



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018**

## Management's Discussion and Analysis

The following Management's Discussion and Analysis ("**MD&A**") of the consolidated operating and financial performance of Crown Capital Partners Inc. ("**Crown**" or the "**Corporation**") for the three and nine months ended September 30, 2018 is prepared as of November 6, 2018. This discussion is the responsibility of management and should be read in conjunction with the Corporation's September 30, 2018 condensed consolidated interim financial statements and the notes thereto, prepared in accordance with International Financial Reporting Standards ("**IFRS**"), and other public filings available on SEDAR at www.sedar.com. The board of directors of the Corporation has approved this MD&A. All amounts herein are expressed in Canadian dollars unless otherwise indicated. See "Forward-Looking Statements".

## References

Throughout this MD&A, the following operating companies, limited partnerships, portfolio companies and their respective subsidiaries will be referenced as follows:

- "**Active**" – Active Exhaust Corp.
- "**Baylin**" – Baylin Technologies Inc.
- "**BGO**" – Bill Gosling Outsourcing Holding Corp.
- "**Canadian Helicopters**" – Canadian Helicopters Limited
- "**CCF III**" – Crown Capital Fund III Management Inc.
- "**CCF IV Investment LP**" – Crown Capital Fund IV Investment, LP
- "**CCFC**" – Crown Capital Funding Corporation
- "**Crown Partners Fund**" – Crown Capital Partner Funding, LP, formerly Crown Capital Fund IV, LP
- "**Crown Power Fund**" – Crown Capital Power Limited Partnership
- "**Crown Power GP**" – 10824356 Canada Inc.
- "**Crown Private Credit Fund**" – Crown Capital Private Credit Fund, LP
- "**Data Communications**" – Data Communications Management Corporation
- "**Ferus**" – Ferus Inc.
- "**Marquee**" – Marquee Energy Ltd.
- "**Medicare**" – Medicare Inc.
- "**Mill Street**" – Mill Street & Co. Inc.
- "**NCOF II**" – Norrep Credit Opportunities Fund II, LP
- "**NCOF II Parallel**" – Norrep Credit Opportunities Fund II (Parallel), LP
- "**NCOF Funds**" – NCOF II and NCOF II Parallel collectively
- "**NCOF LP**" – Norrep Credit Opportunities Fund, LP
- "**PenEquity**" – PenEquity Realty Corporation
- "**Persta**" – Persta Resources Inc.
- "**Petrowest**" – Petrowest Corporation
- "**RBee**" – RBee Aggregate Consulting Ltd.
- "**Solo**" – Solo Liquor Holdings Limited
- "**Source**" – Source Energy Services Canada
- "**Touchstone**" – Touchstone Exploration Inc.
- "**Triple Five**" – Triple Five Intercontinental Group Ltd.
- "**WireIE**" – WireIE (Canada) Inc.

## Highlights of the Three Months Ended September 30, 2018

During the three months ended September 30, 2018:

- Crown earned net income and comprehensive income attributable to shareholders of the Corporation (“**Shareholders**”) of \$1.8 million (September 30, 2017 - \$1.1 million);
- On September 4, 2018, Crown Partners Fund announced an agreement to provide a \$15 million first-lien loan to Triple Five with a 36-month term and a fixed interest rate of 10.5% per annum as well as a royalty to Crown Partners Fund based on Triple Five’s gross sales;
- On July 1, 2018, an amended and restated limited partnership agreement for Crown Partners Fund came into effect resulting in an increase in the maximum size of the fund from \$300 million to \$500 million and an extension of the investment period from September 2018 to December 31, 2019 with provisions to further extend the investment period with the approval of limited partners;
- On July 13, 2018, Crown Partners Fund received subscriptions for an additional 75,000 limited partnership units (“**Units**”) at \$1,000 per Unit, increasing the total capital committed to Crown Partners Fund from \$225.0 million to \$300.0 million. Crown, through its wholly-owned subsidiary CCFC, subscribed for an additional 29,090 Units which increased its total commitment to Crown Partners Fund, including its existing commitment to CCF IV Investment LP, to \$111.3 million (September 30, 2017 - \$82.3 million) and increased its effective interest in Crown Partners Fund to 37.1% (September 30, 2017 – 36.5%). Of this commitment, \$82.3 million had been contributed as of September 30, 2018; and
- On August 7, 2018, Crown announced a quarterly dividend of \$0.15 per common share of the Corporation (“**Common Share**”) payable on August 31, 2018 to Shareholders of record on August 17, 2018.

## Subsequent Event

Subsequent to September 30, 2018:

- On November 6, 2018, Crown announced a quarterly dividend of \$0.15 per Common Share payable on November 30, 2018 to Shareholders of record on November 16, 2018.

## Overall Performance

Total assets increased to \$288.2 million at September 30, 2018 from \$229.1 million at December 31, 2017, including an increase in the carrying value of investments to \$264.9 million from \$181.3 million resulting from net new investment activity that was funded primarily by \$27.1 million of contributions to Crown Partners Fund from non-controlling interests, \$18.7 million net proceeds from the issuance of convertible unsecured convertible debentures (“**Convertible Debentures**”), \$20.0 million of net advances from the Corporation’s senior secured revolving credit facility (the “**Credit Facility**”) and a decrease in cash and cash equivalents to \$8.5 million from \$41.1 million. Total equity remained consistent at \$103.9 million at

September 30, 2018 compared with \$104.4 million at December 31, 2017, with reductions related to dividends declared, share repurchases and the adoption of IFRS 9 on January 1, 2018 offset by increases relating to net income, the issuance of convertible debentures and share-based compensation.

Total revenues in the three and nine months ended September 30, 2018 were \$7.9 million and \$22.3 million, respectively, compared to \$5.6 million and \$20.1 million, respectively in the three and nine months ended September 30, 2017. Interest revenue on investments increased to \$7.2 million and \$19.0 million, respectively, in the three and nine months ended September 30, 2018 compared to \$4.8 million and \$14.8 million, respectively, in the three and nine months ended September 30, 2017, primarily due to increased lending activity of Crown Partners Fund, partially offset by the dissolution of NCOF II in June 2017. For the nine months ended September 30, 2018, the year-over-year increases in interest revenue and in the net gain / (loss) on investments more than offset a decrease in fees and other income following the adoption of IFRS 9 and the inclusion of a \$1.0 million performance fee distribution in the prior-year period.

Fees and other income for the three and nine months ended September 30, 2018 were \$0.2 million and \$2.0 million, respectively, consistent with \$0.1 million for the comparable three-month period in 2017, and lower than \$3.7 million for the nine months ended September 30, 2017, reflecting the differences in accounting policy under International Accounting Standards 39 "*Financial Instruments: Recognition and Measurement*" ("**IAS 39**") in 2017 compared with IFRS 9 in 2018. Under IFRS 9, fees earned in relation to the origination of new loans carried at amortized cost are deferred and amortized into interest revenue calculated using the effective interest rate method. Fees deferred in this manner totaled \$0.6 million and \$2.2 million, respectively, in the three and nine months ended September 30, 2018. For the nine months ended September 30, 2018, the sum of fees and other income included in revenues and deferred finance fees earned on loans carried at amortized cost was \$4.2 million, higher than fees and other income of \$3.7 million included in revenues for the nine months ended September 30, 2017.

For the three and nine months ended September 30, 2018, the net gain/(loss) on investments was \$0.5 million and \$1.2 million, respectively, compared to \$0.6 million and \$0.5 million, respectively, in the three and nine months ended September 30, 2017. The net realized gain from investments of \$0.2 million for the nine-month period ended September 30, 2018 relates to the final repayment of the Petrowest loan. The primary contributor to the net unrealized gain on investments of \$0.5 million for the three months ended September 30, 2018 was an increase in the fair value of the Baylin warrants. The net unrealized gain on investments of \$1.2 million for the nine months ended September 30, 2018 is comprised primarily of increases in the fair value of the Baylin warrants and in the fair value of the Touchstone royalty investment in relation to a one-year contract extension negotiated in the second quarter of 2018.

Expenses in the three and nine months ended September 30, 2018 were \$2.3 million and \$6.7 million, respectively, compared with \$1.5 million and \$6.2 million, respectively, in the three and nine months ended September 30, 2017. The increases compared with the comparable periods in 2017 are due to a combination of start-up costs in relation to Crown Power Fund, a change in the timing of accruals for annual staff bonuses and higher finance costs resulting from a higher average level of outstanding debt. For the nine months ended September 30, 2018, the increase in total expenses was partially offset by the inclusion in the prior-year period of a performance bonus expense of \$0.8 million associated with a \$1.0 million performance fee distribution included in revenues of the same period.

In the three and nine months ended September 30, 2018, net income and comprehensive income attributable to Shareholders was \$1.8 million and \$4.7 million respectively, compared with \$1.1 million and \$4.6 million, respectively, in the three and nine months ended September 30, 2017. Compared with the comparable prior-year period, net income and comprehensive income attributable to Shareholders in the three months ended September 30, 2018 was higher due primarily to a higher level of interest income resulting from an increase in the level of investments, partially offset by a higher level of finance costs due to a higher average level of outstanding debt, a higher accrual in relation to annual staff bonuses and higher professional fees incurred in relation to both new investments and the start-up of Crown Power Fund.

Compared with the comparable prior-year period, net income and comprehensive income attributable to Shareholders in the nine months ended September 30, 2018 remained consistent, with a higher level of interest income resulting from an increase in the level of investments and a higher net gain on investments offset by the incurrence of \$0.2 million of start-up costs in relation to Crown Power Fund, a higher level of finance costs due to a higher average level of outstanding debt, a decrease in fees and other income following the adoption of IFRS 9, the inclusion of a \$0.2 million net performance fee distribution in the prior-year period and a higher accrual in relation to annual staff bonuses.

Transition restricted share units issued in connection with the initial public offering of the Corporation in July 2015 vested on July 9, 2018, contributing to a 1.7% increase in common shares outstanding as at September 30, 2018 compared with June 30, 2018 and, in turn, to a (2.2)% decrease in book value per share over the same period.

Crown consolidates 100% of its approximate 37.1% effective interest in Crown Partners Fund (35.0% between January 1, 2017 and June 30, 2017; 36.5% between July 1, 2017 and September 30, 2017) and its 100% interest in Crown Private Credit Fund and reflects the interests of other investors in these funds as non-controlling interests. The NCOF Funds were dissolved on June 30, 2017. Prior to its dissolution, Crown consolidated 100% of its approximate 69.75% interest in NCOF II. Crown holds its interests in Crown Partners Fund and Crown Private Credit Fund through CCFC, a 100%-owned subsidiary. Crown's 100%-owned subsidiary CCF III is the general partner and manager of NCOF LP.

