



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

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

PART 1 – OUR BUSINESS		PART 4 – CAPITALIZATION AND LIQUIDITY	
Business Overview.....	3	Capitalization.....	26
Basis of Consolidation.....	5	Liquidity.....	29
PART 2 – REVIEW OF CONSOLIDATED FINANCIAL RESULTS		Review of the Condensed Consolidated Interim Statements of Cash Flows.....	31
Overview.....	7	PART 5 – ACCOUNTING POLICIES AND INTERNAL CONTROLS	
Income Statement Analysis.....	8	Accounting Policies, Estimates and Judgements.....	32
Balance Sheet Analysis.....	12	Disclosure Controls and Internal Controls.....	33
Summary of Quarterly Results.....	16	PART 6 – RISKS AND FORWARD-LOOKING STATEMENTS	
Related Party Transactions.....	19	Risk Factors.....	34
PART 3 – REVIEW OF OPERATIONS		Financial Instruments and Associated Risks.....	36
Specialty Finance.....	20	Forward-Looking Statements.....	37
Network Services.....	22	Market and Industry Data.....	39
Distributed Power.....	23	Trademarks, Trade Names and Service Marks.....	39
Real Estate.....	24	PART 7 – NON-IFRS MEASURES	40
Corporate and Other.....	25	GLOSSARY OF TERMS	44

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

Please refer to the Glossary of Terms which defines the names used throughout the MD&A in reference to operating companies, limited partnerships, portfolio companies and their respective subsidiaries.

Please also refer to Part 7 – Non-IFRS Measures where we discuss and define certain non-IFRS financial 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 an investment company that makes strategic investments, provides investment management services and co-invests in certain of our managed funds. We have operations and/or material investments in each of the specialty finance, network services, distributed power and real estate markets. In the distributed power market and, prior to July 13, 2021, in the specialty finance market, we act(ed) 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.

Our financial reporting features five reportable segments, as summarized below:

Reportable segments	Operations
Specialty finance	Includes our investments in Crown Partners Fund and in corporate debt and equity securities. Prior to July 13, 2021, we were also the investment manager of Crown Partners Fund.
Network services	Provision of network services to underserved markets across Canada in relation to the deployment and management of carrier-grade data networks.
Distributed power	Origination and management of, and investment in, distributed power investments held through Crown Power Fund.
Real estate	Ownership and development of real estate properties held through subsidiaries PSCC and PBC.
Corporate and other	Includes our credit reporting subsidiary, Lumbermens, in addition to assets, liabilities, revenues and expenses that do not pertain directly to other reportable segments.

A summary of information presented in respect of reportable segments as at and for the three months ended March 31, 2022 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2022 (THOUSANDS)	Reportable Segments					Total
	Specialty Finance	Network Services	Distributed Power	Real Estate	Corporate and Other	
Assets.....	\$ 45,805	\$ 16,660	\$ 32,681	\$ 25,932	\$ 9,182	\$ 130,260
Liabilities excl. non-controlling interests.....	3,356	6,492	583	10,706	34,826	55,963
Non-controlling interests.....	-	-	18,740	-	-	18,740
Net assets.....	42,449	10,168	13,358	15,226	(25,644)	55,557
Revenues.....	(300)	6,739	325	-	445	7,209
Share of losses of Crown Partners Fund.....	(4,446)	-	-	-	-	(4,446)
Cost of network services revenue.....	-	3,068	-	-	-	3,068
Depreciation.....	-	874	-	-	94	968
Income (loss) before income taxes.....	(3,505)	1,298	106	-	(1,406)	(3,507)

1. For more information, refer to Note 20 - *Segment information* of the unaudited condensed consolidated interim financial statements.

A summary of information presented in respect of reportable segments as at and for the three months ended March 31, 2021 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31, 2021 (THOUSANDS)	Reportable Segments					Total
	Specialty Finance	Network Services	Distributed Power	Real Estate	Corporate and Other	
Assets.....	\$ 250,623	\$ 18,693	\$ 42,043	\$ -	\$ 23,127	\$ 334,486
Liabilities excl. non-controlling interests.....	46,207	12,741	490	-	48,039	107,477
Non-controlling interests.....	120,872	-	24,129	-	-	145,001
Net assets.....	83,544	5,952	17,424	-	(24,912)	82,008
Revenues.....	7,229	6,386	508	-	(79)	14,044
Cost of network services revenue.....	-	3,164	-	-	-	3,164
Depreciation.....	-	894	-	-	32	926
Income (loss) before income taxes.....	1,738	1,148	154	-	(1,704)	1,336

1. For more information, refer to Note 20 - *Segment information* of the unaudited condensed consolidated interim financial statements.

For discussion regarding each of our reportable segments, please refer to *Part 3 – Review of Operations* on page 20.

Prior to making our initial investments in each of the distributed power and network services markets in 2019, Crown had historically been 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. Specifically, Crown originated, structured and provided 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.

Through Crown Partners Fund, an investment fund in which Crown maintains a limited partnership interest and of which it is the general partner, Crown offered special situations financing solutions to businesses for transitory capital requirements, generally in the form of short- and medium-term senior or subordinated loans. Through its wholly owned subsidiary Crown Private Credit Fund, Crown deployed its own capital to clients seeking non-dilutive, long-term capital, generally in the form of traditional interest-bearing loans and royalties.

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 and by achieving liquidity in

our lending portfolio, where possible. We have been, and intend to continue, using the proceeds from such realizations to pursue strategic growth opportunities and to rationalize our capital structure.

Towards this end, in 2021 we sold a majority stake in CPCP, our alternative lending fund management business, in which the Corporation retains a 12.5% ownership interest, we transferred to CPCP our investment management contracts in respect of Crown Partners Fund and CCF IV Investment LP, and we reduced our effective ownership interest in Crown Partners Fund from 38.8% to 28.0% through sales of limited partnership units that achieved aggregate net proceeds to Crown of \$20.7 million. These limited partnership units were sold at transaction prices equal to fair value, and proceeds were applied as partial repayments of balances outstanding on the Crown Credit Facility. As a result of these transactions, effective as of July 13, 2021, we discontinued consolidating Crown Partners Fund as a subsidiary. As of July 13, 2021, our effective 28.0% interest in Crown Partners Fund is recognized as an investment in associate accounted for using the equity method.

Also consistent with our intention to rationalize our capital structure, since May 2020 we have repurchased and subsequently cancelled a total of 3,778,773 Common Shares pursuant to normal course and substantial issuer bids at an aggregate cost of \$26.2 million.

BASIS OF CONSOLIDATION

All entities that we control are consolidated for financial reporting purposes. Certain contractual arrangements also provide us with the irrevocable ability to direct the activities of managed funds such that we are deemed to control entities in which we hold only a minority economic interest. 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 net income of certain of these subsidiaries 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, certain of these items affect the attribution of net income between shareholders of the Corporation (“**Shareholders**”) and non-controlling interests. For example, management fees paid by investment fund subsidiaries 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 43.2% interest in Crown Power Fund, its 100% interest in Crown Private Credit Fund and, prior to July 13, 2021, its approximate 36.5% effective interest in Crown Partners Fund and reflects the interests of other investors in these funds, if any, as non-controlling interests.

Whereas we had previously consolidated Crown Partners Fund as a subsidiary, upon the assignment of the management contract effective as of July 13, 2021, the assets and liabilities of Crown Partners Fund and any related non-controlling interests were derecognized and the consolidation of its financial performance was discontinued with our retained interest in Crown Partners Fund subsequently recognized as an investment in associate accounted for using the equity method.

Crown’s 28.0% effective interest in Crown Partners Fund as at March 31, 2022 includes its 26.8% 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 and 36.5% from March 31, 2021 to July 13, 2021.

Crown's 100%-owned subsidiaries CCF III and Crown Power GP are the general partners and managers of NCOF LP and Crown Power Fund, respectively. Crown's 100%-owned subsidiary Crown Partners Fund GP is the general partner of Crown Partners Fund.

Crown holds an effective interest of 85.8% in Onsite Power, including a direct 75% interest in addition to a 25% interest held through Crown Power Fund.

Crown holds a 100% interest in each of WireIE and its wholly owned subsidiaries, WireIE Canada and WireIE Development Inc., WireIE Inc., Galaxy and Community Network Partners.

Crown holds a 100% interest in PenEquity Development GP Inc., the general partner of PDLP. Through Crown Private Credit Fund, Crown holds a 100% interest in PDLP. Through PDLP, Crown holds a 100% interest in each of PSCC and PBC, which were acquired effective March 1, 2021 and April 15, 2021, respectively.

Effective July 13, 2021, Crown holds a 12.5% interest in CPCP. From April 8, 2021 to July 13, 2021, Crown held a 100% interest in CPCP.

Effective May 6, 2021, through Crown Private Credit Fund, Crown acquired a 100% interest in Lumbermens.

The financial results of the Corporation as at and for the three months ended March 31, 2022 discussed in this MD&A include the results of operations of CCF III, CCFC, Crown Partners Fund as a consolidated subsidiary until July 13, 2021 and as an equity-accounted associate thereafter, Crown Partners Fund GP, Crown Power Fund, Crown Power GP, Crown Private Credit Fund, Onsite Power, WireIE and its wholly owned subsidiaries WireIE Canada and WireIE Development Inc, WireIE Inc., Galaxy, Community Network Partners, PenEquity Development GP Inc., PDLP, PSCC from the date of its acquisition on March 1, 2021, CPCP from the date of its incorporation on April 8, 2021 until its derecognition as a subsidiary effective July 13, 2021, PBC from the date of its acquisition on April 15, 2021 and Lumbermens from the date of its acquisition on May 6, 2021.

PART 2 – REVIEW OF CONSOLIDATED FINANCIAL RESULTS

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

Note that effective July 13, 2021, we derecognized Crown Partners Fund as a subsidiary and recognized it as an investment in associate accounted for using the equity method. As a result, many of our asset, liability, revenue and expense amounts as at and for the three months ended March 31, 2022 are not directly comparable to equivalent balances for the prior-year period.

