of

credit losses on settlement of a portion of the PenEquity loan at the time of acquisition of PSCC, resulting in the reclassification of a previously-recognized allowance for credit loss as a realized loss. There were nominal increases in the provision for credit losses in the quarter in respect of other loans.

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 and it did not materially affect our provision for credit losses except with respect to the PenEquity loan in fiscal 2020. The duration and impact of the COVID-19 pandemic is unknown at this time, and accordingly, any estimates of the extent to which this pandemic may materially impact the business, operations, financial condition and/or underlying security value of our borrowers are subject to significant uncertainty.

For financial assets, including debt investments, carried at amortized cost, the Corporation determines expected credit losses in accordance with IFRS 9 which, cumulatively, represent an allowance for credit losses that is deducted in determining the net amortized cost, and therefore the carrying value, of such assets. The provision for credit losses primarily reflects changes in the allowance for credit losses resulting from factors such as the addition or repayment of financial assets carried at amortized cost or revisions to the expected credit losses for existing assets carried at amortized cost.

Finance costs totaled \$1.5 million in 2021, reflecting a decrease of \$0.1 million compared to 2020, 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 (2020 - \$0.4 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 \$0.4 million (2020 - \$0.5 million), with the year-over-year decrease explained by the decrease in the average level of debt outstanding in respect of this facility;
- current period interest accrual of \$nil (2020 - \$0.2) 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 (2020 - \$0.4 million); and
- interest in relation to right-of-use lease arrangements and promissory notes totaling \$0.1 million (2020 - \$0.1 million).

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

Income Taxes

We recorded an aggregate income tax expense of \$0.1 million in 2021, consistent with \$0.1 million recorded in 2020. Included in aggregate income tax expense in 2021 is a current tax expense of \$0.04 million (2020 – \$0.08 million) and deferred tax expense of \$0.04 million (2020 – deferred tax recovery of \$0.004 million).

For the three months ended March 31, 2021, the amortization of intangible assets in relation to Galaxy, losses relating to WireIE and non-cash share-based compensation expense were not deductible for purposes of determining current income tax expense.

The Corporation's consolidated statutory tax rate for the three months ended March 31, 2021 on earnings before income taxes attributable to Shareholders was 25.1% (2020 – 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 liability at March 31, 2021 of \$0.07 million (December 31, 2020 – deferred income tax asset \$0.6 million) and deferred tax expense for the three months ended March 31, 2021 result primarily from the recognition of a deferred tax liability assumed as part of the PSCC acquisition; partially offset by the accrual in relation to DDSU's and 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, book values in excess of tax undepreciated capital cost pools relating to property and equipment and 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 March 31, 2021 and December 31, 2020:

| AS AT MAR. 31 2021 AND DEC. 31 2020 (THOUSANDS) | 2021 | 2020 | Change |
|--|-------------------|-------------------|-----------------|
| Assets | | | |
| Cash and cash equivalents..... | | | |
| Cash and cash equivalents..... | \$ 21,550 | \$ 19,150 | \$ 2,400 |
| Accounts receivable and other assets..... | 16,220 | 13,841 | 2,379 |
| Investments..... | 233,834 | 246,063 | (12,229) |
| Property and equipment..... | 16,069 | 15,951 | 118 |
| Lease earn-out note receivable..... | 5,940 | - | 5,940 |
| Network services contracts..... | 2,098 | 2,232 | (134) |
| Net investment in leased power distribution equipment..... | 9,773 | 9,166 | 607 |
| Property and equipment under development and related deposits..... | 25,192 | 16,038 | 9,154 |
| Total assets | \$ 330,676 | \$ 322,441 | \$ 8,235 |
| Liabilities | | | |
| Accounts payable and other liabilities..... | \$ 13,575 | \$ 11,969 | \$ 1,606 |
| Lease obligations..... | 2,949 | 3,280 | (331) |
| Network services vendor note payable | 1,133 | 1,321 | (188) |
| Provision for performance bonus..... | 3,577 | 3,239 | 338 |
| Mortgage payable..... | 3,300 | - | 3,300 |
| Credit facilities..... | 59,869 | 62,911 | (3,042) |
| Convertible debentures - liability component..... | 19,028 | 18,932 | 96 |
| Non-controlling interests..... | 145,001 | 139,506 | 5,495 |
| Equity | | | |
| Share capital..... | 77,329 | 77,470 | (141) |
| Convertible debentures - equity component..... | 483 | 483 | - |
| Contributed surplus..... | 15,189 | 15,716 | (527) |
| Deficit | (10,757) | (12,386) | 1,629 |
| Total equity | \$ 82,244 | \$ 81,283 | \$ 961 |
| | \$ 330,676 | \$ 322,441 | \$ 8,235 |

March 31, 2021 vs. December 31, 2020

Consolidated assets at March 31, 2021 were \$330.7 million, an increase of \$8.2 million since December 31, 2020. This increase was due primarily to the recognition of \$8.3 million of property and equipment under development and related deposits and a \$5.9 million lease earn-out note receivable in relation to the acquisition of PSCL in March 2021, as well as to the recognition of a \$4.4 million amount receivable in relation to the partial disposition of Crown's ownership interest in Crown Partners Fund. These impacts were partially offset by a \$12.2 million net reduction in the carrying value of investments, including a \$10.4 million reduction in the carrying value of the PenEquity loan representing consideration in relation to the acquisition of PSCL.

Assets

Cash and cash equivalents of \$21.6 million as at March 31, 2021 increased by \$2.4 million compared to the prior year end. For further information, refer to our condensed consolidated interim statements of cash flows and to *Part 4 – Capitalization and Liquidity*.

Accounts receivable and other assets of \$16.2 million as at March 31, 2021 (December 31, 2020 - \$13.8 million) consists of accounts receivable, income taxes recoverable, prepaid expenses and deposits, share purchase loans, inventory, and goodwill. The largest component, accounts receivable, is comprised primarily of a \$4.4 million amount receivable in relation to the partial disposition of Crown's ownership interest in Crown Partners Fund, interest receivable from investments, amounts receivable in relation to network services contracts and management fees receivable from NCOF LP. Accounts receivable and other assets increased by \$2.4 million in the quarter primarily due to the inclusion of the \$4.4 million receivable in relation to Crown Partners Fund unit sale proceeds and of \$1.3 million of accounts receivable and prepaid expenses of PSCL following its acquisition in March 2021, partially offset by \$3.1 million of proceeds received by Crown Power Fund in the quarter in respect of GST/HST amounts recoverable.

Investments of \$233.8 million as at (December 31, 2020 – \$246.1 million) consist of Canadian debt securities, Canadian equity securities and other investments. The balance decreased by \$12.3 million in the quarter due primarily to:

- the partial extinguishment of \$10.4 million of the PenEquity loan outstanding and the extinguishment of a \$0.6 million PSCL loan outstanding in connection with the acquisition of PSCL in March 2021;
- an increase in the allowance for credit losses of \$0.6 million, primarily in relation to the PenEquity loan which is carried at amortized cost;
- the exercise of the VIQ Solutions common share purchase warrants in the quarter, which had a carrying value of \$1.8 million as at December 31, 2020, and the subsequent sale of the shares acquired resulting in the realization of a gain that had been recognized in prior years; and
- net repayment of debt securities of \$1.3 million on account of the partial repayment of the Ferus loan; partially offset by
- the inclusion of capitalized interest and the amortization component of interest revenue recognized on loans carried at amortized cost of \$1.2 million; and
- net investment gains, including a net realized gain and the net change in unrealized losses of investments, of \$0.6 million.