Crown also consolidates its 100% interest in Crown Power Fund and its 100% interest in Crown Power GP, the general partner of Crown Power Fund. Crown Power Fund was formed and Crown Power GP was incorporated effective June 8, 2018.

The financial results of the Corporation as at and for the three and nine months ended September 30, 2018 discussed in this MD&A include the results of operations of CCFC, NCOF II (to date of dissolution), Crown Partners Fund, Crown Private Credit Fund, Crown Power Fund and CCF III.

## **Business Overview**

Crown is a specialty finance company focused on providing capital to successful Canadian companies and select U.S. companies seeking alternative financing solutions compared to those provided by traditional capital providers such as banks and private equity funds. Crown also manages capital pools, including some in which Crown has an ownership interest. Crown originates, structures and provides tailored special situation and long-term financing solutions to a diversified group of private and public mid-market

companies in the form of loans, royalties, and other structures with minimal or no ownership dilution. These financing solutions allow business owners to retain the vast majority of the economic rewards associated with the ownership of their respective businesses.

Crown's revenue sources include interest revenue, transaction fees and realized and unrealized gains on investments made by its consolidated investment funds - NCOF II (until its dissolution on June 30, 2017), Crown Partners Fund and Crown Private Credit Fund - and management and performance fees as the fund manager of NCOF LP and NCOF II Parallel (until its dissolution on June 30, 2017).

Crown has historically offered special situations financing solutions to businesses for transitory capital requirements, generally in the form of short- and medium-term senior or subordinated loans, indirectly through a variety of funding arrangements ("**Special Situations Financing**").

Crown also deploys its capital through its wholly-owned subsidiary, Crown Private Credit Fund, to clients seeking non-dilutive, long-term capital, generally in the form of traditional interest-bearing loans and royalties ("**Long-Term Financing**").

Crown is also deploying capital through its wholly-owned subsidiary, Crown Power Fund, an investment fund established in June 2018 to invest directly in integrated energy platforms that provide electricity under long-term contracts to mid- to large-scale electricity users ("**Distributed Power**"). As at September 30, 2018, Crown Power Fund has advanced \$6.4 million to suppliers and contractors and incurred start-up costs in relation to the construction of integrated energy platforms that are not yet operational.

Crown, which was founded by Crown Life Insurance Company and owned by it until 2002, completed an initial public offering ("**IPO**") in 2015 for gross proceeds of \$65 million. The Common Shares began trading on the Toronto Stock Exchange on July 9, 2015 and trade under the symbol TSX:CRWN.

## Portfolio at September 30, 2018

At September 30, 2018, Crown held ownership interests in 16 loans.

Borrower	Loan Principal Amount Outstanding at December 31, 2017 <sup>(1)</sup>	Loan Principal Amount Outstanding at September 30, 2018 <sup>(1)</sup>	Attributable at September 30, 2018 to:		Status
			Shareholders	Non-controlling interests	
<b>Special Situations Financing transactions</b>					
Petrowest	\$6,826,905	N/A	N/A	N/A	N/A
BGO <sup>3</sup>	\$15,000,000	\$15,000,000	\$5,565,793	\$9,434,207	Current
Touchstone <sup>2</sup>	\$15,000,000	\$15,000,000	\$5,565,793	\$9,434,207	Current
Source <sup>3</sup>	\$12,428,000	\$12,428,000	\$4,611,445	\$7,816,555	Current
Solo <sup>3</sup>	\$15,000,000	\$15,000,000	\$5,565,793	\$9,434,207	Current
Marquee <sup>2</sup>	\$30,000,000	\$30,000,000	\$11,131,585	\$18,868,415	Current
Ferus <sup>2</sup>	\$25,000,000	\$25,000,000	\$9,276,321	\$15,723,679	Current
RBee <sup>2, 4</sup>	\$18,173,095	\$17,414,343	\$6,461,642	\$10,952,701	Current
Active <sup>3</sup>	\$7,000,000	\$7,000,000	\$2,597,370	\$4,402,630	Current
Canadian Helicopters <sup>3</sup>	\$8,000,000	\$8,000,000	\$2,968,423	\$5,031,577	Current
Baylin <sup>2, 5</sup>	N/A	\$30,000,000	\$11,131,585	\$18,868,415	Current
Data Communications <sup>2</sup>	N/A	\$12,000,000	\$4,452,634	\$7,547,366	Current
Persta <sup>2</sup>	N/A	\$20,000,000	\$7,421,057	\$12,578,943	Current
Triple Five <sup>2</sup>	N/A	\$15,000,000	\$5,565,793	\$9,434,207	Current
<b>Long-Term Financing transactions</b>					
PenEquity <sup>2</sup>	\$25,000,000	\$25,000,000	\$25,000,000	Nil	Current
Mill Street <sup>3</sup>	N/A	\$10,000,000	\$10,000,000	Nil	Current
WireIE <sup>2</sup>	N/A	\$6,318,794	\$6,318,794	Nil	Current

Notes: (1) Loan principal amounts represent the Corporation's interest in the par value of each loan. For all loans, only the amounts attributable to Shareholders and non-controlling interests are included in the Corporation's September 30, 2018 condensed consolidated interim financial statements. The pro rata portions held by co-investors, if any, are excluded. (2) As at September 30, 2018, the loan component of this investment is carried at amortized cost. (3) As at September 30, 2018, the loan component of this investment is carried at FVTPL. (4) The total size of the RBee loan as at September 30, 2018 was \$18.8 million, of which \$1.4 million was held by a third party. (5) The total size of the Baylin loan was \$33 million of which \$3 million was syndicated in equal parts to two third parties.

Following the adoption of IFRS 9 effective January 1, 2018, the Corporation measures some of its debt investments at amortized cost and others at fair value through profit and loss ("FVTPL"). Crown's business model generally involves holding debt investments with the objective of collecting contractual cash flows

to maturity rather than holding to sell. The Corporation is therefore required to assess the contractual terms of the cash flows to determine appropriate classification and measurement of its debt investments. Debt investments that give rise to cash flows that are solely payments of principal and interest are carried at amortized cost. Debt investments that give rise to cash flows that are other than solely payments of principal and interest (e.g., debt investments with contractual bonus interest payments) are carried at FVTPL. The current classification of each debt investment in the Corporation's investment portfolio is indicated in the above table. For periods prior to January 1, 2018, all investments were measured at FVTPL.

In addition to the above loans, at September 30, 2018, Crown Partners Fund held ownership interests in 450,000 Medicare common share purchase warrants, 116,059 Source common shares, 37,500,000 Marquee common share purchase warrants, 620,456 Baylin common share purchase warrants, 960,000 Data Communications common share purchase warrants, 8,000,000 million Persta common share purchase warrants, warrants to acquire common shares of Ferus and Wire IE at nominal cost, a 50% common equity stake in RBee with nominal fair value, a royalty agreement with a maturity date of October 31, 2022 entitling it to payment of 1% of Touchstone's gross revenue from production, and a royalty agreement with a maturity date of August 31, 2021 entitling it to payment of 1% of Triple Five's gross revenue from production.

### ***Loan Risk Rating***

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

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

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

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

### ***Portfolio Company Updates***

The following tables set forth certain summary information in respect of loans held by Crown as at September 30, 2018. The information contained in the rows entitled "Business Description" and "Business Overview" has been developed from information provided by the applicable borrower. See "Forward-Looking Statements", "Market and Industry Data" and "Risk Factors".

## Special Situations Financings

Bill Gosling Outsourcing Holding Corp.																																							
<b>Business Description:</b>	Founded in 1955 and headquartered in Newmarket, Ontario, BGO is a privately-owned global provider of call center solutions to blue chip and emerging high-growth clients. It operates eight offices in Canada, the U.S., the U.K. and the Philippines and employs approximately 2,000 full time equivalents.																																						
<b>Business Overview:</b>	BGO provides outsourced call centre services including customer sales and acquisition, customer care, accounts receivable management and business process outsourcing. BGO designs specific customer engagement programs for its clients to improve customer experience. Crown Partners Fund advanced a \$15 million term loan on May 25, 2016 to fund a refinancing.																																						
<b>Industry:</b>	Business Process Outsourcing																																						
<b>Capital Investment:</b>	\$15 million																																						
<b>Investment Date:</b>	May 25, 2016																																						
<b>Term:</b>	60 months																																						
<b>Interest Rate:</b>	Not disclosed																																						
<b>Bonus / Participation:</b>	Share of increase in enterprise value from date of loan to repayment																																						
<p><b>Loan Risk Rating</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Rating</th> </tr> </thead> <tbody> <tr><td>Inception</td><td>3.0</td></tr> <tr><td>2016 Q2</td><td>3.0</td></tr> <tr><td>2016 Q3</td><td>3.0</td></tr> <tr><td>2016 Q4</td><td>3.0</td></tr> <tr><td>2017 Q1</td><td>3.0</td></tr> <tr><td>2017 Q2</td><td>3.0</td></tr> <tr><td>2017 Q3</td><td>3.0</td></tr> <tr><td>2017 Q4</td><td>3.0</td></tr> <tr><td>2018 Q1</td><td>3.0</td></tr> <tr><td>2018 Q2</td><td>3.0</td></tr> <tr><td>2018 Q3</td><td>3.0</td></tr> <tr><td>2019 Q4</td><td>-</td></tr> <tr><td>2020 Q1</td><td>-</td></tr> <tr><td>2020 Q2</td><td>-</td></tr> <tr><td>2020 Q3</td><td>-</td></tr> <tr><td>2020 Q4</td><td>-</td></tr> <tr><td>2021 Q1</td><td>-</td></tr> <tr><td>2021 Q2</td><td>-</td></tr> </tbody> </table>		Year	Rating	Inception	3.0	2016 Q2	3.0	2016 Q3	3.0	2016 Q4	3.0	2017 Q1	3.0	2017 Q2	3.0	2017 Q3	3.0	2017 Q4	3.0	2018 Q1	3.0	2018 Q2	3.0	2018 Q3	3.0	2019 Q4	-	2020 Q1	-	2020 Q2	-	2020 Q3	-	2020 Q4	-	2021 Q1	-	2021 Q2	-
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2020 Q4	-																																						
2021 Q1	-																																						
2021 Q2	-																																						
Touchstone Exploration Inc.																																							
<b>Business Description:</b>	Headquartered in Calgary, Alberta, Touchstone (TSX:TXP) is a publicly-traded company engaged in the exploration, development, and production of petroleum and natural gas. Touchstone's primary focus is onshore properties located in the Republic of Trinidad and Tobago including over 95,000 gross acres of exploration and development rights.																																						
<b>Business Overview:</b>	Touchstone reported net revenue of \$8.9 million and EBITDA of \$4.2 million for the three months ending June 30, 2018. On a trailing twelve-month basis ending June 30, 2018, Touchstone reported revenue of \$29.7 million and EBITDA of \$10.7 million. For the three months ended June 30, 2018, Touchstone reported average oil production of 1,717 barrels per day at a realized price of US\$61.79 per barrel, an increase of 11.3% and 4.6%, respectively, compared to the prior quarter.																																						
<b>Industry:</b>	Oil and Gas																																						
<b>Capital Investment:</b>	\$15 million																																						
<b>Investment Date:</b>	November 23, 2016																																						
<b>Term:</b>	72 months (extended from 60)																																						
<b>Interest Rate:</b>	8%																																						
<b>Bonus / Participation:</b>	Royalty of 1% of gross revenue from production until October 31, 2022																																						
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2019 Q3	2.5																																						
2019 Q4	-																																						
2020 Q1	-																																						
2020 Q2	-																																						
2020 Q3	-																																						
2020 Q4	-																																						
2021 Q1	-																																						
2021 Q2	-																																						

## Source Energy Services

**Business Description:** Headquartered in Calgary, Alberta, Source (TSX: SHLE) is the leading provider of frac sand to the Western Canadian Sedimentary Basin. Source is vertically integrated, owning a sand mine in Wisconsin, seven transload terminals in Canada, and two transload terminals in the United States. On April 13, 2017, Source completed an initial public offering, raising gross proceeds of \$175 million.