OVERVIEW

For the three months ended March 31, 2022, we recognized a net loss of \$2.6 million compared with a net income of \$1.3 million in the first quarter of 2021. Highlights in respect of our results for the first quarter of 2022 include the following:

- For the three months ended March 31, 2022, our share of losses of Crown Partners Fund totaled \$(4.4) million, including \$(2.5) million in respect of our general partnership interest as a result of a reduction in the accrued performance bonus payable to us by the fund and \$(2.0) million in respect of our limited partnership interest. A provision for expected credit loss in respect of a single loan investment more than offset income from other investments of Crown Partners Fund in the first quarter of 2022. If our interest in Crown Partners Fund had been accounted for on a similar basis in the prior-year period, i.e., as an investment in associate using the equity method, our share of earnings of Crown Partners Fund for the three months ended March 31, 2021 would have been \$2.7 million.
- Our Network Services segment contributed net income before income taxes of \$1.3 million (2021 – \$1.1 million), inclusive of depreciation and amortization expense totaling \$0.9 million (2021 - \$0.9 million), with the year-over-year improvement attributable to continued growth in the profitability of Galaxy.

Adjusted Funds from Operations¹ for the three months ended March 31, 2022 of \$0.8 million was lower than the \$4.5 million earned in the three months ended March 31, 2021. Compared with the prior-year, amounts included in respect of our interest in Crown Partners Fund declined due to the derecognition of the fund as a subsidiary and to the inclusion in the current-year period of a loss recognized in respect of our general partnership interest. The aggregate impact of this was only partially offset by an increase in Adjusted Funds from Operations attributable to our network services business. Note that in determining Adjusted Funds from Operations for periods following July 13, 2021, we exclude our share of earnings/loss of Crown Partners Fund attributable to our limited partnership interest and include distributions declared to us by Crown Partners Fund, which does not represent a full distribution of earnings attributable to its limited partners and does not include earnings/losses in respect of our general partnership interest.

¹ Adjusted Funds from Operations is not a standard measure under IFRS and may not be comparable to similar measures reported by other entities. Refer to *Part 7 – Non-IFRS Measures* for more information.

INCOME STATEMENT ANALYSIS

The following table summarizes the financial results of the Corporation for the three months ended March 31, 2022 and 2021:

FOR THE PERIODS ENDED MAR. 31 (THOUSANDS)	Three Months Ended		
	2022	2021	Change
Revenues			
Network services revenue.....	\$ 6,739	\$ 6,386	\$ 353
Interest revenue.....	319	6,554	(6,235)
Fees and other income.....	451	559	(108)
Net realized gain from investments.....	-	1,120	(1,120)
Net change in unrealized losses of investments.....	(300)	(575)	275
Total revenue	7,209	14,044	(6,835)
Share of losses of Crown Partners Fund.....	(4,446)	-	(4,446)
Expenses			
Salaries and benefits.....	(1,892)	(1,718)	(174)
Share-based compensation.....	(165)	(217)	52
Performance bonus recovery (expense).....	1,241	(338)	1,579
General and administration.....	(678)	(800)	122
Cost of network services revenue.....	(3,068)	(3,164)	96
Depreciation.....	(968)	(926)	(42)
Provision for expected credit losses.....	(23)	(561)	538
Finance costs.....	(576)	(1,491)	915
Total expenses	(6,129)	(9,215)	3,086
Income (loss) before other adjustments and income taxes	(3,366)	4,829	(8,195)
Non-controlling interests.....	(141)	(3,493)	3,352
Income tax recovery (expense).....	957	(76)	1,033
Net income (loss) and comprehensive income (loss).....	(2,550)	1,260	(3,810)
Net income (loss) per share attributable to Shareholders - basic.....	\$ (0.38)	\$ 0.14	\$ (0.52)
Net income (loss) per share attributable to Shareholders - diluted.....	\$ (0.38)	\$ 0.14	\$ (0.52)

Network Services Revenue

Through its wholly owned subsidiaries WireIE Inc. and Galaxy, 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, 2022 include network services revenue of \$6.7 million (2021 - \$6.4 million). In the first quarter of 2022, network services revenue increased by 5.5% compared with Q1 2021, with revenue from Galaxy 18% higher and revenue from WireIE 17% lower than in the prior-year period.

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.

Interest Revenue

Interest revenue totaled \$0.3 million in the three months ended March 31, 2022 compared with \$6.6 million in the three months ended March 31, 2021, with the decrease due to the derecognition of Crown Partners Fund as a subsidiary of Crown effective July 13, 2021.

All interest revenue for the three months ended March 31, 2022 represents interest revenue recognized by Crown Power Fund (2022 - \$0.3 million; 2021 - \$0.4 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. The year-over-year decrease is primarily the result of a year-over-year decrease in the average level of interest-yielding investment in leased distributed power equipment.

Of total consolidated interest revenue, \$0.1 million was attributable to Shareholders in the three months ended March 31, 2022 compared with \$2.6 million in the three months ended March 31, 2021.

Fees and Other Income

In the three months ended March 31, 2022, we recognized fees and other income totaling \$0.5 million (2021 - \$0.6 million), comprised primarily of credit reporting income of \$0.4 million (2021 - \$nil). Compared with the prior-year period, fees and other income decreased due to the derecognition of Crown Partners Fund as a subsidiary effective July 13, 2021, partially offset by the recognition of credit reporting services income earned by Lumbergmens following its acquisition on May 6, 2021.

Of total consolidated fees and other income recognized in the three months ended March 31, 2022, \$0.4 million was attributable to Shareholders, compared with \$0.2 million in 2021.

Net Investment Gains (Losses)

In the three months ended March 31, 2022, we recognized net losses on investments of \$0.3 million (2021 – net gains of \$0.5 million), representing an unrealized loss in respect of our Mill Street loan investment and which was entirely attributable to Shareholders (2021 – net gains of \$0.1 million attributable to Shareholders).

Share of Earnings (Losses) of Crown Partners Fund

Effective July 13, 2021, we derecognized Crown Partners Fund as a subsidiary of the Corporation and began recognizing our investment in Crown Partners Fund as an investment in associate accounted for using the equity method. Accordingly, for the period beginning July 13, 2021, we have recognized our share of earnings/losses of Crown Partners Fund, which is comprised of our proportionate share of the reported earnings/losses of Crown Partners Fund in respect of each of our limited partnership and general partnership interests in that fund.

For the three months ended March 31, 2022, share of loss of Crown Partners Fund totaled \$(4.4) million (2021 - \$nil), of which \$(2.0) million is in respect of our effective ownership of 28.0% of the limited partnership units of Crown Partners Fund, and \$(2.5) million is in respect of our general partnership interest in the fund and which represents the change during the period in the accrued value of the performance fee that Crown, as general partner, will be entitled to receive. If our interest in Crown Partners Fund had been accounted for on a similar basis in prior periods, i.e., as an investment in associate using the equity method, our share of earnings of Crown Partners Fund for the three months ended March 31, 2021 would have been \$2.7 million, with the year-over-year decrease primarily due to the recognition of a larger provision for expected credit loss in the first quarter of 2022, which negatively impacted our share of losses in respect of each of our limited partnership and general partnership interests. Compared with the prior-year period, other contributors to the earnings variance included a reduction in our effective limited partnership ownership, a reduction in the average level of invested assets, and a lesser net investment gain recorded in the current-year period.

We provide additional detail regarding the share of earnings of Crown Partners Fund in *Note 7 – Investment in Crown Partners Fund* of the unaudited condensed consolidated interim financial statements.

Expenses

For the three months ended March 31, 2022:

Salaries and benefits expense increased by \$0.2 million in the three months ended March 31, 2022 to \$1.9 million, including \$1.1 million attributable to Network Services businesses. Net of the additional expense related to Lumbermens, which was acquired in May 2021, salaries and benefits expense was consistent with the prior year period.

Share-based compensation expense includes changes in the carrying value of liabilities in relation to director deferred share units (“**DDSU**s”) which are influenced by changes in the trading price of Common Shares. Share-based compensation for the three months ended March 31, 2022 of \$0.2 million (2021 - \$0.2 million) was consistent year-over year and in the current period related almost entirely to the impact of an increase in the trading price of Common Shares on the valuation of DDSUs. Additional information about share-based compensation can be found in *Note 12, Share-based compensation* in the Corporation’s consolidated financial statements.

The Corporation has asset performance bonus pool (“**APBP**”) arrangements for certain individuals, primarily employees and former employees who were involved in the management of investment funds (“**APBP Participants**”). For certain investment funds for which the Corporation is the general partner, the Corporation will be entitled to receive performance fee distributions, as determined in accordance with the respective limited partnership agreements, 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. The Corporation’s compensation policy provides that 50% of such performance fees will be distributed to APBP Participants with the other 50% retained by the Corporation. The portion of accrued performance fees that pertains to APBP Participants is recognized on the Corporation’s balance sheet as a provision for performance bonus, and the change in the provision for performance bonus during a period is recognized as a performance bonus expense or recovery. In the three months ended March 31, 2022, we recognized a performance bonus recovery of \$1.2 million (2021 – \$0.3 million expense) reflecting a change in the level of accrued performance fee relating to Crown Partners Fund based on the performance of its investments in 2022. The Corporation, through its 100%-owned subsidiary Crown Partners Fund GP, is the general partner of Crown Partners Fund and, as such, will be entitled to receive any performance fee distribution paid by Crown Partners Fund.

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 \$0.7 million three months ended March 31, 2022 (2021 - \$0.8 million). Excluding amounts in relation to the acquired Lumbermens business and to the derecognition of Crown Partners Fund effective July 13, 2021, general and administration expenses for the three months ended March 31, 2022 decreased by \$0.2 million relative to the prior year due to a \$0.2 million decrease in professional fees.

Through its Network Services businesses, the Corporation incurs costs directly related to the generation of revenue earned in relation to the provision of network services. For the three months ended March 31, 2022, the cost of network services revenue totaled \$3.1 million (2021 - \$3.2 million), primarily comprised of bandwidth fees of \$2.7 million and network equipment maintenance costs of \$0.2 million.