At March 31, 2021, the Corporation held investments in 15 Canadian companies, including loans to 12 companies, carried at an aggregate carrying value of \$233.8 million (December 31, 2020 - \$246.1 million). In accordance with IFRS 9, the Corporation classifies its investments in debt securities to be carried at either amortized cost or FVTPL. All investments in equity securities are carried at FVTPL.

As at March 31, 2021, the Corporation held debt securities in eight Canadian companies carried at amortized cost with an aggregate carrying value of \$156.6 million, net of an allowance for credit losses of \$16.6 million (December 31, 2020 - \$168.1 million and \$16.1 million, respectively). The fair value of these debt securities as at March 31, 2021 was \$157.7 million. As at March 31, 2021, the Corporation held debt securities in four Canadian companies carried at FVTPL with an aggregate carrying value of \$65.8 million (December 31, 2020 - \$65.3 million). The carrying value of other investments carried at FVTPL, including equity securities, as at March 31, 2021 was \$11.5 million (December 31, 2020 - \$12.7 million).

As at March 31, 2021, \$109.2 million (December 31, 2020 - \$109.8 million) of the \$156.6 million (December 31, 2020 - \$168.1 million) carrying value of debt securities carried at amortized cost was classified as Stage Two. The Stage Two classification represents loans for which credit loss has increased significantly since initial recognition, and for which credit loss provisions are determined based on *lifetime* expected credit losses (i.e., vs. Stage One investments, for which provisions are based on *12 months* expected credit losses). In the three months ended March 31, 2021, there were no investments at amortized cost transferred to Stage Two.

As at March 31, 2021, \$6.6 million (December 31, 2020 - \$17.6) of the \$156.6 million (December 31, 2020 - \$168.1 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. The reduction compared with December 31, 2020 is the result of the partial extinguishment of \$10.4 million of the amount owing in respect of the PenEquity loan in connection with the acquisition of PSCC. There were no investments transferred from Stage Two in the three months ended March 31, 2021. Stage three investments credit loss provisions are determined based on *lifetime* expected credit losses.

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 \$16.1 million (December 31, 2020 - \$16.0 million) is comprised of:

- network services equipment, including right-of-use assets in relation to leased equipment and properties, of \$8.6 million (December 31, 2020 - \$8.4 million) that relate to Network Services businesses;
- distributed power equipment of \$6.8 million (December 31, 2020 - \$6.8 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 \$0.7 million (December 31, 2020 - \$0.8 million).

The lease earn-out note receivable of \$5.9 million acquired in connection with the acquisition of PSCC in March 2021 represents entitlements to future cash flows in respect of PSCC's sale of its interest in a grocery-anchored community retail plaza located in Hamilton, Ontario adjacent to PSCC's property under development. The entitlements to future cash flows are contingent on PSCC securing leases in respect of a prescribed area of available density on or before September 30, 2021 and are valued using the discounted present value of expected cash flows arising from expected future earnings in respect of those leases secured.

The network services contracts balance of \$2.1 million as at March 31, 2021 (December 31, 2020 - \$2.2 million) is an intangible asset representing the fair value of service contracts assumed on the acquisition of WireIE and Galaxy, net of subsequent amortization and impairment, of \$1.9 million and \$1.4 million, respectively. 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 are four such leases in effect as at March 31, 2021 (December 31, 2020 – three leases), which were

transferred from distributed power equipment under development and related deposits. The carrying balance at March 31, 2021 was \$9.8 million (December 31, 2020 - \$9.2 million).

Property and equipment under development and related deposits of \$25.2 million as at March 31, 2021 (December 31, 2020 - \$16.0 million) consists of (i) property under development of \$8.3 million acquired as part of the acquisition of PSCC in March 2021, comprising the carrying value of property owned by PSCC that is located in Hamilton, Ontario and is in the course of development; and (ii) power generation assets acquired in relation to projects under development. The balance increased by \$9.2 million in the quarter due primarily to the acquisition of \$8.3 million of property under development in connection with the acquisition of PSCC in March 2021, as well as to additions to power generation assets in relation to projects under development totaling \$1.5 million, including capitalized interest of \$0.2 million, partially offset by a reclassification of \$0.7 million of power generation assets under development to net investment in leased distributed power equipment.

Liabilities

Total liabilities of \$248.4 million as at March 31, 2021 consists of accounts payable and other liabilities of \$13.6 million, including deferred network services revenue of \$2.0 million, distributions payable to non-controlling interests of \$2.4 million, a contingent consideration liability, vendor promissory notes related to the Galaxy acquisition, deferred income taxes, and a deferred compensation liability. The balance increased by \$1.6 million in the quarter primarily as a result of the inclusion of accounts payable and accrued liabilities assumed in connection with the acquisition of PSCC in March 2021.

Lease obligations of \$2.9 million at March 31, 2021 (December 31, 2020 - \$3.3 million) are comprised of \$2.3 million of lease obligations in relation to network services equipment and properties of WireIE Inc. and Galaxy, including the usage of third-party tower space through network co-location arrangements, plus \$0.6 million in relation to office and vehicle leases. Lease obligations outstanding largely correspond with right-of-use lease assets included in property, office equipment and network services equipment.

The provision for performance bonus of \$3.6 million at March 31, 2021 (December 31, 2020 - \$3.2 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 network services vendor note payable is in respect of an unsecured, interest-bearing vendor note payable with one of Galaxy's primary network services vendors recognized by the Corporation at the time of Galaxy's acquisition in September 2020. The note bears interest at 8% per annum, calculated and payable annually, and matures on February 1, 2023. Principal amounts are to be repaid in monthly instalments, payable on the first day of each month. At March 31, 2021, the balance of the note is \$1.1 million (December 31, 2020 - \$1.3 million).

Upon acquisition of PSCC in March 2021, Crown assumed a mortgage payable of \$3.3 million, secured by the value of property under development, that is due on August 26, 2022. The mortgage payable bears interest at 8.5% per annum, calculated and payable monthly on the first day of each month. The Corporation has the option to prepay all of the mortgage payable outstanding after September 1, 2021 on payment of a penalty equal to one months' interest on the outstanding indebtedness.

Credit facilities of \$59.9 million as at March 31, 2021 (December 31, 2020 - \$62.9 million) was comprised of \$29.0 million outstanding under the Crown Credit Facility and \$30.9 million outstanding under the CCPF Credit Facility, net of unamortized deferred financing costs of \$0.1 million and \$0.3 million, respectively. The \$3.0 million decrease in credit facilities relates primarily to partial repayment of the CCPF Credit Facility funded by proceeds from the repayment and sale of investments.

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

Non-controlling Interests

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

| AS AT MAR. 31, 2021 AND DEC. 31, 2020 (THOUSANDS) | 2021 | 2020 | Change |
|--|-------------------|-------------------|-----------------|
| Crown Partners Fund..... | \$ 120,872 | \$ 115,603 | \$ 5,269 |
| Crown Power Fund..... | 24,129 | 23,903 | 226 |
| | \$ 145,001 | \$ 139,506 | \$ 5,495 |

Non-controlling interests increased by \$5.5 million during the three months ended March 31, 2021, primarily due to:

- a \$4.4 million increase resulting from the March 31, 2021 acquisition by non-controlling interests of a portion of Crown's ownership position in Crown Partners Fund, consistent with our plan to reduce our investment in Crown Partners Fund; and
- net income attributable to non-controlling interests of \$3.5 million; partially offset by
- \$2.4 million of distributions from Crown Partners Fund to non-controlling interests.