**Business Overview:** Source reported revenue of \$123.4 million and adjusted EBITDA of \$16.9 million for the three months ending September 30, 2018. On a trailing twelve-month basis ending September 30, 2018, Source reported revenue of \$436 million and adjusted EBITDA of \$75.3 million. On October 4, 2018, Source announced sand volume of 726,000 metric tonnes for the three months ending September 30, 2018, bringing nine-month year-to-date volume to 2,182,000 metric tonnes.

**Industry:** Energy Services

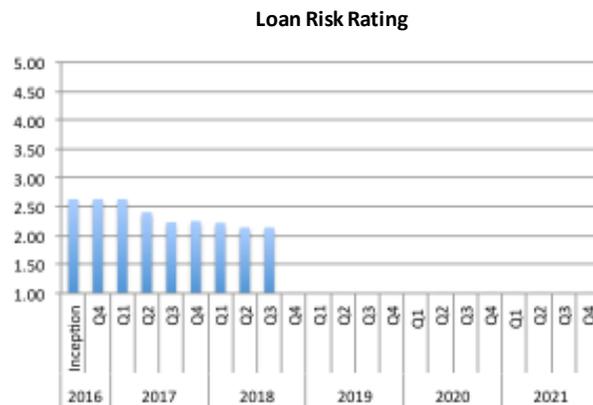
**Capital Investment:** \$12.4 million of Senior Secured First Lien Notes (original investment \$15 million)

**Investment Date:** December 8, 2016

**Term:** 60 months

**Interest Rate:** 10.5%

**Bonus / Participation:** 116,059 common shares



## Solo Liquor Holdings Limited

**Business Description:** Solo is a Calgary, Alberta-based, privately-owned company engaged in the retail sale of liquor. As at September 30, 2018, Solo had 63 retail liquor stores operating in Alberta.

**Business Overview:** Solo commenced operations in 1996 and has steadily built out its store network. Solo has achieved commercial success by opening stores in high traffic areas, offering a wide range of products, operating with extended hours and maintaining every day low prices. Increased competitive pressure and a decline in liquor sales in the Alberta market have resulted in some store sales weakness over the past several months. In addition, the expansion of the store network has resulted in a material number of stores that have not yet reached the profitability of more mature stores. The combination of the above factors has impacted the operating performance of the business and increased the risk rating in recent quarters.

**Industry:** Retail

**Capital Investment:** \$15 million

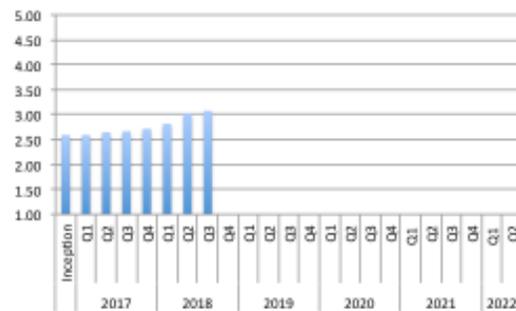
**Investment Date:** February 24, 2017

**Term:** 36 months

**Interest Rate:** Not disclosed

**Bonus / Participation:** Share of increase in enterprise value from date of loan to repayment

**Loan Risk Rating**



**Marquee Energy Ltd.**

**Business Description:** Headquartered in Calgary, Alberta, Marquee (TSXV:MQX) is a publicly traded company engaged in acquiring interests in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas. Marquee’s core operation is located in Alberta’s Michichi area, which contributes approximately 90% of corporate production.

**Business Overview:** Marquee reported net revenue of \$8.6 million and EBITDA of \$(0.1) million for the three months ending June 30, 2018. On a trailing twelve-month basis ending June 30, 2018, Marquee reported net revenue of \$29.6 million and EBITDA of \$5.3 million. For the three months ended June 30, 2018, production averaged 3,159 boe/d, an increase from 2,768 boe/d in the prior quarter, consisting of approximately 53% of oil and liquids. On September 13, 2018 Marquee announced a plan of arrangement with Prairie Provident Resources Inc. ("Prairie Provident"), whereby Marquee shareholders will receive 0.0886 of a Prairie Provident common share for each Marquee share. The exchange ratio translates to \$0.037 per Marquee common share or a 24% premium to Marquee's closing price on September 12, 2018. Upon successful closure of this acquisition, Prairie Provident has announced its intention to repay this loan and to issue \$1.5 million equivalent of Prairie Provident shares to Crown Partners Fund as a fee for early repayment.

**Industry:** Oil and Gas

**Capital Investment:** \$30 million

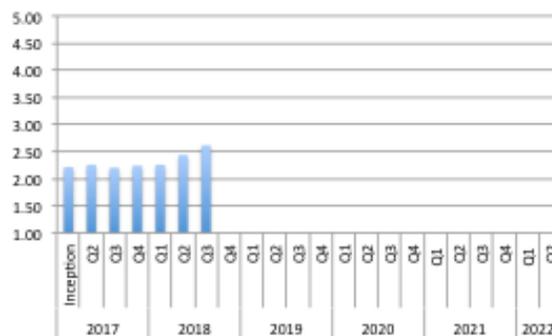
**Investment Date:** May 30, 2017

**Term:** 60 months

**Interest Rate:** 10%

**Bonus / Participation:** 37,500,000 common share purchase warrants

**Loan Risk Rating**



**Ferus Inc.**

**Business Description:** Headquartered in Calgary, Alberta, Ferus is the leading provider of industrial gases to the energy sector in the Western Canadian Sedimentary Basin with an approximate market share of 50% in the Montney resource play. As an integrated supplier of nitrogen and carbon dioxide for the energized fracturing industry, Ferus owns and operates numerous production plants, tractor-trailer units, and fixed and portable storage units.

**Business Overview:** Energized hydraulic fracturing involves the use of cryogenic products (N2 and CO2) to increase energy content and reduce water use in well fracturing. The benefits of energized fracking include superior hydrocarbon recovery, reduced chemical and water requirements and decreased water disposal costs. Energized fracturing is primarily used in low-pressure reservoirs, low permeability reservoirs and areas where water availability and disposal are problematic. Ferus’ logistics fleet, consisting of approximately 55 tractors and 80 bulk transport trailers, is designed to meet the demanding off-road requirements of the oil and gas industry.

**Industry:** Energy Services

**Capital Investment:** \$25 million

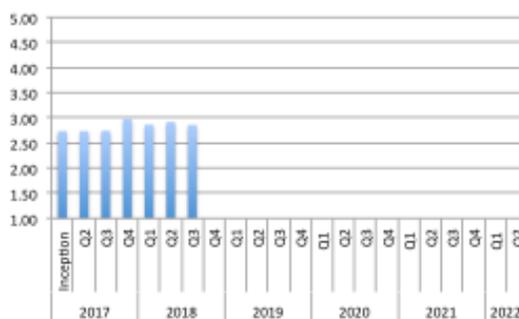
**Investment Date:** June 27, 2017

**Term:** 60 months

**Interest Rate:** Not disclosed

**Bonus / Participation:** Nominal cost share purchase warrants

**Loan Risk Rating**



### RBee Aggregate Consulting Ltd.

**Business Description:** Headquartered in Gibbons, Alberta, RBee has one of the largest mobile crushing fleets in Western Canada, producing roughly 5 million tonnes of crushed aggregate per year. With over 35 years of experience, previously operating as RBee Crushing, RBee offers its expertise to municipal and provincial governments, independent gravel pit owners and both private and public companies. RBee is 50%-owned by each of the management of RBee and a lending syndicate comprised of Crown Partners Fund (approximate interest in RBee of 46.3%) and a syndicate partner (approximate interest in RBee of 3.7%).

**Business Overview:** RBee acquired the assets of Petrowest's Civil division effective November 1, 2017 for total consideration of \$29.5 million, including the assumption of approximately \$18.8 million (Crown Partners Fund interest - \$17.4 million) of loans made by Crown Partners Fund and its syndicate partner with the balance funded by third-party bank debt.

**Industry:** Diversified

**Capital Investment:** \$17.4 million

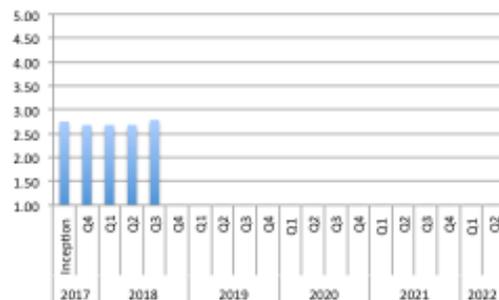
**Investment Date:** November 1, 2017

**Term:** Payable on demand

**Interest Rate:** Not disclosed

**Bonus / Participation:** 46.3% common equity interest

**Loan Risk Rating**



### Active Exhaust Corp.

**Business Description:** Headquartered in Toronto, Ontario, Active is a manufacturer of complete exhaust systems and components for major global original equipment manufacturers ("OEMs") operating in the off-road equipment sector. Active has a 180,000 square foot manufacturing facility in Toronto as well as manufacturing operations in China and India through majority-owned joint ventures.