In the three months ended March 31, 2022, depreciation expense totaled \$1.0 million compared to \$0.9 million in the three months ended March 31, 2021, 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 (2021 - \$0.2 million);
- depreciation of network services equipment totaling \$0.3 million (2021 - \$0.3 million);

- depreciation of office and other equipment totaling \$0.07 million (2021 - \$0.08 million);
- amortization of \$0.3 million in relation to network services contracts recognized as intangible assets with finite useful lives in connection with the WireIE and Galaxy acquisitions (2021 - \$0.3 million); and
- amortization of \$0.1 million in relation to credit services contracts recognized as intangible assets with finite useful lives in connection with the Lumbermen acquisitions (2021 - \$nil)

Finance costs totaled \$0.6 million in the three months ended March 31, 2022 reflecting a decrease of \$0.9 million compared to 2021, and were comprised of:

- current period interest accruals, standby fees and the amortization of deferred financing costs related to Crown's corporate-level credit facilities totaling \$0.1 million (2021 - \$0.6 million), with the year-over-year decrease due to a lower average level of debt outstanding in relation to these facilities;
- interest expense and the amortization of deferred finance costs 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 (2021 - \$0.4 million); and
- interest in relation to right-of-use lease arrangements totaling \$0.1 million (2021 - \$0.1 million).

Additional information about the credit facilities and Convertible Debentures can be found in *Note 14 – Credit facilities* and *Note 15 – Convertible Debentures* and *Note 16 – Finance costs* in the Corporation's unaudited condensed consolidated interim financial statements.

Income Taxes

We recorded an aggregate income tax expense (recovery) of \$(1.0) million in three months ended March 31, 2022 (2021 – \$0.08 million). Included in aggregate income tax expense (recovery) in the three months ended March 31, 2022 is current tax of \$0.5 million (2021 – \$0.04 million) and deferred tax of \$(1.5) million (2021 – \$0.04 million).

For the three months ended March 31, 2022, the amortization of intangible assets in relation to Galaxy and Lumbermens, 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, 2022 on earnings before income taxes attributable to Shareholders was 24.8% (2021 – 25.1%). Certain of our operations are held in partially owned "flow through" limited partnerships, and any tax liability is incurred by the investors as opposed to the entity. As a result, while our consolidated earnings include income attributable to non-controlling ownership interests in these entities, our consolidated tax provision includes only income tax on our proportionate share of the income of these entities. In other words, we are consolidating all of the net income, but only our share of the associated tax provision.

The deferred income tax asset at March 31, 2022 of \$0.3 million (December 31, 2021 – \$1.1 million liability) and deferred tax recovery for the three months ended March 31, 2022 result primarily from performance bonus expenses/recoveries 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, book value in excess of tax cost base for investment in Crown Partners Fund 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 Corporation as at March 31, 2022 and December 31, 2021:

AS AT MAR. 31 2022 AND DEC. 31 2021 (THOUSANDS)	2022	2021	Change
Assets			
Cash and cash equivalents.....	\$ 6,346	\$ 10,842	\$ (4,496)
Accounts receivable and other assets.....	12,988	9,622	3,366
Lease earn-out note receivable.....	903	4,603	(3,700)
Investments.....	5,801	4,351	1,450
Investment in Crown Partners Fund.....	40,029	47,369	(7,340)
Network services contracts.....	4,659	4,963	(304)
Credit reporting customer contracts.....	853	903	(50)
Property and equipment.....	13,834	14,279	(445)
Net investment in leased distributed power equipment.....	9,432	9,564	(132)
Property and equipment under development and related deposits.....	35,415	33,619	1,796
Total assets	\$ 130,260	\$ 140,115	\$ (9,855)
Liabilities			
Accounts payable and other liabilities.....	\$ 11,234	\$ 13,659	\$ (2,425)
Mortgages payable.....	9,150	12,450	(3,300)
Network services vendor note payable.....	473	612	(139)
Lease obligations.....	1,621	1,926	(305)
Provision for performance bonus.....	3,356	4,597	(1,241)
Credit facilities.....	10,691	(334)	11,025
Convertible debentures - liability component.....	19,438	19,334	104
Non-controlling interests.....	18,740	18,796	(56)
Equity			
Share capital.....	48,281	60,693	(12,412)
Convertible debentures - equity component.....	483	483	-
Contributed surplus.....	15,181	15,180	1
Deficit.....	(8,388)	(7,281)	(1,107)
Total equity	55,557	69,075	(13,518)
	\$ 130,260	\$ 140,115	\$ (9,855)

1. The presentation of the summary balance sheet information shown above differs from the presentation in the Condensed Consolidated Interim Statements of Financial Position in the Corporation's unaudited condensed consolidated interim financial statements in that it aggregates certain assets and liabilities under the "accounts receivable and other assets" and "accounts payable and other liabilities" categories and is not presented on a classified basis.

March 31, 2022 vs December 31, 2021

Consolidated assets at March 31, 2022 were \$130.3 million, a decrease of \$9.9 million since December 31, 2021. This decrease was due primarily to the reduction in the carrying value of Crown Partners Fund, due to a combination of losses and distributions in relation to that fund in the period, to a reduction in the lease earn-out note receivable resulting from a partial repayment, and to a reduction in the balance of cash and cash equivalents.

Assets

Cash and cash equivalents of \$6.3 million as at March 31, 2022 decreased by \$4.5 million compared to the prior year end. For further information, refer to our unaudited condensed consolidated interim statements of cash flows and to *Part 4 – Capitalization and Liquidity*.

Accounts receivable and other assets of \$13.0 million as at March 31, 2022 (December 31, 2021 - \$9.6 million) consists of accounts receivable, income taxes recoverable, prepaid expenses and deposits, inventory and goodwill. The largest component, accounts receivable, is comprised primarily of amounts receivable in relation to network services contracts, distributions receivable from Crown Partners Fund, share purchase loans, and management fees receivable from NCOF LP.

Accounts receivable and other assets increased by \$3.4 million primarily due to a \$2.2 million increase in the balance of distributions receivable, a \$0.7 million increase in inventory and a \$0.5 million increase in prepaid expenses and deposits.

The lease earn-out note receivable 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 based on the value of expected cash flows arising from expected future earnings in respect of those leases secured. As at March 31, 2022, the estimated fair value of the lease earn-out note receivable, which reflects the status of related leasing activity, is \$0.9 million (December 31, 2021 - \$4.6 million). In the three months ended March 31, 2022, a payment of \$4.3 million was received in relation to the lease earn-out note receivable, which was partially offset by a reclassification of \$0.7 million of estimated associated costs to accounts payable and accrued liabilities.

Investments of \$5.8 million as at March 31, 2022 (December 31, 2021 – \$4.4 million) consists of three Canadian debt securities and one private Canadian equity investment. The balance increased by \$1.5 million in the three months ended March 31, 2022 due to an additional \$1.8 million advanced in the form of a loan to Go Direct Global, partly offset by a net change in unrealized losses of investments of \$(0.3) million.

In accordance with IFRS 9, the Corporation classifies its investments in debt securities to be carried at either amortized cost or fair value through profit or loss ("FVTPL"). All investments in equity securities are carried at FVTPL.

As at March 31, 2022, the Corporation's debt securities consisted of its loans to PenEquity and Go Direct Global, which are carried at amortized cost with an aggregate carrying value of \$5.6 million, which is equal to their aggregate fair value, net of an allowance for credit losses of \$15.7 million (December 31, 2021 - \$3.8 million and \$15.7 million, respectively for loans measured at amortized cost), and its loan to Mill Street, which is carried at FVTPL with a carrying value of \$0.2 million (December 31, 2021 - \$0.5 million). The carrying value of other investments carried at FVTPL, currently comprised of a single equity investment, was \$0.03 million as at March 31, 2022 (December 31, 2021 - \$0.03 million).

As at March 31, 2022, the PenEquity loan, with a carrying value of \$2.1 million (December 31, 2021 - \$2.1 million), is considered to be credit-impaired and as such it is classified as Stage Three, for which credit provisions are determined based on *lifetime* expected credit losses. There were no investments transferred between stages in the three months ended March 31, 2022.

Additional information about investments can be found in *Note 5, Investments* in the Corporation's unaudited condensed consolidated interim financial statements and in *Part 3 – Review of Operations*.

Investment in Crown Partners Fund represents the Corporation's effective interest of 28.0% in Crown Partners Fund, including both limited partnership and general partnership interests, subsequent to the deconsolidation event (see *Note 7 – Investment in Crown Partners Fund* of the unaudited condensed consolidated interim financial statements). The

balance at March 31, 2022 of \$40.0 million (December 31, 2021 - \$47.4 million) includes \$33.3 million in respect of the limited partnership interest and \$6.7 million in respect of the general partner interest. The decrease of \$7.3 million in the quarter reflects both our share of losses of Crown Partners Fund, which were due to an increase in the provision for expected credit losses incurred by the fund, and distributions declared by the fund in the period. Additional information about our investment in Crown Partners Fund can be found in *Note 7, Investment in Crown Partners Fund* in the Corporation's unaudited condensed consolidated interim financial statements.

The network services contracts balance of \$4.7 million as at March 31, 2022 (December 31, 2021 - \$5.0 million) is an intangible asset representing the fair value of service contracts assumed on the acquisitions of WireIE and Galaxy, net of subsequent amortization and impairment of \$3.7 million and \$1.1 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.

The credit reporting customer contracts balance of \$0.9 million as at March 31, 2022 (December 31, 2021 - \$0.9 million) is an intangible asset representing the fair value of service contracts assumed on the acquisition of Lumbermens on May 6, 2021, net of subsequent amortization of \$0.1 million. Credit reporting customer contracts are amortized on a straight-line basis over estimated useful lives ranging between 5-10 years.

Property and equipment of \$13.8 million as at March 31, 2022 (December 31, 2021 - \$14.3 million) is comprised of:

- network services equipment, including right-of-use assets in relation to leased equipment and properties, of \$6.7 million (December 31, 2021 - \$7.0 million) that relate to Network Services businesses;
- distributed power equipment of \$6.4 million (December 31, 2021 - \$6.5 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, 2021 - \$0.8 million).

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, 2022 (December 31, 2021 - four leases), which were transferred from property and equipment under development and related deposits. The carrying balance at March 31, 2022 was \$9.4 million (December 31, 2021 - \$9.6 million).

Property and equipment under development and related deposits of \$35.4 million as at March 31, 2021 (December 31, 2021 - \$33.6 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 retail development; (ii) property under development of \$13.6 million acquired as part of the acquisition of PBC assets in April 2021, comprising the carrying value of property owned by PBC that is located in Barrie, Ontario and is in the course of residential development; (iii) additions to property under development of \$1.1 million made subsequent to the above-noted acquisitions; and (iv) \$12.5 million of power generation assets acquired in relation to projects under development. The balance increased by \$1.8 million compared to December 31, 2021 due primarily to additions to property under development of \$0.3 million, and to additions to power generation assets in relation to projects under development totaling \$1.5 million, including capitalized interest and fees of \$0.1 million.