Equity

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

| AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS) | 2021 | 2020 |
|---|------------------|------------------|
| Equity, beginning of period..... | \$ 81,283 | \$ 97,478 |
| Changes in period: | | |
| Net income (loss) attributable to Shareholders..... | 1,432 | (1,202) |
| Dividends declared..... | - | (1,415) |
| Shares repurchased..... | (175) | - |
| Share-based compensation..... | (245) | 74 |
| Cash-settled share-based compensation..... | (51) | (134) |
| | 961 | (2,677) |
| Equity, end of period..... | \$ 82,244 | \$ 94,801 |

Total equity increased in the three months ended March 31, 2021 by \$1.0 million primarily due to the following:

- net income attributable to Shareholders of \$1.4 million; partially offset by
- share-based compensation, net of cash-settled share-based compensation, of \$0.3 million; and
- share repurchases made in relation to the Corporation's normal course issuer bid totaling \$0.2 million.

As at March 31, 2021 the share capital component of total equity was \$77.3 million (December 31, 2020 - \$77.5 million). In the three months ended March 31, 2021, share repurchases under the NCIB reduced share capital by \$0.3

million (2020 - \$nil) and the issuance of common shares as a result of vesting of restricted share units in the period increased share capital by \$0.2 million (2020 - \$0.4 million).

The contributed surplus component of total equity as at March 31, 2021 was \$15.2 million (December 31, 2020 - \$15.7 million), reflecting a decrease of \$0.5 million in the quarter. This decrease reflects \$0.2 million transferred to share capital in relation to the vesting of restricted share units, a \$0.1 million reduction in relation to cash-settled share-based compensation upon the vesting of restricted share units, and a \$0.2 million reduction in relation to a reversal of share based compensation expense upon the expiration of unvested performance share units.

No dividends were declared by the Corporation on outstanding Common Shares in the three months ended March 31, 2021 (2020 – \$0.15 per Common Share). In May 2020, we announced our decision to suspend quarterly dividend payments in order to focus the use of funds available for distribution on strategic investments and share buybacks.

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. Factors impacting network services revenue include the acquisition of Network Services businesses and the growth of such businesses, including the impact of net customer additions (losses). 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, contributions from acquired 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) | 2021 | | | | | 2020 | | | | | 2019 | | | | |
|--|----------|-----------|-----------|-----------|-----------|----------|----------|----------|-----------|----|------|----|----|----|----|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q2 | Q1 |
| Revenue: | | | | | | | | | | | | | | | |
| Interest revenue..... | \$ 6,554 | \$ 6,276 | \$ 6,878 | \$ 7,224 | \$ 7,333 | \$ 7,030 | \$ 7,545 | \$ 5,714 | \$ 7,963 | | | | | | |
| Fees and other income..... | 559 | 391 | 304 | 779 | 337 | 711 | 528 | 806 | 1,576 | | | | | | |
| Net gain (loss) on investments..... | 545 | 152 | 2,884 | 3,395 | (3,245) | 395 | (1,990) | 4,436 | (13,509) | | | | | | |
| Network services revenue..... | 6,386 | 5,739 | 2,526 | 1,868 | 1,983 | 2,117 | 1,885 | - | - | | | | | | |
| Total revenue..... | 14,044 | 12,558 | 12,592 | 13,266 | 6,408 | 10,253 | 7,968 | 10,956 | (3,970) | | | | | | |
| Net income (loss) attributable to Shareholders | 1,432 | (2,374) | (8,078) | (1,641) | (1,202) | 1,065 | 460 | 2,254 | (3,988) | | | | | | |
| Adjusted Funds from Operations ¹ | 4,465 | 2,955 | 2,355 | 3,581 | 4,170 | 3,570 | (284) | 1,976 | 915 | | | | | | |
| Total assets..... | 330,676 | 322,441 | 325,527 | 324,905 | 338,006 | 299,653 | 276,520 | 265,709 | 263,607 | | | | | | |
| Total equity..... | 82,244 | 81,283 | 84,458 | 93,043 | 94,801 | 97,478 | 98,158 | 99,987 | 99,301 | | | | | | |
| Per share: | | | | | | | | | | | | | | | |
| - Net income (loss) to Shareholders - diluted | \$ 0.16 | \$ (0.26) | \$ (0.86) | \$ (0.17) | \$ (0.13) | \$ 0.11 | \$ 0.05 | \$ 0.23 | \$ (0.41) | | | | | | |
| - Net income (loss) to Shareholders - basic | 0.16 | (0.26) | (0.87) | (0.17) | (0.13) | 0.11 | 0.05 | 0.23 | (0.41) | | | | | | |
| - Total equity per share - basic | 9.10 | 8.98 | 9.14 | 9.90 | 10.05 | 10.38 | 10.38 | 10.43 | 10.33 | | | | | | |

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

Review of Prior Quarterly Results

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

- In the fourth quarter of 2020, the primary driver of the net loss attributable to Shareholders of \$2.4 million was a \$2.5 million net loss contributed by WireIE, including related depreciation expense of \$1.1 million, a \$0.9 million impairment charge in relation to network services equipment decommissioned upon termination of related network services contracts, and \$1.1 million charge in relation to an impairment of network services contracts based on expectations of recoverable value associated with existing network services contracts. In the first full quarter following its acquisition on September 15, 2020, Galaxy contributed pre-tax operating income of \$0.4 million in Q4 2020.
- In the third quarter of 2020, the primary driver of the net loss attributable to Shareholders of \$8.1 million was a provision for credit losses of \$11.2 million recognized primarily in relation to the PenEquity loan, which is carried at amortized cost. WireIE contributed a pre-tax operating loss of \$0.4 million, inclusive of depreciation and amortization expenses totaling \$1.0 million. These contributors to the net loss attributable to Shareholders were partially offset by a net gain on investments of \$2.9 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.
- 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 \$0.6 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 \$1.3 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 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.

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 63.5% (December 31, 2019 to March 30, 2021 – 61.2%) of the management fees while Crown effectively pays itself for the remaining 36.5% (December 31, 2019 to March 30, 2021 - 38.8%) as a result of its ownership interests.

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.

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

As at March 31, 2021, there was an amount payable to Crown Power Fund by Crown of \$0.8 million (December 31, 2020 - \$0.8 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 (loss) 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 (loss) attributable to Shareholders.

FOR THE THREE MONTHS ENDED MAR. 31
(THOUSANDS)

| | 2021 | 2020 |
|--|---------------|---------------|
| Management fees to Crown by non-controlling interests in Crown Partners Fund ^{1,2} | \$ 437 | \$ 442 |
| Management fees to Crown by non-controlling interests in Crown Partners Fund - finance fees ^{2,3} | - | 217 |
| Management fees to Crown by non-controlling interests in Crown Power Fund ^{1,2} | 36 | 17 |
| Performance fee accrual to Crown by non-controlling interests in Crown Partners Fund ^{2,4} | 413 | (18) |
| | \$ 886 | \$ 658 |

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 the Share Purchase Plan are advanced by both a third-party financial institution and the Corporation (collectively the “**Lenders**”). The following must be paid directly to the Lenders on behalf of the Share Purchase Plan Participants in repayment of interest and principal on these loans: all dividend distributions on the Common Shares, all annual performance incentive plan payments to Share Purchase Plan Participants in excess of target bonus payouts, and all proceeds from the sale of the Common Shares.