**Business Overview:** For over 50 years, Active has designed and manufactured industry leading exhaust systems, ranging from standard mufflers to custom-engineered exhaust and emission solutions to meet environmental demands. Active sells its products to leading OEMs in four primary categories: agriculture, commercial turf care, construction, and ATV/utility vehicles. Crown Partners Fund advanced a \$7 million term loan on December 21, 2017 to fund a minority shareholder buyout by the CEO and majority shareholder.

**Industry:** Manufacturing

**Capital Investment:** \$7 million

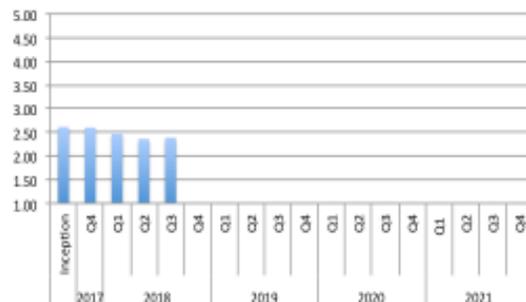
**Investment Date:** December 21, 2017

**Term:** 66 months

**Interest Rate:** Not disclosed

**Bonus / Participation:** Share of increase in enterprise value from date of loan to repayment

**Loan Risk Rating**



**Canadian Helicopters Limited**

**Business Description:** Headquartered in Montreal, Quebec, Canadian Helicopters is the largest helicopter transportation services company operating in Canada with a network of 25 strategically located bases capable of providing operations in every geographical region in Canada. Canadian Helicopters operates over 90 light, medium, and heavy lift helicopters and, in addition to charter services, provides flight training and helicopter repair & maintenance services.

**Business Overview:** Canadian Helicopters provides helicopter transportation services to a diverse array of clients including onshore and offshore oil and gas, military support, mineral exploration, hydro/utilities, forest management, construction, air ambulance, and search & rescue. Crown Partners Fund advanced an \$8 million term loan on December 27, 2017 as partial funding of a management buyout led by the CEO of Canadian Helicopters.

**Industry:** Transportation

**Capital Investment:** \$8 million

**Investment Date:** December 27, 2017

**Term:** 60 months

**Interest Rate:** 10%

**Bonus / Participation:** Share of increase in enterprise value from date of loan to repayment



### Baylin Technologies Inc.

**Business Description:** Headquartered in Toronto, Ontario, Baylin is a publicly traded (TSX:BYL) global technology company engaged in the research, development, manufacture and sale of a range of antennas and communications solutions for the mobile, networking and wireless infrastructure markets. Baylin offers a portfolio of leading off-the-shelf antenna products as well as custom engineered solutions to meet the specifications for its customers' mobile, networking and wireless infrastructure needs.

**Business Overview:** On January 17, 2018 Crown announced the closing of a \$33.0 million term loan to Baylin, of which Crown Partners Fund advanced \$30.0 million and two of Crown Partners Fund's institutional limited partners advanced a total of \$3.0 million. Baylin used proceeds of this term loan to acquire the radio frequency, terrestrial microwave and antenna equipment divisions of Advantech Wireless Inc. and its affiliates ("Advantech"). Baylin reported revenue of \$32.6 million and adjusted EBITDA of \$3.4 million for the three months ending June 30, 2018. On a trailing twelve-month basis ending June 30, 2018, Baylin reported revenue of \$113.5 million and adjusted EBITDA of \$13.9 million.

**Industry:** Technology

**Capital Investment:** \$30 million

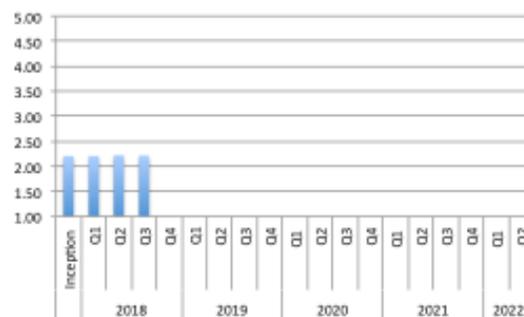
**Investment Date:** January 17, 2018

**Term:** 60 months

**Interest Rate:** 9%

**Bonus / Participation:** 620,456 warrants

**Loan Risk Rating**



### Data Communications Management Corporation

**Business Description:** Headquartered in Brampton, Ontario, Data Communications (TSX:DCM) is the largest integrated business communications solutions provider in Canada, with clients in key verticals such as financial services, retail, healthcare, lottery and gaming, not-for-profit, and energy.

**Business Overview:** Data Communications' core service offering includes commercial print services, labels and asset tracking, event tickets and gift cards, logistics and fulfillment, direct marketing, content and workflow management, data management and analytics, and regulatory communications. Crown Partners Fund advanced a \$12 million term loan on May 8, 2018 to refinance debt and fund the acquisition of Perennial Group, which specializes in marketing communications.

**Industry:** Print & Marketing Services

**Capital Investment:** \$12 million

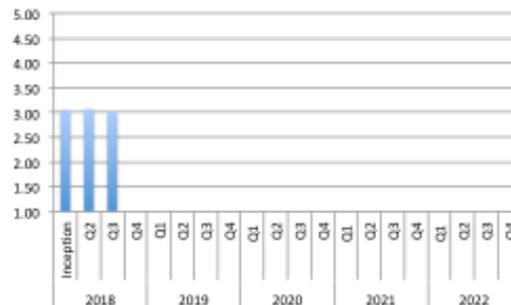
**Investment Date:** May 8, 2018

**Term:** 60 months

**Interest Rate:** 10%

**Bonus / Participation:** 960,000 warrants

**Loan Risk Rating**



**Persta Resources Inc.**

**Business Description:** Headquartered in Calgary, Alberta, Persta is a publicly listed (HKEX: stock code 3395) company engaged in the business of acquiring interests in petroleum and natural gas rights, and in the exploration, development, production and sale of petroleum and natural gas. Persta was founded in 2005 and was one of the first oil and gas companies to target the Spirit River/Wilrich zones in the Alberta foothills.

**Business Overview:** Persta reported net revenue of \$4 million and EBITDA of \$1.6 million for the three months ending June 30, 2018. On a trailing twelve-month basis ending June 30, 2018, Persta reported net revenue of \$17.7 million and EBITDA of \$6.9 million. For the six months ended June 30, 2018, production averaged 2,605 boe/d, a decrease from 3,354 boe/d in the six months ended June 30, 2017. Persta has been restricting production over the past twelve months due to low realized natural gas prices and has been producing at volumes primarily covered by existing natural gas price hedging contracts.

**Industry:** Oil and Gas

**Capital Investment:** \$20 million<sup>1</sup>

**Investment Date:** May 15, 2018

**Term:** 60 months

**Interest Rate:** 12%

**Bonus / Participation:** 8,000,000 warrants



Note 1: Crown Partners Fund's total commitment to Persta is \$25 million, of which \$20 million had been advanced as at September 30, 2018.

**Triple Five Intercontinental Group Ltd.**

**Business Description:** Headquartered in Calgary, Alberta, Triple Five is engaged in acquiring interests in petroleum and natural gas rights, and the exploration, development, production and sale of petroleum and natural gas. Triple Five’s core operation is located in Alberta’s Sunchild First Nation Reserve in west central Alberta, where the Company has a 100% working interest in 20 contiguous sections of land (approximately 12,800 net acres). All of the production is from the Spirit River zone (Falher A and B).

**Business Overview:** The Sunchild First Nation Reserve is located in the Deep Basin fairway in Alberta. The Deep Basin has produced some of the most prolific natural gas wells in the Western Canadian Sedimentary Basin over the past few years. The area surrounding the Sunchild First Nation is controlled by several high profile oil and gas companies in Alberta including Bellatrix, Cenovus, TAQA, Peyto, Westbrick and Vermillion. Crown Partners Fund advanced a \$15 million term loan on August 31, 2018 to fund a refinancing and drilling capital expenditures.

**Industry:** Oil and Gas

**Capital Investment:** \$15 million

**Investment Date:** August 31, 2018

**Term:** 36 months

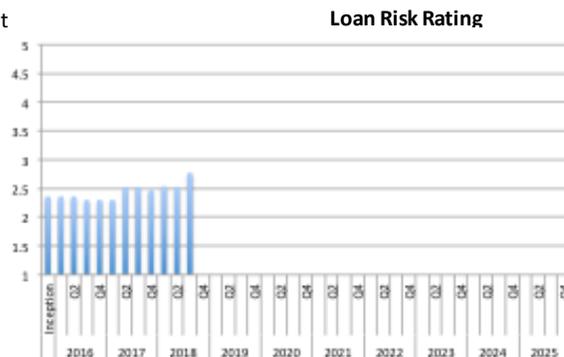
**Interest Rate:** 10.5%

**Bonus / Participation:** Royalty of 1% of gross revenue from production until August 31, 2021



Long-Term Financing

PenEquity Realty Corporation	
<b>Business Description:</b>	Founded in 1984 and headquartered in Toronto, Ontario, PenEquity is a privately-owned property management and real estate development company, operating primarily in the retail sector with a focus on grocery-anchored retail plazas. Over the past three decades, PenEquity completed over 23 development projects. PenEquity has established strong relationships with partners and key tenants and has been successful in attracting large, high-quality, financially-stable tenants.
<b>Business Overview:</b>	PenEquity currently has a portfolio of six development projects in its pipeline, which are primarily grocery-anchored community retail plazas. Two of the projects are in Barrie, with the others in Stoney Creek, Brampton, London and Kanata. PenEquity expects to develop and realize on these projects over the next five years. The Barrie projects continue to progress towards final completion. Stoney Creek construction commenced in the second quarter of 2017 and London pre-construction leasing is underway. Delays with various site plan approvals have resulted in corresponding delays in the receipt of development revenue by as much as six months on certain projects.
<b>Industry:</b>	Real Estate Development
<b>Capital Investment:</b>	\$25 million
<b>Investment Date:</b>	December 16, 2015
<b>Term:</b>	120 months
<b>Interest Rate:</b>	Not disclosed
<b>Bonus / Participation:</b>	None



**Mill Street & Co. Inc.**

**Business Description:** Headquartered in Thornhill, Ontario, Mill Street is a diversified investment company that has majority ownership stakes in nine operating companies across four industry platforms: construction services, building supply, wholesale & logistics, and financial services. Mill Street was founded in 2013.

**Business Overview:** Mill Street's core value proposition to an entrepreneur is to provide them with both a succession plan and liquidity by acquiring up to 100% of their business. Mill Street seeks to acquire controlling interests in operating companies and will regularly structure transactions resulting in vendors retaining equity positions of approximately 20%, which serves to keep them engaged in their businesses post-acquisition to ensure successful transitions.