Liabilities

Accounts payable and other liabilities of \$11.2 million include accounts payable and accrued liabilities of \$6.0 million, deferred network services revenue of \$2.2 million, a contingent consideration liability, deferred income taxes and a deferred compensation liability. The balance decreased by \$2.4 million in the three months ended March 31, 2022 primarily as a result of the payment of annual performance bonuses that were accrued as at December 31, 2021.

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 was due on August 26, 2022. The mortgage payable bore interest at 8.5% per

annum, calculated and payable monthly on the first day of each month. The Corporation had 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. During the three months ended March 31, 2022, this mortgage was repaid in full.

Upon an asset acquisition of PBC in April 2021, Crown assumed a mortgage payable of \$9.2 million, secured by the value of property under development, which had a maturity date of January 1, 2022 that has been extended to July 1, 2022. The mortgage payable is comprised of two tranches with balances outstanding of \$3.8 million and \$5.4 million, respectively, which bear interest at 13.5% per annum and a variable interest rate based on Prime Rate plus 655 bps (with a floor of 9.0%) per annum, respectively, calculated and payable monthly on the first day of each month.

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, is calculated and is 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, 2022, the balance of the note is \$0.5 million (December 31, 2021 - \$0.6 million).

Lease obligations of \$1.6 million at March 31, 2022 (December 31, 2021 - \$1.9 million) are comprised of \$1.5 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 \$0.1 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 \$3.4 million at March 31, 2022 (December 31, 2021 - \$4.6 million) reflects 50% of the performance fee accrued by Crown, as a component of investment in Crown Partners Fund as the value attributable to its general partnership interest in Crown Partners Fund, which is the portion 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. To date, no amounts have been accrued in relation to the Crown Power Fund APBP.

Credit facilities of \$10.7 million as at March 31, 2022 (December 31, 2021 - (\$0.3) million) was comprised of \$11.0 million outstanding under the Crown Credit Facility, net of deferred finance costs in relation to the Crown Credit Facility of \$0.3 million. As at March 31, 2022, the Crown Credit Facility is comprised of a \$20.0 million revolving credit facility plus a \$3.5 million dedicated-purpose letter of credit facility.

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

Non-controlling Interests

Non-controlling interests in our consolidated results consist of third-party interests in Crown Power Fund. Non-controlling interests decreased by \$0.1 million in the three months ended March 31, 2022 due to distributions to non-controlling interests of \$0.2 million, partially offset by net income attributable to non-controlling interests of \$0.1 million.

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)	2022	2021
Equity, beginning of period.....	\$ 69,075	\$ 81,174
Changes in period:		
Net income (loss) attributable to Shareholders.....	(2,550)	1,260
Shares repurchased.....	(10,969)	(175)
Share-based compensation.....	1	(245)
Cash-settled share-based compensation.....	-	(51)
	(13,518)	789
Equity, end of period.....	\$ 55,557	\$ 81,963

Total equity decreased by \$13.5 million in the three months ended March 31, 2022 primarily due to the following:

- share repurchases made in relation to the Corporation's substantial issuer bids totaling \$10.0 million;
- share repurchases made in relation to the Corporation's normal course issuer bid ("NCIB") totaling \$1.0 million; and
- a net loss attributable to Shareholders of \$2.6 million.

In the three months ended March 31, 2022, the Corporation purchased and subsequently cancelled a total of 1,450,556 Common Shares pursuant to its normal course issuer bid ("NCIB") and to a substantial issuer bid for aggregate consideration of \$11.0 million (2021 – 38,030 Common Shares for total consideration of \$0.2 million). For details in respect of the Corporation's NCIB and substantial issuer bids, please refer to *Part 4 – Capitalization and Liquidity*.

In the three months ended March 31, 2022, the deficit component of total equity increased by \$1.1 million to \$8.4 million (December 31, 2021 - \$7.3 million) due to a net loss attributable to Shareholders of \$2.6 million, which was partially offset by an aggregate deficit reduction of \$1.4 million representing the difference between the total consideration paid in relation to share repurchases and the carrying value of cancelled shares, net of related fees and expenses.

As at March 31, 2022, the share capital component of total equity was \$48.3 million (December 31, 2021 - \$60.7 million). In the three months ended March 31, 2022, aggregate share repurchases reduced share capital by \$12.4 million. In the prior-year period, share capital decreased by \$(0.1) million with a \$(0.3) million reduction due to share repurchases partially offset by an increase of \$0.2 million related to the issuance of common shares as a result of vesting of restricted share units.

The contributed surplus component of total equity as at March 31, 2022 was \$15.2 million, consistent with the balance of \$15.2 million as at December 31, 2021.

SUMMARY OF QUARTERLY RESULTS

A range of factors impact variance in quarterly results. The derecognition of an investment previously recognized as a subsidiary, such as the derecognition of Crown Partners Fund as a subsidiary of Crown, effective July 13, 2021, impacts the comparability of certain financial items between periods. Prior to the derecognition of Crown Partners Fund as a subsidiary, the main factors affecting quarterly variances in interest revenue and fees and other income were completion of new investment transactions, loan repayments and loan amendments, and factors affecting net gains (losses) on investments, including both realized and unrealized gains (losses), included 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. Each of the aforementioned items, together with changes in the provision for credit loss of Crown Partners Fund caused by variations in the credit status of portfolio companies, represent the major factors affecting quarterly variances in share of earnings/losses of Crown Partners Fund. 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 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)	2022		2021			2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue:								
Network services revenue.....	\$ 6,739	\$ 6,969	\$ 7,445	\$ 6,843	\$ 6,386	\$ 5,739	\$ 2,526	\$ 1,868
Interest revenue.....	319	298	278	6,118	6,554	6,276	6,878	7,224
Fees and other income.....	451	386	151	917	559	391	304	779
Net gain (loss) on investments.....	(300)	-	-	(781)	545	152	2,884	3,395
Total revenue.....	7,209	7,653	7,874	13,097	14,044	12,558	12,592	13,266
Share of (losses) earnings of Crown Partners Fund.....	(4,446)	2,769	1,959	-	-	-	-	-
Net income (loss) attributable to Shareholders	(2,550)	200	844	(294)	1,260	(2,378)	(8,183)	(1,641)
Adjusted Funds from Operations ¹	792	2,515	2,459	3,228	4,465	2,955	2,355	3,581
Total assets.....	130,260	140,115	151,038	332,545	334,486	325,823	330,011	324,905
Total equity.....	55,557	69,075	78,989	81,478	82,008	81,174	84,353	93,043
Per share:								
- Net income (loss) to Shareholders - diluted	\$ (0.38)	\$ 0.02	\$ 0.10	\$ (0.03)	\$ 0.14	\$ (0.26)	\$ (0.88)	\$ (0.17)
- Net income (loss) to Shareholders - basic	(0.38)	0.02	0.10	(0.03)	0.14	(0.26)	(0.88)	(0.17)
- Total equity per share - basic	9.85	9.74	9.37	9.05	9.07	8.96	9.13	9.90

1. Adjusted Funds from Operations is not a standard measure under IFRS and may not be comparable to similar measures reported by other entities. Refer to *Part 7 - Non-IFRS Measures* for more information.

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 2021, net income attributable to Shareholders of \$0.2 million included \$0.9 million of net income attributable to the Network Services segment, inclusive of depreciation and amortization expenses totaling \$0.9 million. Network services revenue of \$7.0 million was 24% higher than in Q4 2020, the first full quarter for which each of WireIE and Galaxy were subsidiaries of the Corporation. Our share of earnings of Crown Partners Fund was \$2.8 million, a quarter-over-quarter increase compared with \$2.0 million in Q3 2021 due primarily to the recognition of a higher level of net investment gains in the fourth quarter. Partially offsetting these contributions to earnings were an impairment charge of \$0.4 million recognized in respect of distributed power equipment and a \$0.5 million loss on remeasurement of financial instruments, comprised of a \$(0.1) million revaluation of the contingent consideration liability and a \$(0.4) million revaluation of prepaid expenses and deposits recognized in connection with the acquisition of PSCC.
- In the third quarter of 2021, net income attributable to Shareholders of \$0.8 million included an aggregate gain of \$1.6 million recognized in relation to the derecognition of Crown Partners Fund as a subsidiary, including a

gain of \$1.2 million relating to the remeasurement of our retained interest in Crown Partners Fund to fair value and a \$0.4 million gain relating to the partial sale of our limited partnership interest in the fund. Our Network Services segment contributed pre-tax net income of \$1.1 million, inclusive of depreciation and amortization of \$0.9 million. Partially offsetting these contributions to earnings was a \$2.0 million loss on remeasurement of financial instruments, comprised of a \$1.8 million reduction in the carrying value of the lease earn-out note receivable and a \$0.2 million remeasurement of the contingent consideration liability.

- In the second quarter of 2021, we recognized a net loss attributable to Shareholders of \$0.3 million, due primarily to a net loss on investments attributable to Shareholders of \$1.5 million that related mainly to a loss recognized in relation to the Mill Street loan investment. Net income before income taxes of the network services segment was \$1.6 million, inclusive of depreciation and amortization expenses totaling \$0.9 million. Interest revenue attributable to Shareholders declined by \$0.6 million year-over-year due to a lower average level of interest-yielding investments in Crown Partners Fund and a reduction of interest revenue recognized in relation to the PenEquity and Mill Street loans to \$nil, partially offset by an increase in interest revenue earned by Crown Power Fund.
- In the first quarter of 2021, net income attributable to Shareholders of \$1.3 million was primarily comprised of \$1.2 million of net income attributable to the network services segment, inclusive of depreciation and amortization expenses totaling \$0.7 million, compared with a pre-tax loss from network services of \$1.7 million in the prior-year period. The net gain on investments attributable to Shareholders was nominal at \$0.1 million and, compared with the first quarter of 2020, a decrease in salary expense due to headcount reduction and salary reductions was offset by an increase in general and administrative costs related to asset realizations, interest revenue attributable to Shareholders declined by \$2.0 million and the provision for credit losses was \$0.3 million higher due to additional losses recognized in relation to the PenEquity loan.
- 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 \$0.3 million in Q4 2020.
- In the third quarter of 2020, the primary driver of the net loss attributable to Shareholders of \$8.2 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.