As at March 31, 2021, \$0.8 million of these loans were outstanding to the Corporation (December 31, 2020 – \$0.4 million). The loans under the Share Purchase Plan bear interest at Prime (2.45% as at March 31, 2021), 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 \$1.9 million as at March 31, 2021 (December 31, 2020 - \$2.2 million), and which are secured by Common Shares owned by Share Purchase Plan Participants with a value of \$2.2 million as at March 31, 2021 (December 31, 2020 - \$2.0 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 Inc. and Galaxy in relation to the deployment and management of carrier-grade data networks.

For the three months ended March 31, 2021, total consolidated revenues of the Corporation of \$14.0 million were comprised of \$7.7 million attributable to the Specialty Finance segment and \$6.4 million attributable 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

Q1 2021 Operating Highlights

- In February and March 2021, Crown Partners Fund received partial repayments of \$0.6 million and \$0.7 million respectively, in relation to its loan to Ferus, totaling \$1.3 million in the three months ended March 31, 2021.
- On March 1, 2021, through PDLP, Crown acquired 100% of the common shares of PSCC, whose assets include entitlements to future cash flows in relation to the sale of its interest in a grocery-anchored community retail plaza located in Hamilton, Ontario plus adjacent land. Pursuant to the transaction, Crown acquired the equity of PSCC in exchange for consideration of \$10.4 million, representing a portion of the amount owing in respect of the PenEquity loan outstanding.
- Effective March 31, 2021, Crown reduced its effective ownership interest in Crown Partners Fund from approximately 38.8% to approximately 36.5% through a sale of limited partnership units that achieved net proceeds to Crown of \$4.4 million, which were received in April 2021 and applied as a partial repayment of the balance outstanding on the Crown Credit Facility. These limited partnership units were sold to third-party investors at a transaction price equal to fair value and resulted in the recognition of a nominal realized gain in the first quarter. This transaction was consistent with our plan to reduce Crown's investment in Crown Partners Fund.

Outlook

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 do not intend to make new investments using Crown's capital within the Alternative Corporate Financing platform for the foreseeable future.

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. In considering the effect of the COVID-19 pandemic on the assumptions underlying the carrying value of investments, including our determination of credit loss allowances and/or the fair value of investments, there has been no material impact other than the provision for credit loss recognized in fiscal 2020 in relation to the PenEquity loan.

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. The duration and impact of the COVID-19 pandemic is unknown at this time, and accordingly, any estimates of the extent to which this pandemic may materially impact the business, operations, financial condition and/or underlying security value of our borrowers are subject to significant uncertainty.

Investment Portfolio

At March 31, 2021, Crown held ownership interests in 12 loans.

| Borrower | Loan Principal Amount Outstanding at December 31, 2020 ⁽¹⁾ | Loan Principal Amount Outstanding at March 31, 2021 ⁽¹⁾ | Attributable at March 31, 2021 to: | | Status |
|--|---|--|------------------------------------|---------------------------|---------|
| | | | Shareholders | Non-controlling interests | |
| Special Situations Financing transactions | | | | | |
| Source ^{3, 5, 10} | \$11,196,918 | \$11,548,579 | \$4,081,432 | \$7,115,486 | Current |
| Ferus ² | \$19,817,061 | \$18,529,932 | \$6,754,417 | \$11,775,515 | Current |
| RBee ^{2, 4, 5, 7} | \$18,634,447 | \$18,982,614 | \$6,919,426 | \$12,063,188 | Current |
| Active ³ | \$7,000,000 | \$7,000,000 | \$2,551,597 | \$4,448,403 | Current |
| Data Communications ^{2, 5, 7} | \$20,907,071 | \$21,057,198 | \$7,675,640 | \$13,381,558 | Current |
| Persta ^{2, 5, 7} | \$23,935,300 | \$24,053,531 | \$8,767,845 | \$15,285,686 | Current |
| Triple Five ² | \$27,270,000 | \$27,270,000 | \$9,940,293 | \$17,329,707 | Default |
| VIQ Solutions ^{2, 5} | \$15,450,000 | \$15,450,000 | \$5,631,739 | \$9,818,261 | Current |
| Rokstad Power ^{3, 6} | \$45,000,000 | \$45,000,000 | \$16,403,123 | \$28,596,877 | Current |
| CareRx ² | \$27,000,000 | \$27,000,000 | \$9,841,874 | \$17,158,126 | Current |
| Long-Term Financing transactions | | | | | |
| PenEquity ^{2, 8, 11} | \$33,344,126 | \$22,852,789 | \$22,852,789 | Nil | Default |
| Mill Street ^{3, 9} | \$3,000,000 | \$3,000,000 | \$3,000,000 | Nil | Default |

Notes: (1) Loan principal amounts represent the Corporation's interest in the par value of each loan. For all loans, only the amounts attributable to Shareholders and non-controlling interests are included in the Corporation's March 31, 2021 condensed consolidated interim financial statements. The pro rata portions held by co-investors, if any, are excluded. (2) As at March 31, 2021, the loan component of this investment is carried at amortized cost. (3) As at March 31, 2021, the loan component of this investment is carried at FVTPL. (4) The total size of the RBee loan as at March 31, 2021 was \$20.5 million, of which \$1.5 million was held by a third party. (5) Loan principal outstanding in respect of the Source, RBee, Data Communications, Persta, and VIQ Solutions loans include capitalized fees and/or interest totaling \$0.4 million, \$1.6 million, \$2.1 million, \$4.0 million and \$0.5 million, respectively, as at March 31, 2021. (6) The total size of the Rokstad Power term loan as at March 31, 2021 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 March 31, 2021 all or a portion of interest payments in relation to this investment are being added to loan principal as they accrue. (8) As at March 31, 2021, the loan principal outstanding includes accrued interest receivable of \$5.7 million in relation to this loan. (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) Effective December 30, 2020, following completion of a recapitalization transaction, the previous investment in Source was exchanged for new senior secured notes in the amount of \$11.2 million in addition to common shares of Source. (11) Effective March 1, 2021, Crown acquired 100% of the common shares of PSCC in exchange for \$10.4 million of the amount owing in respect of its loan to PenEquity.

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

In addition to the above loans, at March 31, 2021, Crown Partners Fund held ownership interests in 676,790 Source common shares, 4,400,000 Prairie Provident common shares, 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.