**Industry:** Diversified

**Capital Investment:** \$10 million

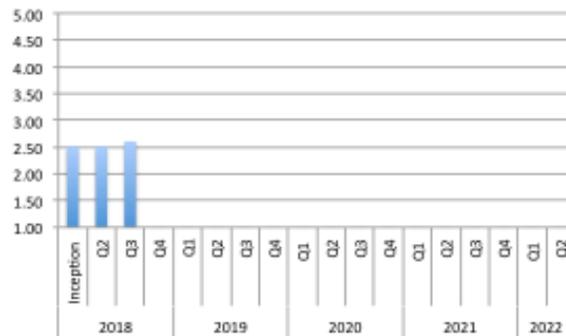
**Investment Date:** May 16, 2018

**Term:** 120 months

**Interest Rate:** 5-year Govt. of Canada yield plus 10% (12% minimum)

**Bonus / Participation:** Share of increase in equity value from date of loan to repayment

**Loan Risk Rating**



WireE (Canada) Inc.	
<b>Business Description:</b>	Headquartered in Richmond Hill, Ontario, WireE is a telecom infrastructure company that specializes in the deployment and management of carrier-grade telecom services across Canada, and internationally, to under-served communities in rural and remote areas. WireE builds, owns, and operates data networks for its blue chip customers in the telecom carrier, oil and gas, utility, and government industries. Individual network circuits are contracted to customers for between one to four years with contracts structured to provide fixed monthly payments.
<b>Business Overview:</b>	WireE was founded in 2007 and has grown exponentially over the last five years, driven by higher connectivity requirements for individuals and businesses worldwide. Since inception, WireE has developed 160,000 miles of network interfacing for under-served markets, providing end users with secure, high quality reliable networks typically found only in densely populated areas with existing infrastructure.
<b>Industry:</b>	Telecom Infrastructure
<b>Capital Investment:</b>	\$6.3 million <sup>1</sup>
<b>Investment Date:</b>	May 23, 2018
<b>Term:</b>	120 months
<b>Interest Rate:</b>	Not disclosed
<b>Bonus / Participation:</b>	Share of increase in enterprise value from date of loan to repayment

**Loan Risk Rating**

Quarter	Rating
Inception	2.5
Q2 2018	2.5
Q3 2018	2.5
Q4 2018	0.0
Q1 2019	0.0
Q2 2019	0.0
Q3 2019	0.0
Q4 2019	0.0
Q1 2020	0.0
Q2 2020	0.0
Q3 2020	0.0
Q4 2020	0.0
Q1 2021	0.0
Q2 2021	0.0
Q3 2021	0.0
Q4 2021	0.0
Q1 2022	0.0
Q2 2022	0.0
Q3 2022	0.0

Note 1: Crown's total commitment to WireE is \$10 million, of which \$6.3mm had been advanced as at September 30, 2018.

All of the above loans, except the Touchstone, RBee, Triple Five, PenEquity, Mill Street and WireE loans, are payable by way of a single payment due at the end of the term. Principal payments on the Touchstone loan commence on January 1, 2020 in the amount of \$810,000 per quarter. The RBee loan is payable upon demand. Principal repayments on the Triple Five loan commence on March 1, 2019 in the amount of \$350,000 per month. Principal payments on the Mill Street loan commence on May 1, 2023 in the amount of \$100,000 per month. Principal payments on the WireE loan are payable monthly and are variable based on the levels of residual cash flow, after deducting certain operating costs in respect of underlying customer contracts and interest payments in respect of the loan, generated by underlying customer contracts.

### Outlook

Management continues to place a high priority on new originations of Special Situations Financing, on building out assets in Crown Power Fund and on securing additional third-party funding commitments to help finance additional investment in each of these two segments. As the Corporation's capital is being focused primarily on investment in these two areas, it intends to place less emphasis on sourcing Long-Term Financing transactions. Market conditions for deploying capital in Crown's market segments are

currently favorable and the pipeline of potential transactions in each of the Special Situations and Distributed Power markets is strong.

Crown is focused on segments of the market where there is an ongoing funding gap. This gap is more pronounced during periods in the cycle when many traditional capital providers pull back. As Crown continues to execute its plan and to deploy capital in new originations, it expects to generate growing cash flow and build long-term value for Shareholders.

Considering the Corporation's working capital, the \$49.2 million of committed capital available to Crown Partners Fund from parties other than Crown, and the undrawn balance of the Credit Facility, at September 30, 2018, the Corporation had access to up to approximately \$78.0 million to fund additional investments.

### Quarterly Results Summary

The following table provides selected quarterly information about the Corporation's financial condition and performance for the period from October 1, 2016 to September 30, 2018.

Quarterly Results Summary (In \$000s except per share amounts and number of shares)	Three Months Ended							
	September 30 2018 <sup>1</sup>	June 30 2018 <sup>1</sup>	March 31 2018 <sup>1</sup>	December 31 2017	September 30 2017	June 30 2017	March 31 2017	December 31 2016
Revenue:								
Interest revenue	\$ 7,170	\$ 6,274	\$ 5,563	\$ 5,487	\$ 4,816	\$ 5,623	\$ 4,385	\$ 3,589
Fees and other income	208	1,636	199	1,888	141	3,080	526	2,225
Performance fee distributions	-	-	-	-	-	1,044	-	-
Net realized gain/(loss) on sale of investments	-	222	-	1,144	(1,086)	2,733	553	-
Net change in unrealized gains in fair value of investments	542	902	(458)	417	1,731	(4,765)	1,292	(397)
Total revenue	\$ 7,920	\$ 9,034	\$ 5,304	\$ 8,936	\$ 5,602	\$ 7,715	\$ 6,756	\$ 5,417
Total comprehensive income, net of non-controlling interests	\$ 1,808	\$ 1,970	\$ 900	\$ 2,112	\$ 1,113	\$ 1,767	\$ 1,744	\$ 877
Weighted average shares outstanding - basic	9,597,456	9,467,790	9,496,786	9,520,611	9,538,188	9,519,598	9,521,354	9,504,362
Total comprehensive income per share - basic	\$ 0.19	\$ 0.21	\$ 0.09	\$ 0.22	\$ 0.12	\$ 0.19	\$ 0.18	\$ 0.09
Weighted average shares outstanding - diluted	9,734,031	9,839,266	9,858,898	9,837,088	9,848,924	9,853,463	9,839,188	9,674,272
Total comprehensive income per share - diluted	\$ 0.19	\$ 0.20	\$ 0.09	\$ 0.21	\$ 0.11	\$ 0.18	\$ 0.18	\$ 0.09
Investments	\$ 264,923	\$ 242,954	\$ 208,289	\$ 181,302	\$ 194,742	\$ 194,096	\$ 172,180	\$ 158,951
Total assets	\$ 288,176	\$ 277,686	\$ 225,159	\$ 229,050	\$ 216,284	\$ 222,445	\$ 198,964	\$ 182,375
Total equity	\$ 103,896	\$ 104,314	\$ 103,166	\$ 104,449	\$ 103,492	\$ 103,376	\$ 102,412	\$ 101,519
Shares outstanding at the end of the period	9,624,855	9,461,372	9,484,167	9,510,017	9,540,575	9,517,432	9,523,590	9,514,759
Total equity per share - basic	\$ 10.79	\$ 11.03	\$ 10.88	\$ 10.98	\$ 10.85	\$ 10.86	\$ 10.75	\$ 10.67

1. Results as at and for these periods reflect the adoption of IFRS 9 effective January 1, 2018, which was applied on a retrospective basis, and are therefore not comparable to the results of prior periods which were not restated.

A range of factors impact quarterly variances. Major factors affecting quarterly variances in fees and other income include new investment transactions, amendments to investment agreements, loan prepayments completed in a quarter and the adoption of IFRS 9 on January 1, 2018. The main factors affecting quarterly variances in interest revenue are completion of new investment transactions and loan repayments in a quarter. Factors affecting realized and unrealized gains and losses include changes in the fair value of loan investments caused by variations in benchmark interest rates and/or the credit status of portfolio companies as well as variations in market prices for equity securities held in the portfolio. Changes in Crown's percentage ownership interest in a fund due to additional subscriptions from Crown and/or additional subscriptions from non-controlling interests impact total comprehensive income, net of non-controlling interest.

## Discussion of Operations

### Revenues

Revenues of \$7.9 million and \$22.3 million were recognized in the three and nine months ended September 30, 2018, respectively (2017 – \$5.6 million and \$20.1 million, respectively). Revenues for the three months ended September 30, 2018 were higher than the same period in the prior year due to higher interest revenue earned by each of Crown Partners Fund and Crown Private Credit Fund resulting from a higher level of investment. For the nine months ended September 30, 2018, the year-over-year increases in interest revenue and in the net gain / (loss) on investments more than offset a decrease in fees and other income following the adoption of IFRS 9 and the inclusion of a \$1.0 million performance fee distribution from NCOF II recognized in the prior-year period.

### Fees and Other Income

Fees and other income in the three and nine months ended September 30, 2018 were \$0.2 million and \$2.0 million, respectively (2017 - \$0.1 million and \$3.7 million, respectively). The following table provides an overview of the total fees and other income attributable to Shareholders and non-controlling interests.

Fees and Other Income  (In \$000s)	Three Months Ended September 30,		Nine Months Ended September 30,		Attributable to:						
	2018	2017	2018	2017	Shareholders		Non-controlling interests				
					Three Months 2018	Nine Months 2018	Three Months 2018	Nine Months 2018			
Transaction fees and other income:											
Special Situations Financing:											
Transaction fees - Crown <sup>1,2</sup>	\$ -	\$ -	\$ 30	\$ 812	\$ -	\$ 30	100.0%	\$ -	\$ -		0.0%
Transaction fees - Crown Partners Fund <sup>1,2</sup>	-	-	-	1,975	-	-	Note 5	-	-		Note 5
Other income - Crown Partners Fund	125	74	1,460	495	46	534	Note 5	79	926		Note 5
Other income - NCOF II	-	-	-	175	-	-	N/A	-	-		N/A
Subtotal	125	74	1,490	3,457	46	564		79	926		
Long-Term Financing:											
Transaction fees - Crown Private Credit Fund <sup>1</sup>	-	-	300	-	-	300	100.0%	-	-		0.0%
Total transaction fees and other income	125	74	1,790	3,457	46	864		79	926		
Other interest income <sup>3</sup>	51	35	156	107	51	156	100.0%	-	-		0.0%
Management fee revenue <sup>4</sup>	32	32	97	183	32	97	100.0%	-	-		0.0%
Total fees and other income	\$ 208	\$ 141	\$ 2,043	\$ 3,747	\$ 129	\$ 1,117		\$ 79	\$ 926		

1. Of total transaction fees received by Crown, including Crown Partners Fund and Crown Private Credit Fund, in the three and nine months ended September 30, 2018, \$600 and \$2,205, respectively, related to investments carried at amortized cost, which were deferred and not recognized as fee income in the period.