RELATED PARTY TRANSACTIONS

The Corporation earns investment management fees pursuant to management agreements. 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. Prior to July 13, 2021, the date at which Crown ceased to be the investment manager of Crown Partners Fund, it earned a base annual management fee in relation to this fund equal to 1.75% of invested capital, as defined in the fund's limited partnership agreement, less any capital distributions and realized losses. 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 Power Fund and, prior to July 13, 2021, from Crown Partners Fund are eliminated against the management fees expensed by these funds.

Prior to its derecognition as a subsidiary effective July 13, 2021, the non-controlling interests of Crown Partners Fund incurred approximately 63.5% (December 31, 2020 to March 30, 2021 – 61.2%) of the management fees while Crown effectively paid itself for the remaining 36.5% (December 31, 2020 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, 2022, there was an amount payable to Crown Power Fund by Crown of \$0.5 million (December 31, 2021 - \$0.5 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 Corporation is party to a services agreement with CPCP, in which we hold a 12.5% equity interest, subject to which we provide certain accounting and finance-related services for CPCP in exchange for a monthly fee that represents market rate of remuneration for such services. This services agreement may be terminated by either party for any reason upon 90 days written notice.

PART 3 – REVIEW OF OPERATIONS

The following section contains an overview review of our operations, including separate discussions for each of our five reportable segments: specialty finance, network services, distributed power, real estate and corporate and other.

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 20 – Segment information* in our unaudited condensed consolidated interim financial statements.

SPECIALTY FINANCE

As at March 31, 2022, our specialty finance segment is comprised of our 28.0% (December 31, 2021 – 28.0%) effective interest in Crown Partners Fund, which is classified as an investment in associate, as well as corporate loans to PenEquity, Mill Street and Go Direct Global and a 12.5% (December 31, 2021 – 12.5%) equity interest in CPCP which are classified as investments.

Effective July 13, 2021, we sold a majority stake in CPCP, our alternative lending fund management business, in which the Corporation retains a 12.5% ownership interest, and transferred to CPCP our investment management contracts in respect of Crown Partners Fund and CCF IV Investment LP. In connection with this transaction, we also sold a portion of our limited partnership interest in Crown Partners Fund, reducing our effective interest from 36.5% to 28.0%, while retaining our general partnership interest in the fund.

We had previously sold a portion of our limited partnership interest in Crown Partners Fund on March 31, 2021, which reduced our effective interest from 38.8% to 36.5%. In each of these sale transactions, we sold limited partnership units to third-party investors at transaction prices equal to the prevailing fair value of the units which, in both cases, represented a premium to our carrying value.

Our exit from the business of managing credit-oriented investment funds and the partial dispositions of our interest in Crown Partners Fund were consistent with the change in strategic direction that we announced in May 2020 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 and the achievement of liquidity in our lending portfolio, where possible.

Select financial information pertaining to the Specialty Finance segment as at March 31, 2022 and December 31, 2021 and for the three months ended March 31, 2022 and 2021 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS, UNLESS OTHERWISE NOTED)	Specialty Finance Segment		
	2022	2021	Change
Assets.....	\$ 45,805	\$ 250,623	\$ (204,818)
Less: Liabilities excl. non-controlling interests.....	3,356	46,207	(42,851)
Less: Non-controlling interests.....	-	120,872	(120,872)
Net assets.....	42,449	83,544	(41,095)
Revenues.....	(300)	7,229	(7,529)
Share of losses of Crown Partners Fund.....	(4,446)	-	(4,446)
Income (loss) before income taxes.....	(3,505)	1,738	(5,243)
Additional information pertaining to Crown Partners Fund:			
Net assets attributable to limited partners - carrying value ¹	117,264	189,309	(72,045)
Net assets attributable to limited partners - fair value ²	118,142	190,068	(71,926)
Net assets attributable to general partner - carrying value and fair value ³	6,712	7,153	(441)
Crown's share of (losses) earnings attributable to limited partners.....	(1,964)	2,070	(4,034)
Crown's share of (losses) earnings attributable to the general partner.....	(2,482)	675	(3,157)
Crown's effective limited partnership interest ⁴	28.0%	38.8%	-10.8%

1. Represents the total carrying value of net assets as reported by Crown Partners Fund in accordance with IFRS.

2. Represents the total fair value of net assets attributable to limited partners as determined by its investment manager.

3. Fair value is equal to carrying value, which is determined based upon the fair value of net assets attributable to limited partners.

4. Effective interest was 38.8% from January 1, 2020 to March 30, 2021, 36.5% from March 31, 2021 to July 12, 2021 and 28.0% from July 13, 2021 to March 31, 2022.

In the three months ended March 31, 2022, Crown Partners Fund received aggregate proceeds of \$6.7 million in respect of loan repayments, which were applied towards distribution payments to limited partners. Primarily as a result of both these capital return distributions and a net loss that resulted from an increase in its allowance for expected credit loss, the carrying value of net assets attributable to limited partners of Crown Partners Fund declined by \$(17.3) million in the three months ended March 31, 2022. For more information regarding our investment in Crown Partners Fund, refer to *Note 7 – Investment in Crown Partners Fund* in our unaudited condensed consolidated interim financial statements.

Revenues of the Specialty Finance segment in the three months ended March 31, 2022 totaled \$(0.3) million (2021 - \$7.2 million), comprised of unrealized loss of \$(0.3) million in respect of our Mill Street loan investment. Share of losses of Crown Partners Fund in the three months ended March 31, 2022 totaled \$(4.4) million (2021 – nil).

In the three months ended March 31, 2022, we advanced an additional \$1.8 million to Go Direct Global, increasing the balance of our demand loan to Go Direct Global to \$3.5 million. In the first quarter of 2022, we also provided a guarantee of its financial obligations in respect of the lease of a logistics facility in Calgary, Alberta, which represents an aggregate commitment over a 84-month term of \$3.2 million in respect of base rent payments. Crown intends to acquire a controlling equity interest in Go Direct Global in fiscal 2022.

Outlook

Following the expiration of the investment term of Crown Partners Fund on December 31, 2021, the fund will make no new investments and the proceeds of all repayments and realizations of invested assets will be returned to limited partners upon receipt by the fund. The timing of such repayments and realizations, and therefore of the related capital return distributions to limited partners, including Crown, is unpredictable. We expect that all repayments and realizations will occur prior to the expiration of the term of Crown Partners Fund on September 30, 2025.

We do not plan to make any new loan investments, consistent with our strategy to shift to a more capital-light business model.

NETWORK SERVICES

Through its Galaxy, WireIE Inc. and Community Network Partners subsidiaries, Crown provides network connectivity to customers in otherwise underserved markets. Collectively, we refer to the operations of these subsidiaries as our network services segment (“**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. Through Galaxy, an Ontario-based, satellite-focused network services company and wholly owned subsidiary, Crown provides connectivity to remote and underserved enterprise customers across Canada. Through Community Network Partners, a wholly-owned subsidiary, Crown intends to provide connectivity to small, underserved communities across Canada, with those community network projects often structured to enable the subject communities to participate in the capital funding and subsequent profit sharing associated with their local projects.

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.

Select financial information pertaining to the Network Services segment as at March 31, 2022 and December 31, 2021 and for the three months ended March 31, 2022 and 2021 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	Network Services Segment		
	2022	2021	Change
Assets.....	\$ 16,660	\$ 18,693	\$ (2,033)
Less: Liabilities.....	6,492	12,741	(6,249)
Net assets.....	10,168	5,952	4,216
Revenues.....	6,739	6,386	353
Cost of network services revenue.....	3,068	3,164	(96)
Depreciation.....	874	894	(20)
Income before income taxes.....	1,298	1,148	150

Outlook

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 WireIE Inc. and Galaxy and, potentially, of other companies operating in its segment, including Community Network Partners Inc. Crown anticipates co-investing in this capital pool and seeking investments from third-party investors which would help to fund future asset growth, and from which Crown anticipates earning fees in relation to its role as manager of this capital pool.

On May 9, 2022, we announced that Community Network Partners has been selected as an Internet Service Provider under the *Ontario Connects: Accelerated High Speed Internet Program*. The aim of the program is to make reliable, high-speed internet connectivity available to all premises in Ontario by the end of 2025. The maximum subsidy available to Community Network Partners under this program is approximately \$150 million, which is expected to be a material proportion of the network cost.

DISTRIBUTED POWER

Crown participates in the distributed power market 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. 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 limited partnership interest in Crown Power Fund, which we hold through a wholly owned subsidiary CCFC, from 100.0% to 43.2%.

Crown acts as investment manager of Crown Power Fund and, through a wholly owned subsidiary, is also the general partner of Crown Power Fund. 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*).

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.

Select financial information pertaining to the distributed power segment as at March 31, 2022 and December 31, 2021 and for the three months ended March 31, 2022 and 2021 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	Distributed Power Segment		
	2022	2021	Change
Assets.....	\$ 32,681	\$ 42,043	\$ (9,362)
Less: Liabilities excl. non-controlling interests.....	583	490	93
Less: Non-controlling interests.....	18,740	24,129	(5,389)
Net assets.....	13,358	17,424	(4,066)
Revenues.....	325	508	(183)
Income before income taxes.....	106	154	(48)

As at March 31, 2022, Crown Power Fund’s aggregate equipment-related investment was carried at \$28.3 million (December 31, 2021 - \$27.0 million) including amounts invested in distributed power equipment under development and related deposits (\$12.5 million), distributed power equipment (\$6.4 million, included in property and equipment) and net investment in leased distributed power equipment (\$9.4 million).

As at March 31, 2022, a total of four distributed power projects with an aggregate carrying value of \$9.4 million owned by Crown Power Fund are operational and under lease arrangements. In addition to existing projects under lease, Crown Power Fund has ten additional projects under development at various stages of completion, including four projects that are expected to become operational by June 30, 2022 and six that are expected to become operational in the second half of fiscal 2022.

As at March 31, 2022, the uncalled portion of capital commitments to Crown Power Fund by non-controlling interests was \$13.4 million.

Outlook

We remain focused on building out assets in Crown Power Fund and on securing additional third-party funding commitments, including fund-level debt supported by operational projects, to help finance additional investment. Our current focus with respect to Crown Power Fund is to advance existing projects through to completion. We anticipate increasing our capital contribution to Crown Power Fund, subject to our current capital commitment of \$25 million, in support of continued project development.