Loan Risk Rating

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

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

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

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

The following table sets forth the risk ratings assigned to each loan comprising the current loan portfolio as at the end of each quarter for the past eight quarters. In determining loan risk ratings as at March 31, 2021, we have not assumed a long-term impact of the COVID-19 pandemic on the business, operations or financial condition of borrowers or on underlying security values.

| Loan Risk Ratings | March 31 2021 | December 31 2020 | September 30 2020 | June 30 2020 | March 31 2020 | December 31 2019 | September 30 2019 | June 30 2019 |
|--------------------------------------|------------------|---------------------|----------------------|-----------------|------------------|---------------------|----------------------|-----------------|
| Special Situations Financing: | | | | | | | | |
| Source | 2.95 | 2.95 | 2.95 | 3.05 | 3.05 | 2.54 | 2.48 | 2.36 |
| Ferus | 3.27 | 3.27 | 3.27 | 3.27 | 3.27 | 3.27 | 3.27 | 3.02 |
| RBee | 3.05 | 3.05 | 2.90 | 3.05 | 3.05 | 3.05 | 2.82 | 2.69 |
| Active | 2.50 | 2.50 | 2.55 | 2.60 | 2.60 | 2.35 | 2.36 | 2.44 |
| Data Communications | 3.00 | 3.10 | 3.25 | 3.50 | 3.50 | 3.45 | 3.30 | 3.12 |
| Persta | 3.50 | 3.38 | 3.38 | 3.38 | 3.38 | 3.38 | 3.38 | 3.58 |
| Triple Five | 2.87 | 2.87 | 2.87 | 2.87 | 2.55 | 2.48 | 2.52 | 2.69 |
| VIQ Solutions | 2.40 | 2.40 | 2.52 | 2.52 | 2.52 | 2.52 | 2.52 | 2.47 |
| Rokstad Power | 2.40 | 2.50 | 2.65 | 2.75 | 2.75 | 2.69 | 2.69 | 2.74 |
| CareRx Corporation | 2.45 | 2.75 | 2.83 | 2.83 | 2.83 | n/a | n/a | n/a |

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

Portfolio Company Updates

The following tables set forth certain summary information in respect of loans held by Crown as at March 31, 2021. 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: | 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. | | |
| | On December 30, 2020, a recapitalization transaction in respect of Source was completed, resulting in Crown Partners Fund exchanging its existing loan investment and certain amounts of accrued interest for a combination of new senior secured first lien notes due March 15, 2025 and the issuance of 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%. | | |
| Industry: | Energy Services | Amended Term: | 51 months (to March 15, 2025) |
| Investment Date: | December 8, 2016 | Interest Rate: | 10.5% |
| Current Capital Invested: | \$12.4 million (comprised of senior secured notes and common shares) plus \$0.4 million of capitalized interest | Bonus/Participation: | 676,790 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: | \$18.5 million | Bonus/Participation: | Nominal cost share purchase warrants |
| Principal Repayment: | Installment payments subject to an increasing minimum cumulative threshold | | |
| 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 \$1.6 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 plus \$2.1 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 \$4.0 million of capitalized fees and interest | Bonus/Participation: | 8,000,000 warrants |
| Principal Repayment: | Approximately \$0.5 million per month commencing July 1, 2021; residual is payable 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 Suncild 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 Suncild First Nation is controlled by several high profile oil and gas companies including Bellatrix, Cenovus, TAQA, Peyto, Westbrick and Vermillion. | | |
| | In February 2021, Triple Five filed an application for CCAA protection, and BDO Canada Limited has been appointed as Monitor. Triple Five has most recently been granted a stay of proceedings until May 25, 2021. Crown continues to monitor the situation for any effect on Crown's ability to recover its level of current capital invested. | | |
| Industry: | Oil and Gas | Term: | Approximately 42 months |
| Investment Date: | August 31, 2018 | Interest Rate: | 10.5% |
| Current Capital Invested: | \$27 million plus \$0.3 million of capitalized fees | 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. (TSX: 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 (fully divested / exercised) |
| 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 | | |
| 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 50,000 residents in over 900 seniors' communities nationally. CareRX operates 18 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: | 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 projects in its development 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. | | | | | |
| 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 recognized a credit loss allowance in respect of the PenEquity loan of \$15.1 million as at March 31, 2021, including a provision for credit loss of \$0.1 million recorded in the three months ended March 31, 2021. 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. | | | | | | |
| Effective March 1, 2021, in exchange for a portion of the amount owing in respect of its loan to PenEquity, Crown acquired 100% of the common shares of PRC Stoney Creek Corp. and, indirectly, its wholly-owned subsidiary, Penady (Stoney Creek) Ltd., whose assets include entitlements to future cash flows in relation to the sale of its interest in a retail plaza plus adjacent land that is being developed by PenEquity. | | | | | | |
| Effective April 15, 2021, in exchange for a portion of the amount owing in respect of its loan to PenEquity, Crown acquired 100% of the common shares of PRC Barrie Corp. and, indirectly, its wholly-owned subsidiary, Penady (North Barrie) Limited, which owns land in Barrie, Ontario which is being developed by PenEquity for residential use. | | | | | | |
| Industry: | Real Estate Development | Term: | 120 months | | | |
| Investment Date: | December 15, 2015 | Interest Rate: | Not disclosed | | | |
| Current Capital Invested: | \$17.1 million plus \$5.7 million of accrued interest | | | | | |
| 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 a realization of the remaining assets of Mill Street. | | | | | |
| Effective May 6, 2021, Crown acquired 100% of the common shares of Lumbermens Credit Group Ltd., an Ontario-based construction credit reporting company, in exchange for consideration of \$1,550 less indebtedness outstanding at the time of acquisition, comprised of \$320 of cash consideration and the remainder being satisfied by way of extinguishing a portion of the amount owing in respect of Crown's loan to Mill Street. | | | | | | |
| 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) | | | | | |

DISTRIBUTED POWER

Crown participates in the Distributed Power market through Crown Power Fund, of which it is a limited partner with a 43.2% interest and is also the general partner and manager, and also through its partial ownership interests in multiple Operating Partners.

Q1 2021 Operating Highlights

- In February 2021, an additional distributed power project with a third-party Operating Partner was completed, became operational and is currently under a lease arrangement. As at March 31, 2021, a total of four distributed power projects with an aggregate carrying value of \$9.8 million owned by Crown Power Fund are operational and under lease arrangements.

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 healthy and our focus is to advance numerous projects through to completion.

In addition to four distributed power projects that are currently operational and under leases, Crown Power Fund has seven other projects under development at various stages of completion, including six projects that are expected to become operational in the second quarter of 2021. Four of these projects are peak-shaving projects in Ontario that were substantially completed in the second quarter of 2020 with commercial start-up deferred until 2021 due to a temporary policy of 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.

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

Crown participates in the Network Services market through its wholly-owned subsidiaries, WireIE Inc. and Galaxy.

Q1 2021 Operating Highlights

- Network services revenues increased to \$6.4 million compared with \$5.7 million in the three months ended December 31, 2020 and \$2.0 million in the three months ended March 31, 2020.
- In its second full quarter as a wholly-owned subsidiary of Crown, Galaxy contributed net income before income taxes of \$0.9 million, net of depreciation expense of \$0.2 million.

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 Inc. and Galaxy and, potentially, of other network services companies. As the capital pool grows, Crown will seek to secure 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, WireIE Inc. and PSCC subsidiaries. Corporate debt includes amounts drawn upon the Crown Credit Facility. At March 31, 2021, our corporate capitalization was \$134.1 million (December 31, 2020 - \$133.8 million).