2. Transaction fees earned by Crown Partners Fund in the three and nine months ended September 30, 2018 totaled \$300 and \$1,785, respectively, (September 30, 2017 - \$nil and \$2,787, respectively), of which \$150 and \$850, respectively, is attributable to Shareholders as syndication and management fees and \$56 and \$321 is attributable to Shareholders as a result of Crown's interest in Crown Partners Fund. Included in these transaction fees are amounts related to investments carried at amortized cost, which were deferred and not recognized as fee income in the period.

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

4. Management fee revenue excludes fees charged to NCOF II and Crown Partners Fund, which are eliminated on consolidation. Management fees charged to NCOF II and Crown Partners Fund in the three and nine months ended September 30, 2018 were \$702 and \$1,971, respectively (September 30, 2017 - \$577 and \$2,537, respectively). For the three and nine months ended September 30, 2018, management fees charged on the portion of contributed capital from non-controlling interests were \$441 and \$1,247, respectively (September 30, 2017 - \$366 and \$1,020, respectively).

5. The Corporation's interest in Crown Partners Fund increased from 36.5% to 37.1% effective July 1, 2018.

The Corporation may receive transaction fees when loans are initially made, when loans are repaid prior to maturity and in other instances, for example, for providing amendments, waivers, consents or forbearance agreements. For the three and nine months ended September 30, 2018, transaction fees and other income totaled \$0.1 million and \$1.8 million, respectively (2017 - \$0.1 million and \$3.5 million, respectively). Transaction fees and other income for the three months ended September 30, 2018 were consistent with the comparable prior year period, and for the nine months ended September 30, 2018 were lower than the comparable prior year period due primarily to the adoption of IFRS 9, which requires deferring transaction fees on investments carried at amortized cost with such fees amortized into interest

income over the terms of related loans using the effective interest rate method. In the three and nine months ended September 30, 2018, the Corporation received transaction fees totaling \$0.6 million and \$2.2 million, respectively, in relation to loans carried at amortized cost, of which \$nil and \$30,000, respectively, was recognized as fee income in the periods.

The Corporation earns investment management fees pursuant to management agreements. The base annual management fees are generally equal to 1.75% of invested capital, as defined in the limited partnership agreements, less any capital distributions and realized losses; however, Crown provides certain limited partners with management fee discounts and Crown may voluntarily reduce its management fees.

On consolidation, 100% of management fees earned from Crown Partners Fund are eliminated against the management fees expensed by Crown Partners Fund. The non-controlling interests of Crown Partners Fund incur approximately 62.9% (65% from January 1, 2017 to June 30, 2017; 63.5% from July 1, 2017 to June 30, 2018) of the management fees while Crown effectively pays itself for the other approximately 37.1% as a result of its ownership interests. Prior to the dissolution of NCOF II effective June 30, 2017, 100% of the management fees earned from NCOF II had similarly been eliminated against the management fees expensed by NCOF II. (See also Related Party Transactions)

Management fees of \$0.03 million and \$0.1 million were recognized in the three and nine months ended September 30, 2018, respectively, from NCOF LP (2017 - \$0.03 million and \$0.2 million, respectively, from NCOF LP and NCOF II Parallel). The elimination of management fees from NCOF II Parallel subsequent to its dissolution was responsible for the decline in total management fees in the three and nine months ended September 30, 2018 compared with the prior year.

Other interest income includes interest earned from savings accounts, such investments as short-term investment certificates, and share purchase loans. These amounts are included in fees and other income. For the three and nine months ended September 30, 2018, other interest income totaled \$0.05 million and \$0.2 million, respectively (2017 - \$0.03 million and \$0.1 million, respectively). Of this interest, 100% is attributable to Shareholders. Other interest income increased in the three and nine months ended September 30, 2018 due primarily to a higher average level of share purchase loans.

## Interest Revenue

The following table provides an overview of interest revenue attributable to Shareholders and the non-controlling interests.

Interest Revenue  (In \$000s)	Three Months Ended September 30,		Nine Months Ended September 30,		Attributable to:						
	2018	2017	2018	2017	Shareholders		Non-controlling interests				
					Three Months 2018	Nine Months 2018	Three Months 2018	Nine Months 2018			
Special Situations Financing:											
NCOF II	\$ -	\$ -	\$ -	\$ 1,660	\$ -	\$ -	N/A	\$ -	\$ -	N/A	
Crown Partners Fund	5,772	3,934	15,685	10,546	2,142	5,764	Note 1	3,630	9,921	Note 1	
Long-term Financing:											
Crown Private Credit Fund	1,398	882	3,322	2,618	1,398	3,322	100.0%	-	-	0.0%	
<b>Total interest revenue</b>	<b>\$ 7,170</b>	<b>\$ 4,816</b>	<b>\$ 19,007</b>	<b>\$ 14,824</b>	<b>\$ 3,540</b>	<b>\$ 9,086</b>		<b>\$ 3,630</b>	<b>\$ 9,921</b>		

1. The Corporation's interest in Crown Partners Fund increased from 36.5% to 37.1% effective July 1, 2018.

Interest revenue in the three and nine months ended September 30, 2018 was \$7.2 million and \$19.0 million, respectively (2017 - \$4.8 million and \$14.8 million, respectively). Interest revenue increased in the three and nine months ended September 30, 2018 primarily due to interest earned on additional investments made by Crown Partners Fund and Crown Private Credit Fund, partially offset, for the nine-month period, by lower interest earned from NCOF II resulting from the repayment of investments. Following the adoption of IFRS 9 effective January 1, 2018, interest revenue on loan investments carried at amortized cost is calculated using the effective interest rate method and includes an amortization component which totaled \$0.4 million and \$1.1 million, respectively, in the three and nine months ended September 30, 2018.

### Net Gain on Investments

The net gain on investments includes both net realized gains (losses) from investments and the net change in unrealized gains in the fair value of investments. Additional details are provided in the table below.

Net Gain (Loss) on Investments (In \$000s)	Three Months Ended September 30,		Nine Months Ended September 30,		Attributable to:						
	2018	2017	2018	2017	Shareholders			Non-controlling interests			
					Three Months 2018	Nine Months 2018		Three Months 2018	Nine Months 2018		
Realized gains (losses):											
Special Situations Financing:											
NCOF II	\$ -	\$ -	\$ -	\$ 1,876	\$ -	\$ -	N/A	\$ -	\$ -	N/A	
Crown Partners Fund	-	(1,086)	222	324	-	81	Note 1	-	141	Note 1	
sub-total - realized gains (losses)	-	(1,086)	222	2,200	-	81		-	141		
Unrealized gains (losses):											
Special Situations Financing:											
NCOF II	-	-	-	(1,988)	-	-	N/A	-	-	N/A	
Crown Partners Fund	416	2,088	776	280	154	286	Note 1	262	490	Note 1	
Long-term Financing:											
Crown Private Credit Fund	126	(357)	210	(34)	126	210	100.0%	-	-	0.0%	
sub-total - unrealized gains (losses)	542	1,731	986	(1,742)	280	496		262	490		
Total net gains on investments	\$ 542	\$ 645	\$ 1,208	\$ 458	\$ 280	\$ 577		\$ 262	\$ 631		

1. The Corporation's interest in Crown Partners Fund increased from 36.5% to 37.1% effective July 1, 2018.

The Corporation's net gain/(loss) on investments in the three and nine months ended September 30, 2018 totaled \$0.5 million and \$1.2 million, respectively (2017 – \$0.6 million and \$0.5 million, respectively). For the three and nine months ended September 30, 2018, \$0.3 million and \$0.6 million, respectively, was attributable to Shareholders and \$0.3 million and \$0.6 million, respectively, to non-controlling interests.

There were no realized gains/(losses) on investments in the three months ended September 30, 2018 (2017 - \$(1.1) million), and for the nine months ended September 30 2018, a realized gain of \$0.2 million (2017 – \$2.2 million) was recognized upon final repayment of the Petrowest loan.

The net change in unrealized gains in fair value of investments for the three and nine months ended September 30, 2018 was \$0.5 million and \$1.0 million, respectively (2017 - \$1.7 million and \$(1.7) million, respectively). The most significant contributors to the net change in unrealized gains in the three months ended September 30, 2018 were an increase in the fair value of the Baylin warrants, and modest increases in the fair value of several loans carried at FVTPL. In the nine months ended September 30, 2018, the primary contributors were a net gain on the Touchstone royalty as a result of extending the terms of the royalty agreements by one year and increases in the fair value of the Baylin warrants and of several loans carried at FVTPL. Following the January 1, 2018 adoption of IFRS 9, unrealized gains/(losses) are no longer recognized in relation to investments carried at amortized cost.

## ***Expenses***

Expenses in the three and nine months ended September 30, 2018 totaled \$2.3 million and \$6.7 million, respectively (2017 - \$1.5 million and \$6.2 million, respectively). Operating costs are primarily fixed with the largest cost being employee compensation, including share-based compensation, amounts accrued for annual employee bonuses and accruals for performance bonus expense.

### Salaries, management fees and benefits

Salaries, management fees and benefits expense totaled \$0.5 million and \$2.1 million in the three and nine months ended September 30, 2018 (2017 - \$0.4 million and \$1.7 million, respectively). The increase in salaries, management fees and benefits expenses in the three and nine months ended September 30, 2018 compared to the same periods in 2017 were due primarily to the timing and level of accrual for annual employee bonuses as well as to an increase in the number of employees.

### Share-based Compensation

Share-based compensation expense is recognized over the expected vesting period of each award. Share-based compensation totaled \$0.3 million in the three months ended September 30, 2018 compared with \$0.5 million in the prior year period, with the reduction due mainly to the vesting in July 2018 of Transition Restricted Share Units that had been issued in 2015. For the nine months ended September 30, 2018, share-based compensation expense of \$1.3 million (2017 - \$1.3 million) was consistent with the prior-year period.

### General and Administration

General and administration expenses totaled \$0.5 million and \$1.5 million, respectively, in the three and nine months ended September 30, 2018 (2017 – \$0.3 million and \$1.1 million, respectively). General and administration expenses include costs such as legal and audit fees, travel, promotion, occupancy costs, insurance, office administration and other costs. Compared with the prior-year periods, general and administration expenses in the three and nine months ended September 30, 2018 increased due to start-up costs related to the formation of Crown Power Fund, an increase in occupancy costs relating to a new five-year office lease arrangement and professional fees paid in relation to new investments, partially offset by lower travel expense.