REAL ESTATE

Crown participates in the real estate development market through its ownership of PSCC and PBC, which were both acquired from PenEquity, to which Crown, through its wholly owned subsidiary Crown Private Credit Fund, has a loan outstanding.

The assets of PSCC 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. The assets of PBC are primarily comprised of land located adjacent to a retail plaza in Barrie, Ontario.

Select financial information pertaining to the real estate segment as at March 31, 2022 and December 31, 2021 and for the three months ended March 31, 2022 and 2021 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	Real Estate Segment		
	2022	2021	Change
Assets.....	\$ 25,932	\$ -	\$ 25,932
Less: Liabilities.....	10,706	-	10,706
Net assets.....	15,226	-	15,226
Revenues.....	-	-	-
Income before income taxes.....	-	-	-

As the assets of the real estate segment are comprised primarily of real estate properties that are in the process of being developed and a lease earn-out note receivable, this segment did not recognize any revenues or expenses from operations in the three months ended March 31, 2022.

Outlook

During the three months ended March 31, 2022, PSCC received a partial settlement of the lease earn-out note receivable, which was partially used to prepay and extinguish the mortgage payable in respect of PSCC. We expect settlement of the remaining balance of the lease earn-out note receivable in fiscal 2022.

We intend to continue working with PenEquity to progress the development of the properties of PSCC and PBC located in Stoney Creek, Ontario and Barrie, Ontario, respectively, and do not anticipate recognizing revenue in respect of either PSCC or PBC while their properties remain under development.

CORPORATE AND OTHER

Our corporate and other segment includes our subsidiary Lumbermens, an Ontario-based credit reporting company, as well as assets, liabilities, revenues and expenses that aren't directly related to any of our other four reportable segments. Accordingly, expenses of the corporate and other segment include salaries and benefits expense in relation to executives and staff that are not affiliated with any of the other four reportable segments, share-based compensation expense, costs related to the premises and operations of our corporate offices, professional fees that do not relate directly to other segments, costs related to maintaining Crown's status as a public company, etc. Total liabilities of the corporate and other segment include balances recognized in respect of each of the Crown Credit Facility and the Convertible Debentures.

Select financial information pertaining to the corporate and other segment as at March 31, 2022 and December 31, 2021 and for the three months ended March 31, 2022 and 2021 is presented below:

AS AT AND FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	Corporate and Other Segment		
	2022	2021	Change
Assets.....	\$ 9,182	\$ 23,127	\$ (13,945)
Less: Liabilities.....	34,826	48,039	(13,213)
Net assets.....	(25,644)	(24,912)	(732)
Revenues.....	445	(79)	524
Depreciation.....	94	32	62
Loss before income taxes.....	(1,406)	(1,704)	298

PART 4 – CAPITALIZATION AND LIQUIDITY

CAPITALIZATION

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

*Corporate Capitalization*¹ – 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 subsidiaries Crown Power Fund, Galaxy, WireIE Inc., PSCC, PBC, Lumbermens and, prior to July 13, 2021, Crown Partners Fund. Corporate debt includes amounts drawn upon the Crown Credit Facility, net of the unamortized balance of related deferred finance costs. At March 31, 2022, our corporate capitalization was \$93.0 million (December 31, 2021 - \$96.8 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 condensed consolidated interim statements of financial position. At March 31, 2022, consolidated capitalization decreased compared with December 31, 2021 due primarily to a reduction in share capital resulting from share repurchases, the partial repayment of mortgage loans and a reduction in accounts payable and other liabilities, partially offset by an increase in corporate borrowings. At March 31, 2022, our consolidated capitalization was \$130.3 million (December 31, 2021 - \$140.1 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:

		Corporate Capitalization ¹		Consolidated Capitalization		Our Share of Capitalization ¹	
AS AT MAR. 31, 2022 AND DEC. 31, 2021 (THOUSANDS)	Ref.	2022	2021	2022	2021	2022	2021
Corporate borrowings.....	i	\$ 10,691	\$ (334)	\$ 10,691	\$ (334)	\$ 10,691	\$ (334)
Accounts payable and other liabilities.....		7,249	8,509	15,063	18,868	14,732	18,728
Lease obligations.....		150	180	1,621	1,926	1,621	1,926
Mortgages payable.....		-	-	9,150	12,450	9,150	12,450
Convertible debentures - liability component.....	ii	19,438	19,334	19,438	19,334	19,438	19,334
Non-controlling interests.....		-	-	18,740	18,796	-	-
Equity							
Share capital.....		48,281	60,693	48,281	60,693	48,281	60,693
Convertible debentures - equity component.....	ii	483	483	483	483	483	483
Contributed surplus.....		15,181	15,180	15,181	15,180	15,181	15,180
Deficit.....		(8,388)	(7,281)	(8,388)	(7,281)	(8,388)	(7,281)
Total equity.....	iii	55,557	69,075	55,557	69,075	55,557	69,075
Total capitalization.....		\$ 93,085	\$ 96,764	\$130,260	\$140,115	\$111,189	\$121,179

¹ Corporate Capitalization and Our Share of Capitalization are not standard measures under IFRS and may not be comparable to similar measures reported by other entities. Refer to *Part 7 – Non-IFRS Measures* for more information.

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 was 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 certain other investments (the "**Preceding Crown Credit Facility**"). Effective February 5, 2019, the Corporation extended the maturity of the Preceding Crown Credit Facility to May 31, 2021.

Effective May 7, 2021, the Corporation entered into a new senior secured corporate credit facility with ATB Financial (the "**Crown Credit Facility**") to be used to fund the Corporation's capital commitments to each of Crown Partners Fund and Crown Power Fund, other existing investments, potential acquisitions and share purchases and for general corporate purposes. This Crown Credit Facility replaced the Preceding Crown Credit Facility.

The Crown Credit Facility originally included a total lender commitment of \$41.5 million including a \$30.0 million revolving credit facility that declined to \$20.0 million in July 2021 upon repayment to an outstanding balance below \$20.0 million, a \$8.0 million term facility that expired unused in August 2021, and a \$3.5 million dedicated-purpose letter of credit facility. As at March 31, 2022, the Crown Credit Facility is comprised of a \$20.0 million revolving credit facility and a \$3.5 million dedicated-purpose letter of credit facility. The revolving facility provides financing at a variable interest rate based on Prime Rate plus 275 to 350 bps, has a customary set of covenants, and has a maturity date of May 7, 2024, which is subject to annual extension by one or more years at the request of the Corporation.

As at March 31, 2022, \$11.0 million (December 31, 2021 - \$nil) has been drawn on the Crown Credit Facility, and letters of credit totaling \$8.2 million (December 31, 2021 - \$3.2 million) were issued and outstanding, of which \$3.2 million represents utilization of the dedicated-purpose letter of credit. The balance outstanding on the Crown Credit Facility at March 31, 2022 of \$10.7 million is comprised of gross advances of \$11.0 million net of unamortized deferred financing costs of \$0.3 million. The carrying value of assets pledged in respect of this loan as at March 31, 2022 was \$80.1 million (December 31, 2021 - \$90.8 million).

We provide additional detail regarding our credit facilities in *Note 14 – Credit facilities* of the unaudited condensed consolidated interim financial statements.

ii. 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 15 – Convertible Debentures* of the unaudited condensed consolidated interim financial statements.

iii. Equity

We provide a continuity of each component of equity in the condensed consolidated interim statements of changes of equity included in our unaudited condensed consolidated interim financial statements. For discussion, please refer to *Part 2 – Review of Consolidated Financial Results – Equity* beginning on page 16.

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 THREE MONTHS ENDED MAR. 31 (THOUSANDS)	2022	2021
Outstanding at beginning of period.....	7,093	9,056
Issued (repurchased)		
Repurchases.....	(1,451)	(38)
Share-based compensation.....	-	19
Outstanding at end of period.....	5,642	9,037
Total diluted shares at end of period.....	5,642	9,037

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. Total Common Shares purchased and cancelled under this current NCIB up to March 31, 2022 was 170,156 at an average cost, excluding commissions, of \$6.85 per Common Share.

On June 16, 2021, the Corporation announced a substantial issuer bid (the “**First Offer**”), pursuant to which the Corporation offered to purchase for cancellation up to 1,800,000 of its outstanding Common Shares at a purchase price of \$5.50 per Common Share in cash for an aggregate purchase price not to exceed \$9.9 million. On July 27, 2021, the Corporation purchased and subsequently cancelled 559,854 Common Shares pursuant to the First Offer for total consideration of \$3.1 million, excluding fees and expenses related to the First Offer totaling \$0.2 million.

On November 9, 2021, the Corporation announced a substantial issuer bid (the “**Second Offer**”), pursuant to which the Corporation offered to purchase for cancellation up to \$10 million in value of its outstanding Common Shares in cash by way of “modified Dutch auction” with a tender price range from \$6.50 to \$7.50 per Common Share. On December 23, 2021, the Corporation purchased and subsequently cancelled 1,333,333 Common Shares pursuant to the Second Offer at a purchase price of \$7.50 per Common Share, for total consideration of \$10.0 million, excluding fees and expenses related to the Second Offer totaling \$0.1 million.

On January 24, 2022, the Corporation announced a substantial issuer bid (the “**Third Offer**”), pursuant to which the Corporation offered to purchase for cancellation up to 1,330,000 of its outstanding Common Shares at a purchase price of \$7.50 per Common Share in cash for an aggregate purchase price not to exceed \$10.0 million. On March 8, 2022, the Corporation purchased and subsequently cancelled 1,330,000 Common Shares pursuant to the Third Offer for total consideration of \$10.0 million, excluding fees and expenses related to the Third Offer totaling \$0.1 million.

Effective April 13, 2022, the Corporation renewed its NCIB to purchase for cancellation during the next 12 months up to 280,000 Common Shares, representing approximately 5.0% of the issued and outstanding Common Shares at March 31, 2022.

In the three months ended March 31, 2022, the Corporation issued nil Common Shares to employees as a result of vesting of restricted share units (2021 – 18,951 Common Shares).

In the three months ended March 31, 2022, a total of 1,450,556 Common Shares were purchased for cancellation (2021 – 38,030 Common Shares).

The total number of Common Shares outstanding at March 31, 2022 was 5,642,546 (December 31, 2021 – 7,093,102; May 10, 2022 – 5,642,546).