Consolidated Capitalization – reflects the full capitalization of wholly owned and partially owned entities that we consolidate in our financial statements and is equal to total liabilities plus total equity in our consolidated statement of financial position. At March 31, 2021, consolidated capitalization increased compared with December 31, 2020 due primarily to the assumption of a mortgage loan in connection with the acquisition of PSCC, as well as to increases in the balances of non-controlling interests and accounts payable and other liabilities, and the reduction in deficit in the three months ended March 31, 2021, partially offset by a reduction in the level of borrowings of Crown Partners Fund. At March 31, 2021, our consolidated capitalization was \$330.7 million (December 31, 2020 - \$322.5 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 | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| AS AT MAR. 31, 2021 AND DEC. 31, 2020 (THOUSANDS) | | | | | | |
| Corporate borrowings..... i | \$ 28,993 | \$ 28,951 | \$ 28,993 | \$ 28,951 | \$ 28,993 | \$ 28,951 |
| Subsidiary borrowings..... ii | - | - | 30,873 | 33,960 | 11,253 | 13,165 |
| | <u>28,993</u> | <u>28,951</u> | <u>59,866</u> | <u>62,911</u> | <u>40,246</u> | <u>42,116</u> |
| Accounts payable and other liabilities..... | 3,584 | 4,307 | 18,287 | 16,564 | 13,986 | 12,624 |
| Lease obligations..... | 267 | 295 | 2,949 | 3,283 | 2,949 | 3,283 |
| Mortgage payable..... | - | - | 3,300 | - | 3,300 | - |
| Convertible debentures - liability component..... iii | 19,028 | 18,932 | 19,028 | 18,932 | 19,028 | 18,932 |
| Non-controlling interests..... | - | - | 145,001 | 139,506 | - | - |
| Equity | | | | | | |
| Share capital..... | 77,329 | 77,470 | 77,329 | 77,470 | 77,329 | 77,470 |
| Convertible debentures - equity component..... iii | 483 | 483 | 483 | 483 | 483 | 483 |
| Contributed surplus..... | 15,189 | 15,716 | 15,189 | 15,716 | 15,189 | 15,716 |
| Deficit..... | (10,757) | (12,386) | (10,757) | (12,386) | (10,757) | (12,386) |
| Total equity..... iv | 82,244 | 81,283 | 82,244 | 81,283 | 82,244 | 81,283 |
| Total capitalization..... | <u>\$134,116</u> | <u>\$133,768</u> | <u>\$330,676</u> | <u>\$322,479</u> | <u>\$161,753</u> | <u>\$158,238</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 Inc. (the “**Crown Credit 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

¹ See definition in Glossary of Terms beginning on page 51.

and extension of the Crown Credit Facility, which had not been achieved as at March 31, 2021. The balance outstanding on the Crown Credit Facility at March 31, 2021 of \$29.0 million is comprised of gross advances of \$29.1 million net of unamortized deferred financing costs of \$0.1 million. The carrying value of assets pledged in respect of this loan as at March 31, 2021 was \$141.9 million (December 31, 2020 - \$150.0 million).

Effective May 7, 2021, the Corporation entered into a new senior secured corporate credit facility of up to \$41.5 million to be used to fund the Corporation's capital commitments to each of its controlled investment funds and its existing investments, potential acquisitions and share purchases and for general corporate purposes. This new senior secured corporate credit facility replaced the Crown Credit Facility and resulted in the Corporation once again satisfying the minimum excess working capital requirements under applicable securities law. This credit facility includes a \$30.0 million revolving credit facility with a three-year term that declines to \$20.0 million at the end of 2021, an \$8.0 million term facility that matures at the end of 2021, and a \$3.5 million dedicated-purpose letter of credit facility. The revolving credit facility provides financing at a variable interest rate based on Prime Rate plus 275 to 350 bps, has a customary set of covenants, and is subject to extension annually. The term facility will be available by way of multiple advances until August 6, 2021 and provides financing at a variable interest rate based on Prime Rate plus 400 bps.

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 effective January 26, 2021 the size of the CCPF Credit Facility was decreased to \$35,000,000. The maturity date of the CCPF Credit Facility is May 31, 2023. The balance outstanding on the CCPF Credit Facility at March 31, 2021 of \$30.9 million is comprised of gross advances of \$31.2 million net of unamortized deferred financing costs of \$0.3 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 condensed consolidated interim financial statements.

Issued and Outstanding Shares

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

| AS AT AND FOR THE PERIODS ENDED MAR. 31 (THOUSANDS) | Year Ended | |
|--|--------------|--------------|
| | 2021 | 2020 |
| Outstanding at beginning of period..... | 9,056 | 9,393 |
| Issued (repurchased) | | |
| Repurchases..... | (38) | - |
| Share-based compensation..... | 19 | 38 |
| Outstanding at end of period..... | 9,037 | 9,431 |
| Unexercised options and other share-based plans ¹ | - | 60 |
| Total diluted shares at end of period..... | 9,037 | 9,491 |

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

In the three months ended March 31, 2021, the Corporation issued 18,951 Common Shares to employees as a result of vesting of restricted share units (2020 – 37,470 shares).

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 March 31, 2021 was 392,430 at an average cost of \$4.09 per Common Share.

On April 13, 2021, the Corporation renewed its NCIB to purchase for cancellation during the next 12 months up to 600,000 Common Shares, representing approximately 6.6% of the issued and outstanding Common Shares at March 31, 2021.

In the three months ended March 31, 2021, a total of 38,030 Common Shares were purchased for cancellation (2020 – nil Common Shares).

The total number of Common Shares outstanding at March 31, 2021 was 9,037,389 (December 31, 2020 – 9,056,468; May 11, 2021 – 9,025,489).

LIQUIDITY

Liquidity and Capital Resources

As at March 31, 2021, the Corporation had working capital of \$(3.1) million, \$35.4 million of committed capital available to Crown Partners Fund and Crown Power Fund from parties other than Crown, and undrawn balances of the credit facilities of each of Crown and Crown Partners Fund totaling \$9.7 million.

The Corporation's access to undrawn balances of each of the Crown Credit Facility and the CCPF Credit Facility are subject to adherence to customary financial covenant restrictions. As at March 31, 2021, 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 to the May 31, 2021 maturity date of the Crown Credit Facility, which had not been achieved as at March 31, 2021. 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 March 31, 2021. The securities commission that regulates the Corporation in respect of its investment management operations is aware of this matter. Effective May 7, 2021, the Corporation entered into a new senior secured corporate credit facility that was used to fund a full repayment and cancellation of lender commitments in respect of the Crown Credit Facility. The new corporate facility includes a total lender commitment of \$41.5 million and includes a revolving credit facility of which a \$20.0 million commitment has a three-year term, resulting in the Corporation once again satisfying the minimum excess working capital requirements under applicable securities law.

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, prepaid expenses and deposits and the portion of the lease earn-out note receivable that is receivable within one year of the reporting date 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, mortgage payable and lease obligations that are payable within one year of the reporting date.

Working capital at March 31, 2021 was \$(3.1) million compared with \$(9.9) million as at December 31, 2020, with the increase during the period related primarily to the recognition of amounts receivable in relation to the partial disposition of Crown's ownership interest in Crown Partners Fund, which was partially offset by a net decrease in working capital related to the assumption of accounts payable and accrued liabilities, accounts receivable and prepaid expenses in connection with the acquisition of PSCC in March 2021.

At March 31, 2021, \$118.7 million (82%) of the \$145.6 million committed to Crown Partners Fund to that date by limited partners other than Crown had been drawn by Crown Partners Fund, leaving \$26.9 million of committed capital available to Crown Partners Fund from parties other than Crown. As at March 31, 2021, Crown Partners Fund had total committed capital of \$229.1 million, including commitments by Crown.

At March 31, 2021, \$24.4 million (74%) 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 \$8.5 million of committed capital available to Crown Power Fund from parties other than Crown. As at March 31, 2021, Crown Power Fund had total committed capital of \$57.9 million including commitments by Crown.