### Performance Bonus Expense

The Corporation has asset performance bonus pool (“**APBP**”) arrangements for certain employees (“**APBP Participants**”). For certain investment funds managed by the Corporation, 20% of investment returns in excess of an annual rate of return of 8% earned by the fund accrue to the Corporation as performance fee distributions.

Allocation of the units of the APBP relating to Crown Partners Fund commenced in 2015 and will continue until 2023, subject to potential annual one-year extensions of the term of the fund, with 50% of performance fees recognized by the funds allocated to employees. Subject to specified fund diversification and performance hurdles, advances on account of accrued performance fees may be paid

to APBP Participants on an annual basis. Commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the limited partners in the related investment funds, all remaining accrued performance bonus amounts will be paid to APBP participants.

For the three and nine months ended September 30, 2018, Crown accrued performance bonus expense of \$0.2 million and \$0.5 million (2017 – \$0.2 million and \$1.6 million, respectively, including a \$0.8 million expense that had been recognized in conjunction with a \$1.0 million performance fee distribution from NCOF II (Parallel) in the nine months ended September 30, 2017).

#### Provision for Credit Losses

For debt investments carried at amortized cost, the Corporation determines loan-specific expected credit losses in accordance with IFRS 9 which, cumulatively, represent an allowance for credit losses that is deducted in determining the net amortized cost, and therefore the carrying value, of such loans. The provision for credit losses primarily reflects changes in the allowance for credit losses resulting from factors such as the addition or repayment of loans carried at amortized cost or revisions to the expected credit losses for existing loans carried at amortized cost. The provision for credit losses for the nine months ended September 30, 2018 of \$0.1 million relate to new loan investments carried at amortized cost.

#### Finance Costs

Finance costs totaled \$0.8 million and \$1.2 million, respectively, for the three and nine months ended September 30, 2018 (2017 - \$0.1 million and \$0.4 million, respectively), including standby fees, the amortization of deferred financing costs related to the Corporation's Credit Facility and Convertible Debentures, and current period interest accruals in relation to each of the Credit Facility and the Convertible Debentures. Interest expense in relation to the Convertible Debentures, which are measured at amortized cost, is determined using the effective interest rate method. Finance costs were higher in the three and nine months ended September 30, 2018 compared with the prior year due to higher average outstanding balances for each of the Credit Facility, for which advances were provided to the Corporation for the first time during the three months ended June 30, 2018, and the Convertible Debentures, which were issued in June 2018.

#### ***Income Taxes***

For the three and nine months ended September 30, 2018, Crown recorded current tax expense of \$0.5 million and \$1.6 million, respectively, (2017 – \$0.5 million and \$1.7 million, respectively) and deferred tax expense/(recovery) of \$0.1 million and \$0.4 million, respectively (2017 – \$(0.02) million and \$0.3 million, respectively).

The Corporation's consolidated statutory tax rate for the three and nine months ended September 30, 2018 on earnings before income taxes attributable to shareholders of the Corporation was 26.5%.

The deferred income tax asset at September 30, 2018 of \$0.5 million and deferred tax expenses for the three and nine months ended September 30, 2018 result primarily from financing costs associated with the IPO, the Credit Facility and the Convertible Debentures which are deductible for tax purposes over a

five-year period and performance bonus expenses which are not deductible for tax purposes until they are paid in future periods.

### ***Net Income and Comprehensive Income***

For the three and nine months ended September 30, 2018, Crown earned net income and comprehensive income of \$5.0 million and \$13.6 million (2017 – \$3.6 million and \$11.9 million).

### ***Net Income and Comprehensive Income Attributable to Shareholders of the Corporation and Non-controlling Interests***

For the three and nine months ended September 30, 2018, net income and comprehensive income attributable to Shareholders was \$1.8 million and \$4.7 million, respectively (2017 – \$1.1 million and \$4.6 million, respectively). Net income and comprehensive income attributable to non-controlling interests for the three and nine months ended September 30, 2018 was \$3.2 million and \$8.9 million, respectively (2017 – \$2.5 million and \$7.2 million, respectively). Net income and comprehensive income attributable to non-controlling interests reflects the proportionate interest of non-controlling interests in the net income and comprehensive income of consolidated entities, and is net of contractual management fees on the capital of non-controlling interests for the three and nine months ended September 30, 2018 of \$0.4 million and \$1.2 million, respectively (2017 - \$0.4 million and \$1.0 million, respectively), which the Shareholders are entitled to retain.

### ***Adjusted Funds from Operations***

Crown defines Adjusted EBIT as earnings before finance costs, non-cash, share-based compensation and income taxes less net income attributable to non-controlling interests. Adjusted Funds from Operations is calculated as Adjusted EBIT plus financing fees attributable to shareholders that were earned in relation to investments measured at amortized cost but not recognized in revenue of the period, less amounts attributable to shareholders in relation to unrealized gains / (losses) and the amortization component of interest revenue recognized on loans carried at amortized cost.

The Corporation has historically presented Adjusted EBIT as a supplemental measure to assist investors in assessing the financial performance of the Corporation and the cash anticipated to be generated by Crown's business. The Corporation believes that Adjusted Funds from Operations is a more useful supplemental measure in the context of Crown's specialty finance focus and the implications of the adoption of IFRS 9 on the measurement and recognition of interest income and financing fees on loans measured at amortized cost under the new standard.

Adjusted Funds from Operations in the three and nine months ended September 30, 2018 were \$3.1 million and \$9.3 million, respectively (2017 – \$1.6 million and \$9.3 million, respectively).

A reconciliation of earnings before income taxes to Adjusted EBIT and Adjusted Funds from Operations for the three- and nine-month periods ended September 30, 2018 and September 30, 2017 is shown in the following table:

Reconciliation of Earnings before Income Taxes to Adjusted EBIT and Adjusted Funds from Operations (In \$000s)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	Earnings before income taxes	\$ 5,597	\$ 4,094	\$ 15,534
Add: finance costs	768	134	1,247	422
Add: non-cash share-based compensation	(104)	252	774	996
Deduct: net income attributable to non-controlling interests	(3,176)	(2,494)	(8,889)	(7,244)
Adjusted EBIT	3,085	1,986	8,666	8,054
Add: finance fees attributable to shareholders earned on investments carried at amortized cost but not included in fee income	506	-	1,517	-
Deduct: unrealized investment (gains)/losses attributable to shareholders	(280)	(406)	(496)	1,291
Deduct: amortization component of interest revenue attributable to shareholders on loans carried at amortized cost	(171)	-	(416)	-
Adjusted Funds from Operations	\$ 3,140	\$ 1,580	\$ 9,271	\$ 9,345

Compared with the comparable prior-year period, Adjusted Funds from Operations in the three months ended September 30, 2018 was higher due primarily to higher levels of revenue attributable to shareholders, including interest revenue, finance fees earned on investments and net realized gains on investments, partially offset by higher levels of salaries, management fees and benefits, cash-settled share-based compensation and general and administration expenses.

Adjusted Funds from Operations in the nine months ended September 30, 2018 was consistent with the comparable prior-year period, with increases in the amounts attributable to shareholders from interest revenue and finance fees earned on investments offset by a combination of lower net realized gains on investments attributable to shareholders and higher levels of salaries, management fees and benefits, cash-settled share-based compensation and general and administration expenses.

Adjusted EBIT and Adjusted Funds from Operations are not measures of financial performance (nor do they have standardized meanings) under IFRS. In evaluating these measures, readers should consider that the methodology applied in calculating these measures might differ among companies and analysts.

### Liquidity and Capital Resources

Cash and cash equivalents at September 30, 2018 totaled \$8.5 million (December 31, 2017 - \$41.1 million).

Accounts receivable at September 30, 2018 totaled \$4.2 million (December 31, 2017 - \$3.0 million) and was comprised primarily of interest receivable from investments and management fees receivable from NCOF LP.

Prepaid expenses and deposits of \$5.1 million at September 30, 2018 included deposits of \$5.0 million (December 31, 2017 - \$nil) advanced to suppliers and contractors of Crown Power Fund as partial funding of power generation assets under development.

Accounts payable and accrued liabilities at September 30, 2018 of \$1.2 million (December 31, 2017 - \$1.5 million) included accrued annual employee bonuses, due diligence deposits from prospective borrowers, accrued employee salaries, accrued loan interest and standby fees and normal-course amounts due to suppliers.

Distributions payable to non-controlling interests at September 30, 2018 of \$2.8 million was in relation to a regular quarterly distribution from Crown Partners Fund, and is higher than the \$2.0 million amount payable as at December 31, 2017 as a result of an increase in the average level of invested capital of this fund contributed by non-controlling interests.

The provision for performance bonus at September 30, 2018 totaled \$2.2 million, \$0.5 million lower than \$2.7 million as at December 31, 2017 due to the payment to APBP Participants of \$1.0 million in relation to the NCOF Funds that had previously been accrued, partially offset by an increase in the provision that has accrued in relation to the performance of Crown Partners Fund.

The Corporation defines working capital as the sum of cash and cash equivalents, accounts receivable, income taxes recoverable and prepaid expenses and deposits less the sum of accounts payable and accrued liabilities, distributions payable to non-controlling interest, income taxes payable, the provision for deferred compensation and the portion of the provision for performance bonus that is payable within one year of the reporting date. Working capital at September 30, 2018 was \$13.8 million compared with \$39.7 million as at December 31, 2017, with the reduction during the period related primarily to a \$32.6 million reduction in cash and cash equivalents and a partially offsetting \$5.1 million increase in prepaid expenses and deposits.

The Corporation, on a non-consolidated basis, retains sufficient capital to ensure it meets the minimum excess working capital requirement of \$100,000 under applicable securities law.

As at September 30, 2018 Crown's aggregate unfunded commitment to Crown Partners Fund and CCF IV Investment totaled \$29.0 million. As the manager of both Crown Partners Fund and CCF IV Investment, Crown controls the timing and level of funding requirements in relation to its capital commitments to these funds.

At September 30, 2018, \$139.5 million (74%) of the \$188.7 million committed to Crown Partners Fund to that date by limited partners other than Crown had been drawn by Crown Partners Fund, leaving \$49.2 million of committed capital available to Crown Partners Fund from parties other than Crown. As at September 30, 2018, Crown Partners Fund had total committed capital of \$300.0 million and a maximum size of \$500.0 million, with the level of committed capital expected to increase prior to December 2019 through additional subscriptions as opportunities are identified to fund Special Situations Financing transactions.

As at September 30, 2018, the Corporation, through Crown Power Fund, had committed to contracts valued at \$8.2 million in relation to the construction of power generation assets, of which \$6.4 million had been advanced to suppliers and contractors, resulting in an unfunded commitment of approximately \$1.8 million. \$6.3 million of the Corporation's \$10 million funding commitment to WireE had been advanced as at September 30, 2018, resulting in an unfunded commitment of \$3.7 million at that date. Of Crown Partners Fund's \$25 million funding commitment to Persta, \$20 million had been advanced as at September 30, 2018, resulting in an unfunded commitment of \$5 million as at that date, of which \$3.1 million was attributable to non-controlling interests.