LIQUIDITY

Liquidity and Capital Resources

The Corporation defines working capital as total current assets less total current liabilities. As at March 31, 2022, the Corporation had working capital of \$4.0 million, \$13.4 million of committed capital available to Crown Power Fund from parties other than Crown, and an undrawn balance of \$9.0 million in respect of the Crown Credit Facility, which is subject to the adherence of customary financial covenant restrictions. In addition to the availability of these resources, management has taken precautionary measures to further bolster the Corporation's liquidity by actively managing any liquidity risk through the active monitoring of budgeted and projected results and cash requirements.

The uncalled committed capital available to Crown Power Fund may only be used to support the financing requirements of Crown Power Fund.

Working capital at March 31, 2022 was \$4.0 million compared with \$2.5 million as at December 31, 2021, with the increase during the period related primarily to an increase in the current portion of investments that was funded by advances on the Crown Credit Facility.

A mortgage payable of \$9.2 million in relation to PBC has a maturity date of July 1, 2022. The Corporation is in the process of negotiating a refinancing of this mortgage and expects to complete a refinancing transaction prior to the maturity date of the existing mortgage.

At March 31, 2022, \$19.5 million (59%) of the \$32.9 million committed to Crown Power Fund to that date by limited partners other than Crown has been drawn by Crown Power Fund, leaving \$13.4 million of committed capital available to Crown Power Fund from parties other than Crown. As at March 31, 2022, 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 or formerly 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, 2022 and March 31, 2021.

	2022			2021	
	Units Subscribed by CCFC	Capital Commitment	Uncalled Capital Commitment	Uncalled Capital Commitment	
Crown Partners Fund.....	76,869	\$ 61,495	\$ 15,374	\$ 14,945	
CCF IV Investment LP.....	3,270	2,600	654	470	
Crown Power Fund.....	25,000	25,000	10,195	6,492	
Total.....			\$ 26,223	\$ 21,907	

AS AT MAR. 31
(THOUSANDS, EXCEPT UNITS)

As the manager of Crown Power Fund, Crown controls the timing and level of funding requirements in relation to its capital commitments to this fund. The investment period of each of Crown Partners Fund and CCF IV Investment LP expired on December 31, 2021, and the assets of these funds will be managed down with a view to dissolving the funds in an orderly fashion prior to the end of their terms on September 30, 2025. After the December 31, 2021 expiration of the investment period of these funds, additional committed capital may be called but only to the extent required for certain purposes including to cover operating deficits and, to a maximum of 20% of committed capital, to make follow-on investments. We do not expect any future funding requirements in respect of Crown's uncalled capital commitments to Crown Partners Fund and CCF IV Investment LP.

Other Unfunded Commitments

As at March 31, 2022, Crown Power Fund had committed to contracts valued at \$27.8 million in relation to the construction of power generation assets, of which \$12.0 million was funded and included in property and equipment under development and related deposits, \$4.4 million was funded and included in property and equipment, and \$11.4 million was unfunded, of which \$6.5 million was attributable to non-controlling interests.

Through WireIE Inc., the Corporation had \$0.6 million in backhaul commitments relating to its use of broadband network infrastructure as at March 31, 2022. The Corporation, through Galaxy, has an aggregate commitment with respect to its use of broadband network infrastructure of \$3.5 million as at March 31, 2022.

The Corporation has provided guarantees of the financial obligations of Go Direct America Inc. and Go Direct Global Inc. in respect of the lease of logistics facilities in Groveport, Ohio and Calgary, Alberta, respectively. The Groveport lease has a 63-month term, commenced in April 2022 and represents an aggregate commitment over its term of USD \$6.7 million in respect of base rent payments. The Calgary lease has an 84-month term, will commence in June 2022, and represents an aggregate commitment over its term of \$3.2 million in respect of base rent payments. These guarantees were provided in relation to the Corporation's plan to acquire an equity interest in Go Direct Global Inc., the parent company of Go Direct America Inc.

The Corporation has guaranteed the repayment of loans by a third-party financial institution pursuant to its executive share purchase plan to participants in this plan ("**Share Purchase Plan Participants**") which totaled \$1.6 million as at March 31, 2022 (December 31, 2021 - \$1.7 million), and which are secured by Common Shares owned by Share Purchase Plan Participants with a value of \$3.2 million as at March 31, 2022 (December 31, 2021 - \$3.0 million).

Subsequent to March 31, 2022, the Corporation, through CNP, entered into surety bonds totaling \$163.5 million. These bonds are security agreements necessary to support CNP's participation as an internet service provider under the *Ontario Connects: Accelerated High Speed Internet Program*, through which the maximum subsidy available to CNP is approximately \$150.0 million.

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	
	2022	2021
Operating activities.....	(612)	7,116
Investing activities.....	(3,455)	1,559
Financing activities.....	(429)	(6,275)
Increase (decrease) in cash and cash equivalents.....	<u>\$ (4,496)</u>	<u>\$ 2,400</u>

Operating Activities

Cash used in operations totaled \$0.6 million in the three months ended March 31, 2022 compared with cash provided by operations of \$7.1 million in the three months ended March 31, 2021. The \$7.7 million variance compared with the prior-year period was due primarily to a net increase in non-cash working capital, an increase in income taxes paid and the derecognition of Crown Partners Fund as a subsidiary in July 2021, which were partially offset by proceeds received from the repayment of the lease earn-out note receivable in the current-year period.

Investing Activities

Cash used in investing activities totaled \$3.5 million in the three months ended March 31, 2022 compared with cash provided by investing activities of \$1.6 million in the three months ended March 31, 2021. The variance compared with the prior-year period was due primarily to the derecognition of Crown Partners Fund, for which proceeds from loan repayments and the sale of equity securities were included in the prior-year period, as well as to increases in additions to investments and to property and equipment and related deposits compared with the prior-year period.

Financing Activities

Cash used in financing activities totaled \$0.4 million in the three months ended March 31, 2022 compared with \$6.3 million in the three months ended March 31, 2021. The primary financing-related uses of cash in the three months ended March 31, 2022 included share repurchases and payments of lease obligations, which were largely offset by advances in respect of credit facilities.

PART 5 – ACCOUNTING POLICIES AND INTERNAL CONTROLS

ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Overview

This MD&A of the consolidated operating and financial performance of the Corporation for the three months ended March 31, 2022 is prepared as of May 10, 2022. This discussion is the responsibility of management and should be read in conjunction with the Corporation's March 31, 2022 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.

Critical Estimates and Accounting Policies

The preparation of the unaudited 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 unaudited condensed consolidated interim financial statements for the three months ended March 31, 2022 are included in the following notes in those financial statements:

- Note 5 – Investments;
- Note 7 – Investment in Crown Partners Fund;
- Note 8 – Network services contracts;
- Note 9 – Property and equipment; and
- Note 10 – Property and equipment under development and related deposits.

Additional information about critical estimates and accounting policies can be found in the Corporation's 2021 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as those terms are defined in National Instrument 52-109 - *Certification of Disclosure in Issuers’ Annual and Interim Filings*. The CEO and CFO have designed, or caused to be designed under their direct supervision, Crown’s DC&P to provide reasonable assurance that:

- material information relating to Crown, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and
- information required to be disclosed in the annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported on a timely basis.

Management has limited the scope of design of its disclosure controls and procedures and its ICFR to exclude the controls, policies and procedures of PBC, of which Crown acquired a 100% interest on April 15, 2021 and Lumbermens, of which Crown acquired a 100% interest on May 6, 2021. The total aggregate assets acquired and total aggregate liabilities assumed at closing represented approximately 12.7% and 14.6% of total consolidated assets and total consolidated liabilities, respectively, as at March 31, 2022. The impact of the acquisitions on consolidated net income attributable to Shareholders for the three months ended March 31, 2022 was a net loss of \$(0.02) million. Management is committed to removing this limitation within the timeframe permitted by regulation. During the three months ended March 31, 2022, management removed the scope limitation in respect of PSCC, of which Crown acquired a 100% interest on March 1, 2021.

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, 2022 that have materially affected, or are reasonably likely to materially affect, Crown’s ICFR.

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.

A risk that is common among our associate Crown Partners Fund, Crown Private Credit Fund, Crown Power Fund and Network Services businesses is credit 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 and its investment in Crown Partners Fund. Most of the debt instruments held directly by the Corporation and by Crown Private Credit Fund, and indirectly through its associate Crown Partners Fund, 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. 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 our associate Crown Partners Fund is credit risk, being the potential inability of one or more of its portfolio companies to meet their debt obligations to Crown Partners Fund. Through its ownership of equity and equity-related securities, Crown Partners Fund is also exposed to market price risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. A reduction in the value of the debt and/or equity-related investments held by Crown Partners Fund would reduce the value of both components of Crown's investment in associate, represented by its limited partnership and general partnership interests in Crown Partners Fund, and could reduce the level of distributions received by Crown in the future from Crown Partners Fund.

The primary risk factor for Crown Power Fund is credit risk, being the potential inability of counterparties to long-term power supply contracts to meet their obligations to Crown Power Fund. Crown Power Fund is also exposed to the risk that project development advances provided to Operating Partners might not be appropriately applied to project development costs and that any resultant amounts owing to Crown Power Fund might not be recoverable.

In the short term, a risk to revenues and to cash provided by operating activities of the Corporation is that all financing clients of our associate Crown Partners Fund repay their loans at an accelerated pace such that the revenues of Crown Partners Fund drop significantly and, as a result, income distributions paid by Crown Partners Fund to Crown also drop significantly.

The primary risk factor for Network Services businesses is contract cancellation risk, being the risk that an above-normal level of existing term contracts is not renewed and extended at maturity and that existing month-to-month contracts are canceled at an above-normal pace. To the extent that the level of network services revenue added through the establishment of new customer contracts does not sufficiently offset the impact of contract cancellations on network services revenue, the resulting reduction of operating leverage could negatively impact contribution of Network Services businesses to the consolidated net income of the Corporation.

A related risk factor for WireIE 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.

The construction of network infrastructure in underserved communities by Community Network Partners will introduce risks in relation to potential delays and/or cost overruns in respect of securing necessary materials and staff and in completing construction, any of which might negatively impact project returns. Project returns might also be negatively impacted if Community Network Partners fails to achieve planned levels of customer subscription for service upon completion of such projects, or if the pace of achieving such subscriptions is slower than planned.