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

Off-Balance Sheet Arrangements and Unfunded Commitments

Uncalled Commitments to Managed Investment Funds

The Corporation, through its wholly owned subsidiary CCFC, has subscribed for limited partnership units in several investment funds managed by the Corporation, namely Crown Partners Fund, CCF IV Investment LP and Crown Power Fund. Through its ownership of these limited partnership units, the Corporation has made contractual commitments to contribute funds to each of these entities up to a prescribed maximum value per unit, as called by the respective general partners of these investment funds. The table below summarizes the total capital commitment of the Corporation to each investment fund, as well as the uncalled portion of such capital commitments as at each of March 31, 2021 and March 31, 2020.

| AS AT MAR. 31 (THOUSANDS, EXCEPT UNITS) | 2021 | | | 2020 |
|--|-----------------------------|-----------------------|--------------------------------|--------------------------------|
| | Units Subscribed by CCFC | Capital Commitment | Uncalled Capital Commitment | Uncalled Capital Commitment |
| Crown Partners Fund..... | 101,213 | \$ 80,970 | \$ 14,945 | \$ 31,916 |
| CCF IV Investment LP..... | 3,270 | 2,600 | 470 | 975 |
| Crown Power Fund..... | 25,000 | 25,000 | 6,492 | 9,514 |
| Total..... | | | \$ 21,907 | \$ 42,405 |

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

Other Unfunded Commitments

As at March 31, 2021, Crown Power Fund had committed to contracts valued at \$17.7 million in relation to the construction of power generation assets, of which \$15.9 million had been advanced to suppliers and contractors, resulting in an unfunded commitment of approximately \$1.8 million, of which \$1.0 million was attributable to non-controlling interests.

As at March 31, 2021, Crown Partners Fund had unfunded commitments to provide loan advances of \$3.0 million, of which \$1.9 million was attributable to non-controlling interests.

Through WireIE Inc., the Corporation had \$0.7 million in backhaul commitments relating to its use of broadband network infrastructure as at March 31, 2021.

The Corporation, through Galaxy, has an aggregate commitment with respect to its use of broadband network infrastructure of \$4.9 million as at March 31, 2021.

Crown has no other material off-balance sheet arrangements.

REVIEW OF THE CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

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

| FOR THE PERIODS ENDED MAR. 31 (THOUSANDS) | Three Months Ended | |
|--|--------------------|-----------------|
| | 2021 | 2020 |
| Operating activities..... | 7,515 | 2,994 |
| Investing activities..... | 1,160 | (34,795) |
| Financing activities..... | (6,275) | 38,352 |
| Increase in cash and cash equivalents..... | \$ 2,400 | \$ 6,551 |

Operating Activities

Cash provided by operations totaled \$7.5 million in the three months ended March 31, 2021 compared with \$3.0 million in the three months ended March 31, 2020, a \$4.5 million increase due primarily to higher levels of cash receipts in respect of network services revenues following the acquisition of Galaxy in September 2020.

Investing Activities

Cash provided by investing activities totaled \$1.2 million in the three months ended March 31, 2021 compared with cash used in investing activities of \$34.8 million in the three months ended March 31, 2020. The increase compared with the prior-year period was due primarily to a \$31.3 million decrease in net additions to investments (i.e., net of proceeds from the repayment or sale of investments) and to a \$5.0 million decrease in purchases of distributed power equipment under development and related deposits. In the three months ended March 31, 2021, no new investments were made in debt securities, partial repayments in respect of the Ferus loan totaling \$1.3 million were received, gross proceeds of \$1.8 million were received in connection with the exercise of VIQ warrants, and the acquisition of 100% of the common shares of PSCC was achieved for non-cash consideration comprised primarily of the partial extinguishment of amounts owing in respect of the PenEquity loan.

Financing Activities

Cash used by financing activities totaled \$6.3 million in the three months ended March 31, 2021 compared with cash provided by financing activities of \$38.4 million in the three months ended March 31, 2020. The primary financing-related uses of cash in the three months ended March 31, 2021 included distributions paid by Crown Partners Fund to non-controlling interests, partial repayment of the CCPF Credit Facility, share repurchases, payments of lease obligations and partial repayment of a network services vendor note payable.

PART 5 – ACCOUNTING POLICIES AND INTERNAL CONTROLS

ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Overview

This MD&A of the condensed consolidated operating and financial performance of the Corporation for the three months ended March 31, 2021 is prepared as of May 11, 2021. This discussion is the responsibility of management and should be read in conjunction with the Corporation's March 31, 2021 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 audited consolidated year-end financial statements for the three months ended March 31, 2021 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 2020 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

Accounting Policies Adopted in the Current Period

As a result of the acquisition of PSCC on March 1, 2021, the following accounting policy has been adopted:

Property and equipment under development and related deposits:

Property and equipment under development and related deposits includes (i) property under development comprising the carrying value of property owned by the Corporation that is in the course of development; and (ii) distributed power equipment under development and related deposits comprising the carrying value of distributed power assets owned by Crown Power Fund that are in the course of construction. See Note 3(h) in the 2020 audited consolidated financial statements as at and for the year ended December 31, 2020 for accounting policy details in respect of distributed power equipment under development and related deposits.

Property under development is recorded at the cost of the land plus all expenditures incurred to date that are necessary to bring the asset to working condition for its intended use, less any accumulated impairment losses. At each reporting date, the carrying amount of property under development is reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated cash flows on the property, discounted to its present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The property is not subject to depreciation until completion of its development phase, at which point is reclassified as part of property and equipment and measured at cost less any accumulated impairment losses.

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 and PSCC, of which Crown acquired a 100% interest on March 1, 2021. The total aggregate assets acquired and total aggregate liabilities assumed at closing, before deducting amounts attributable to non-controlling interests, represented approximately 6.6% and 4.2% of total consolidated assets and total consolidated liabilities, respectively, as at March 31, 2021. The impact of the acquisitions on consolidated net income attributable to Shareholders for the three months ended March 31, 2021 was net income of \$0.7 million which includes depreciation expense of \$0.2 million. Management is committed to removing this limitation within the timeframe permitted by regulation.

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

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

There were no changes in Crown's ICFR during the three months ended March 31, 2021 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. As a result of the limited direct impact that the COVID-19 pandemic and related government-imposed restrictions have had on Crown's revenues and business operations, Crown has not participated in any government-funded wage relief or other subsidy programs implemented in response to the pandemic.

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 10 portfolio companies to meet their debt obligations to Crown Partners Fund.

Through its ownership of equity and equity-related securities, Crown Partners Fund is exposed to market price risk. As at March 31, 2021, Crown Partners Fund held Source common shares which were valued at \$1.4 million, Prairie Provident common shares which were valued at \$0.2 million, Baylin common share purchase warrants which were valued at \$0.03 million, Data Communications common share purchase warrants valued at \$0.7 million, Persta warrants valued at \$0.001 million and CareRx common share purchase warrants which were valued at \$0.8 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 cancelation 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 cancelations 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 Inc. is customer concentration risk, being the risk associated with WireIE Inc.’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 two significant customers, which comprise a significant portion of its accounts receivable and network services revenue to date. An additional risk factor for both WireIE Inc. 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.

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, including the Crown Credit Facility and the CCPF Credit Facility. The Corporation’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation’s reputation. Certain obligations in respect of the provision for performance bonuses and non-controlling interests only become due as the related investment fund’s assets are liquidated and liquidation proceeds are received, and as such, there is no associated liquidity risk.

See *Note 5 – Financial risk management* in the Corporation’s December 31, 2020 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, lease earn-out note receivable, accounts payable and accrued liabilities, distributions payable to non-controlling interests, promissory notes payable, network services vendor payable, mortgage payable, 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 fair value of the convertible debenture – liability component as at March 31, 2021 is \$17.6 million. The convertible debenture – liability component is classified as Level 1 because they are actively traded on the TSX and the fair value is based on the quoted market prices. 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 and Prairie Provident common shares. The Corporation’s Canadian warrants include Crown Partners Fund’s interest in common share purchase warrants of Baylin, Data Communications, Persta and CareRx. Source,

Prairie Provident, 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 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 but are currently in default and therefore non-accrual in status, 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 2020 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 ability to achieve a restructuring of the PenEquity loan that is favourable to Crown, and to maximize Crown's realization of this loan by advancing the development of certain of PenEquity's real estate assets;
- the ability to secure leases in respect of a prescribed area of available density on or before September 30, 2021 in exchange for entitlement to future cash flows in respect of PSCC's sale of its ownership interest in a commercial property;
- the ability to achieve the intended development of the land acquired in connection with the partial extinguishment of the PenEquity loan and Crown's ability to maximize realization of the land at the time of an eventual disposition;
- 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 distributed power 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 51 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.
- “**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.
- “**Mill Street**” – Mill Street & Co. Inc.
- “**NCOF LP**” – Norrep Credit Opportunities Fund, LP
- “**Onsite Power**” – Onsite Power Partners Ltd.
- “**PDLP**” PenEquity Development LP
- “**PenEquity**” – PenEquity Realty Corporation
- “**Persta**” – Persta Resources Inc.
- “**Prairie Provident**” – Prairie Provident Resources Inc.
- “**PSCC**” – PRC Stoney Creek Corp. and Penady (Stoney Creek) Ltd., collectively
- “**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.
- “**WireIE Inc.**” – WireIE Inc.

Non-IFRS Measures

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

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

| AS AT MAR 31, 2021 AND DEC. 31, 2020 (THOUSANDS) | 2021 | 2020 |
|---|------------------|----------------|
| Total consolidated liabilities and equity..... | 330,676 | 322,479 |
| Less: non-controlling interests' share of liabilities | | |
| Accounts payable and accrued liabilities..... | (519) | (496) |
| Distributions payable to non-controlling interests..... | (1,512) | (1,460) |
| Provision for performance bonus..... | (2,273) | (1,984) |
| Credit facilities..... | (19,619) | (20,795) |
| Non-controlling interests..... | (145,001) | (139,506) |
| Total capitalization at our share..... | 161,753 | 158,238 |

Adjusted Funds from Operations

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

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

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

Adjusted Funds from Operations in the three months ended March 31, 2021 totaled \$4.5 million compared with \$4.2 million in the three months ended March 31, 2020.

A reconciliation of earnings before income taxes to Adjusted Funds from Operations for the three months ended March 31, 2021 and March 31, 2020 is shown in the following table:

| FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS) | 2021 | 2020 |
|---|-----------------|------------|
| Income (loss) before income taxes attributable to Shareholders | \$ 1,508 | \$ (1,125) |
| Adjustments for amounts attributable to Shareholders in relation to: ¹ | | |
| Finance costs..... | 1,231 | 1,173 |
| Depreciation expense, net of lease payments on right-of-use assets..... | 368 | 1,578 |
| Subtotal - Earnings attributable to Shareholders before income, finance costs and depreciation expense, net of lease payments on right-of-use assets..... | 3,107 | 1,626 |
| Adjustments for amounts attributable to Shareholders in relation to: ¹ | | |
| Non-cash share-based compensation..... | 50 | (29) |
| Asset impairment expense..... | - | 6 |
| Net unrealized investment losses..... | 223 | 1,339 |
| Provision for credit losses | 553 | 291 |
| Finance fees received in investments carried at amortized cost but not included in fees and other income..... | - | 805 |
| Amortization component of interest revenue on loans carried at amortized cost..... | (88) | (174) |
| Network services fees received on customer contracts but not included in contractual network services revenue..... | 752 | 331 |
| Amortization component of network services revenue..... | (132) | (25) |
| Adjusted Funds from Operations | \$ 4,465 | \$ 4,170 |

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

Adjusted Funds from Operations for the three months ended March 31, 2021 increased year-over-year due primarily to increased operating income from the network services segment, including recognition of a full quarter of operating income from Galaxy following its acquisition in September 2020, and to a higher level of realized gains attributable to Shareholders, comprised mostly of a realized gain recognized in the quarter in relation to the exercise of VIQ Solutions warrants held by Crown Partners Fund and the sale of the related common shares.

The following table provides a quarterly reconciliation of earnings before income taxes to Adjusted Funds from Operations for the period from April 1, 2019 to March 31, 2021.

| FOR THE PERIODS ENDED (THOUSANDS) | 2021 | | 2020 | | | 2019 | | |
|--|-----------------|-------------------|--------------------|-------------------|-------------------|-----------------|-----------------|-----------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Earnings (loss) before income taxes attributable to Shareholders.... | \$ 1,508 | \$ (2,301) | \$ (10,770) | \$ (1,878) | \$ (1,125) | \$ 1,631 | \$ 1,031 | \$ 3,092 |
| Adjustments for amounts attributable to Shareholders in relation to: ² | | | | | | | | |
| Finance costs..... | 1,231 | 1,246 | 1,258 | 1,302 | 1,173 | 1,024 | 863 | 630 |
| Depreciation expense, net of lease payments on right-of-use assets.... | 368 | 1,017 | 681 | 711 | 1,578 | 298 | 849 | 2 |
| Subtotal - Earnings (loss) attributable to Shareholders before income taxes, finance costs and depreciation expense, net of lease payments on right-of-use assets..... | 3,107 | (38) | (8,831) | 135 | 1,626 | 2,953 | 2,743 | 3,724 |
| Adjustments for amounts attributable to Shareholders in relation to: ² | | | | | | | | |
| Non-cash share-based compensation..... | 50 | 243 | 394 | 93 | (29) | 304 | 163 | 72 |
| Asset impairment expense..... | - | 1,951 | 178 | 320 | 6 | 247 | - | - |
| (Gain) loss on acquisition..... | - | 105 | (105) | - | - | (280) | 195 | - |
| Net unrealized investment (gains) losses..... | 223 | 230 | (694) | (979) | 1,339 | (228) | (3,312) | (1,728) |
| Provision for credit losses (recovery)..... | 553 | 224 | 11,147 | 3,909 | 291 | 246 | (65) | 35 |
| Finance fees received in investments carried at amortized cost but not included in fees and other income..... | - | 105 | - | 46 | 805 | 214 | 96 | - |
| Amortization component of interest revenue on loans carried at amortized cost..... | (88) | (229) | (116) | (103) | (174) | (210) | (164) | (127) |
| Network services fees received on customer contracts but not included in contractual network services revenue..... | 752 | 437 | 444 | 199 | 331 | 133 | 229 | - |
| Amortization component of network services revenue..... | (132) | (73) | (62) | (39) | (25) | 191 | (169) | - |
| Adjusted Funds from Operations..... | \$ 4,465 | \$ 2,955 | \$ 2,355 | \$ 3,581 | \$ 4,170 | \$ 3,570 | \$ (284) | \$ 1,976 |

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.