The primary risk factors in connection with the Corporation's real estate investments are market price risk in respect of real estate asset valuations, refinancing risk in respect of mortgages payable, and estimation risk in respect of management's cash flow forecasts used in the determination of the carrying value of the lease earn-out note receivable. Investment in the development of real estate properties under development in Barrie and Stoney Creek will introduce risks in relation to the permitting and construction of these property developments, including potential delays or other issues in obtaining necessary building permits, and delays and/or cost overruns in respect of securing building materials and completing construction.

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 mortgages payable. 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.

The Corporation's investments, revenue and expenses are denominated primarily in Canadian currency such that there is limited exposure to currency risk. Through our investment in Crown Partners Fund, we are indirectly exposed to a limited degree of currency risk to the extent that the underlying operations of Crown Partners Fund's investee companies may be dependent on revenues or exposed to costs denominated in foreign currencies.

See *Note 6 – Financial risk management* in the Corporation's December 31, 2021 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, distributions payable to non-controlling interests, investments, lease earn-out note receivable, net investment in leased distributed power equipment, accounts payable and accrued liabilities, deferred compensation, network services vendor note payable, contingent consideration, mortgages payable, credit facilities and convertible debentures – liability component.

The fair value of the lease earn-out note receivable is measured based on expected cash flows, which considers the expected future payments, net of expected costs. The fair value of the net investment in leased distributed power equipment approximates its carrying value due to the market interest rates on the leases.

The Corporation, through its subsidiary Crown Private Credit Fund, holds investments in debt securities, comprised of loans to PenEquity and Mill Street, which are measured at amortized cost and at FVTPL, respectively, and directly holds a loan investment in a Canadian private company which is measured at amortized cost and an equity security which is measured at FVTPL. The carrying value of loan investments 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 Canadian debt security at FVTPL is valued based on the estimated recoverable value and the Canadian equity security is valued based on its transaction price.

For loans carried by our associate Crown Partners Fund at FVTPL, 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 carrying value of loans at amortized cost held by Crown Partners Fund is net of an allowance for credit losses. In respect of the carrying value of investments held by Crown Partners Fund, which impacts the carrying value of the Corporation's investment in Crown Partners Fund, the determination of associated fair values and expected credit losses reflects the estimation of management of the investment manager of Crown Partners Fund, CPCP.

Contingent consideration in relation to the Galaxy acquisition is valued using the discounted present value of aggregate expected cash flows in excess of prescribed percentages of cumulative earnings and revenues arising from the Corporation's investment in Galaxy. 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 fair value of the portion of the mortgages payable that bear variable rates of interest approximates its carrying value due to the variable rate of interest applicable to the portion of this instrument. The fair value of the portion of the mortgages payable that bear fixed rates of interest is equal to the gross contractual amounts payable. The fair value of the Crown Credit Facility approximates its carrying value due to the variable rate of interest applicable to this instrument.

The fair value of the convertible debenture – liability component as at March 31, 2022 is \$19.8 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.

Additional information about financial instruments and associated risks can be found in *Risk Factors* and in the Corporation's 2021 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 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 prepayment and/or realization of the investments of Crown Private Credit and Crown Partners Fund;
- the alternative financial market and the general economy;
- the performance of financing clients;
- the effect of delays between the repayment of loans and of capital distributions from Crown Partners Fund 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 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 ability to refinance mortgage loans on terms acceptable to the Corporation, or to repay them, as they become due;
- the effect of the early repayment of loans and of an accelerated pace of capital distribution from Crown Partners Fund on anticipated revenue;
- 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, Galaxy and Lumbermens;
- 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 Corporation's ability to secure debt financing on terms acceptable to the Corporation (or obtaining debt financing); and
- the vesting of 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.

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.

PART 7 – 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.

NON-IFRS MEASURES

Adjusted Funds from Operations, Corporate Capitalization, and Capitalization at Our Share are not recognized measures under IFRS and are, therefore, defined below:

Adjusted Funds from Operations

Crown defines Adjusted Funds from Operations as earnings attributable to 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;
- certain 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 and network services 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.

A reconciliation of income (loss) before income taxes to Adjusted Funds from Operations for the three months ended March 31, 2022 and March 31, 2021 is shown in the following table:

FOR THE THREE MONTHS ENDED MAR. 31 (THOUSANDS)	2022	2021
Income (loss) before income taxes attributable to Shareholders	\$ (3,507)	\$ 1,336
Adjustments for amounts attributable to Shareholders in relation to: ¹		
Finance costs.....	576	1,231
Depreciation expense, net of lease payments on right-of-use assets.....	622	540
Subtotal - Earnings (loss) attributable to Shareholders before income, finance costs and depreciation expense, net of lease payments on right-of-use assets.....	(2,309)	3,107
Adjustments for amounts attributable to Shareholders in relation to: ¹		
Non-cash share-based compensation.....	165	50
Share of losses of Crown Partners Fund attributable to limited partnership interest.....	1,964	-
Income distributions from Crown Partners Fund.....	764	-
Net unrealized investment losses.....	300	223
Provision for credit losses.....	23	553
Amortization component of interest revenue on loans carried at amortized cost.....	-	(88)
Network services fees received on customer contracts but not included in contractual network services revenue.....	-	752
Amortization component of network services revenue.....	(115)	(132)
Adjusted Funds from Operations	\$ 792	\$ 4,465

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

The following table provides a quarterly reconciliation of income (loss) before income taxes to Adjusted Funds from Operations for the period from April 1, 2020 to March 31, 2022.

FOR THE PERIODS ENDED (THOUSANDS)	2022		2021		2020			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Income (loss) before income taxes attributable to Shareholders.....	\$ (3,507)	\$ 881	\$ 529	\$ (365)	\$ 1,336	\$ (2,368)	\$ (10,875)	\$ (1,878)
Adjustments for amounts attributable to Shareholders in relation to: ²								
Finance costs.....	576	564	670	1,100	1,231	1,246	1,258	1,302
Depreciation expense, net of lease payments on right-of-use assets.....	622	624	646	552	540	1,189	681	711
Subtotal - Earnings (loss) attributable to Shareholders before income taxes, finance costs and depreciation expense, net of lease payments on right-of-use assets.....	(2,309)	2,069	1,845	1,287	3,107	67	(8,936)	135
Adjustments for amounts attributable to Shareholders in relation to: ²								
Non-cash share-based compensation.....	165	126	(1,019)	423	50	243	394	93
Asset impairment expense.....	-	674	2,212	71	-	1,951	178	320
Share of losses (earnings) of Crown Partners Fund attributable to limited partnership interest.....	1,964	(1,554)	(1,616)	-	-	-	-	-
Income distributions from Crown Partners Fund.....	764	1,401	1,071	-	-	-	-	-
Gain on acquisition.....	-	-	-	(73)	-	-	-	-
Net unrealized investment (gains) losses.....	300	-	-	1,076	223	230	(694)	(979)
Provision for credit losses (recovery).....	23	(80)	19	679	553	224	11,147	3,909
Finance fees received in investments carried at amortized cost but not included in fees and other income.....	-	-	-	-	-	105	-	46
Amortization component of interest revenue on loans carried at amortized cost.....	-	-	-	(85)	(88)	(229)	(116)	(103)
Network services fees received on customer contracts but not included in contractual network services revenue.....	-	4	78	53	752	437	444	199
Amortization component of network services revenue.....	(115)	(125)	(131)	(203)	(132)	(73)	(62)	(39)
Adjusted Funds from Operations.....	\$ 792	\$ 2,515	\$ 2,459	\$ 3,228	\$ 4,465	\$ 2,955	\$ 2,355	\$ 3,581

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.

Corporate Capitalization is a non-IFRS measure and reflects our issued and outstanding Convertible Debentures and Common Shares and the amount of debt and other liabilities of the Corporation excluding non-controlling interests and amounts in relation to its subsidiaries. We use this measure to provide insight regarding the components of our corporate-level capitalization, which assists us in making financial risk management decisions at the Corporation. This will differ from our consolidated leverage to the extent that liabilities have been recognized in respect of our subsidiaries.

A reconciliation of consolidated liabilities and equity to Corporate Capitalization is provided below:

AS AT MAR. 31, 2022 AND DEC. 31, 2021 (THOUSANDS)	2022	2021
Total consolidated liabilities and equity.....	130,260	140,115
Less: Liabilities of subsidiaries		
Accounts payable and accrued liabilities.....	(7,814)	(10,359)
Lease obligations.....	(1,471)	(1,746)
Mortgages payable.....	(9,150)	(12,450)
Non-controlling interests.....	(18,740)	(18,796)
Corporate Capitalization.....	93,085	96,764

Our Share of Capitalization 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 Our Share of Capitalization to make financial risk management decisions at the Corporation.

A reconciliation of consolidated liabilities and equity to Our Share of Capitalization is provided below:

AS AT MAR. 31, 2022 AND DEC. 31, 2021 (THOUSANDS)	2022	2021
Total consolidated liabilities and equity.....	130,260	140,115
Less: non-controlling interests' share of liabilities		
Accounts payable and accrued liabilities.....	(134)	(140)
Distributions payable to non-controlling interests.....	(197)	-
Non-controlling interests.....	(18,740)	(18,796)
Total capitalization at our share.....	111,189	121,179

GLOSSARY OF TERMS

The below summarizes certain terms relating to our business that are made throughout the MD&A.

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:

- “**CCF III**” Crown Capital Fund III Management Inc.
- “**CCF IV Investment LP**” – Crown Capital Fund IV Investment, LP
- “**CCFC**” – Crown Capital Funding Corporation
- “**Community Network Partners**” – Community Network Partners 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
- “**CPCP**” – Crown Private Credit Partners Inc.
- “**Galaxy**” – Galaxy Broadband Communications, Inc.
- “**Go Direct Global**” – Go Direct Global Inc.
- “**Lumbermens**” – Lumbermens Credit Group Ltd.
- “**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
- “**PBC**” – PRC Barrie Corp. and Penady (North Barrie) Limited, collectively
- “**PSCC**” – PRC Stoney Creek Corp. and Penady (Stoney Creek) Ltd., collectively
- “**WireIE**” – WireIE Holdings International Inc.
- “**WireIE Canada**” – WireIE (Canada) Inc.
- “**WireIE Inc.**” – WireIE Inc.