Effective June 1, 2018, Crown entered into a five-year office lease expiring on May 31, 2023 with an annualized lease payment obligation of approximately \$0.1 million and an aggregate lease payment

obligation over the term of the lease of \$0.6 million, of which \$0.6 million represented an unfunded commitment as at September 30, 2018.

On December 30, 2016, Crown entered into an agreement for a \$35.0 million, 36-month, renewable senior secured revolving credit facility with Alberta Treasury Branches and Business Development Bank of Canada which is intended to be used primarily to fund the Corporation's capital commitments to Crown Partners Fund and to fund Long-Term Financings. The balance outstanding on the Credit Facility at September 30, 2018 was \$20.0 million.

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, with a maturity date of June 30, 2023 and a conversion price of \$13.70 per Common Share. 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.

Considering the Corporation's working capital, the \$49.2 million of committed capital available to Crown Partners Fund from parties other than Crown, and the undrawn balance of the Credit Facility, at September 30, 2018, the Corporation had access to up to approximately \$78.0 million to fund additional investments.

## **Investments**

As at September 30, 2018, the Corporation held investments in 17 Canadian companies carried at an aggregate value of \$264.9 million (December 31, 2017 - \$181.3 million). Following the adoption of IFRS 9 effective January 1, 2018, the Corporation classifies its investments in debt securities to be carried at either amortized cost or FVTPL. All investments in equity securities are carried at FVTPL.

As at September 30, 2018, the Corporation held debt securities in 10 Canadian companies carried at amortized cost with an aggregate carrying value of \$186.1 million, net of an allowance for credit losses of \$0.2 million. The fair value of these debt securities as at the reporting date was \$189.2 million.

As at September 30, 2018, the Corporation held debt securities in 6 Canadian companies carried at FVTPL with an aggregate carrying value of \$68.8 million. The carrying value of other investments carried at FVTPL, including equity securities, as at June 30, 2018 was \$10.0 million.

Additional information about investments can be found in Note 4, Financial instruments in the Corporation's condensed consolidated interim financial statements for the three and nine months ended September 30, 2018.

## **Provision for Performance Bonus**

The provision for performance bonus in relation to the Corporation's obligations to APBP Participants at September 30, 2018 totaled \$2.2 million (December 31, 2017 - \$2.7 million) of which \$2.2 million (December 31, 2017 - \$1.7 million) represented the portion of performance fees related to Crown Partners Fund recognized in consolidated earnings to date that will be payable to APBP Participants commencing on the repayment of all of the invested capital and payment of a prescribed preferential return to the

limited partners of Crown Partners Fund. \$1.0 million of the provision for performance bonus as at December 31, 2017 related to the NCOF Funds and was paid to APBP Participants during the three months ended March 31, 2018.

### **Share Purchase Loans**

The Corporation has an Executive Share Purchase Plan (“**Share Purchase Plan**”) whereby the Board can approve loans to senior management (“**Share Purchase Plan Participants**”) for the purpose of purchasing the Corporation’s Common Shares in the open market. The following must be paid directly to the Corporation on behalf of Participants in repayment of interest and principal on these loans: all dividend distributions on the Common Shares, all annual performance incentive plan payments to Share Purchase Plan Participants in excess of target bonus payouts, and all proceeds from the sale of the Common Shares.

As at September 30, 2018, \$2.9 million of these loans were outstanding (December 31, 2017 – \$2.2 million), including accrued interest of \$8,789. The loans under the Share Purchase Plan bear interest at Prime (3.70% as at September 30, 2018), have a seven-year term (maturity dates: June 3, 2024 and April 2, 2025) and are personally guaranteed by Share Purchase Plan Participants. The shares are pledged as security for the loans and had a fair value of \$3.8 million as at September 30, 2018.

### **Non-Controlling Interests**

At September 30, 2018, non-controlling interests was \$139.7 million (December 31, 2017 - \$118.4 million). The increase compared to December 31, 2017 was due primarily to additional capital contributions to Crown Partners Fund by non-controlling interests to fund new investments, partially offset by the excess of distributions over net income attributable to non-controlling interests over the same period and the \$(0.9) million impact of the adoption of IFRS 9 on non-controlling interests as at January 1, 2018.

### **Share Capital**

As at September 30, 2018, total share capital was \$97.7 million (December 31, 2017 - \$96.6 million).

In the nine months ended September 30, 2018, the Corporation issued 237,318 Common Shares to employees and directors as a result of vesting of Share Units. The total value assigned to the Common Shares issued was \$2.4 million and this amount was added to share capital.

On April 8, 2016, the Corporation commenced a normal course issuer bid (“**NCIB**”) to purchase for cancellation during the next 12 months up to 620,000 Common Shares representing approximately 10% of the public float of Common Shares and approximately 6.5% of the issued and outstanding Common Shares. Under this NCIB program, which expired on April 7, 2017, Crown repurchased and canceled 23,578 Common Shares at an average cost of \$9.17 per Common Share.

On April 10, 2017, the Corporation commenced an NCIB to purchase for cancellation during the next 12 months up to 310,000 Common Shares representing approximately 4.2% of the public float of Common Shares and approximately 3.3% of the issued and outstanding Common Shares. Under this NCIB program, which subsequently expired on April 9, 2018, Crown repurchased and cancelled 50,458 Common Shares in the nine months ended September 30, 2018 at an average cost of \$9.60 per Common Share.

On April 10, 2018, the Corporation commenced an NCIB to purchase for cancellation during the next 12 months up to 300,000 Common Shares representing approximately 5.5% of the public float of Common Shares and approximately 3.2% of the issued and outstanding Common Shares. Under this NCIB program, Crown repurchased and cancelled 72,022 Common Shares in the nine months ended September 30, 2018 at an average cost of \$10.13 per Common Share.

The total number of Common Shares outstanding at September 30, 2018 was 9,624,855 (December 31, 2017 – 9,510,017; November 6, 2018 – 9,621,555).

### **Contributed Surplus**

At September 30, 2018 Crown's contributed surplus of \$1.2 million included the opening balance at January 1, 2018 of \$2.9 million plus, for the nine months ended September 30, 2018, \$1.2 million for share-based compensation expense recorded for Share Units and Stock Options outstanding during the period less \$2.4 million transferred to share capital for Share Units vested and \$0.5 million for cash-settled share-based compensation.

### **Cash Flows**

Cash and cash equivalents at September 30, 2018 totaled \$8.5 million (December 31, 2017 - \$41.1 million). In the nine months ended September, 2018, the primary sources of cash flow for the Corporation were proceeds from the issuance of Convertible Debentures, advances in relation to the Credit Facility, non-controlling interest contributions to Crown Partners Fund to fund the investments in Baylin, Data Communications, Persta and Triple Five, proceeds from the repayment of the Petrowest loan (net of non-controlling interests' share) and net income and comprehensive income in addition to fee income earned and received in the period in relation to investments carried at amortized cost but not recognized as revenue in the period due to deferral through application of the effective interest rate method. Primary uses of cash included completion of the investments in Baylin, Data Communications, Persta, Mill Street, WireE and Triple Five, distributions to non-controlling interests, dividend payments to Shareholders and vendor deposits advanced by Crown Power Fund.

On November 6, 2018, the Corporation declared a quarterly dividend of \$0.15 per Common Share. The dividend will be paid on November 30, 2018 to Shareholders of record on November 16, 2018.

### **Off-Balance Sheet Arrangements**

As at September 30, 2018 the Corporation, through CCFC, had subscribed for 107,840 Units of Crown Partners Fund. This subscription included a commitment by the Corporation to provide up to \$107.8 million to Crown Partners Fund as funds are called by Crown Partners Fund to fund new Special Situations Financing transactions. As of September 30, 2018, the Corporation had contributed capital to Crown Partners Fund totaling \$79.7 million and was committed to provide up to an additional \$28.1 million to Crown Partners Fund.

Through CCFC, the Corporation had also subscribed for 3,570 Units of CCF IV Investment LP. This subscription included a commitment by the Corporation to provide up to \$3.6 million to CCF IV Investment LP as funds are called by CCF IV Investment LP to fund its commitment to Crown Partners Fund. As of

September 30, 2018, the Corporation had contributed capital to CCF IV Investment LP totaling \$2.6 million and was committed to provide up to an additional \$1.0 million to CCF IV Investment LP.

As discussed in the *Liquidity and Capital Resources* section above, as at September 30, 2018 the Corporation had unfunded contractual commitments through Crown Power Fund of approximately \$1.8 million, \$3.7 million to WireIE and \$5 million to Persta, of which \$3.1 million was attributable to non-controlling interests. At September 30, 2018 the Corporation also had an unfunded commitment of \$0.6 million in relation to the remaining term of an office lease that will expire on May 31, 2023.

Crown has no other material off-balance sheet arrangements.

### Related Party Transactions

Pursuant to limited partnership agreements, Crown receives management fees for services provided from NCOF LP and, until its dissolution on June 30, 2017, NCOF II Parallel. During the nine months ended September 30, 2018, Crown earned management fees totaling \$97,125 from NCOF LP (2017 - \$183,700 from NCOF LP and NCOF II Parallel).

At June 30, 2018, accounts receivable included \$0.5 million due from NCOF LP (December 31, 2017 - \$0.4 million).

Pursuant to limited partnership agreements, Crown Partners Fund and, prior to its dissolution, NCOF II also pay management fees to Crown for management services provided. Management fees paid to Crown by Crown Partners Fund and, prior to its dissolution, NCOF II are eliminated on consolidation.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

The table below provides additional details of the transaction fees, management fees and performance fees included in net income and comprehensive income attributable to Shareholders of the Corporation arising from the interests of non-controlling interests as a result of Crown's role as a fund manager and the financial statement captions through which these fees are reflected in net income and comprehensive income attributable to Shareholders.

Fees Earned From Related Parties (\$ in 000s)	Three Months Ended September 30,		Nine Months Ended September 30,		Notes on Consolidation
	2018	2017	2018	2017	
Transaction fees - Crown	\$ 94	\$ -	\$ 519	\$ 812	allocated from net income to income attributable to Shareholders
Management Fees charged to NCOF LP and NCOF II (Parallel)	32	32	97	184	included in Revenue - Fees and Other Income
Performance fees related to NCOF II (Parallel)	-	-	-	1,044	included in Revenue - Performance allocation fee
Performance fees related to non-controlling interest in Crown Partners Fund	206	272	657	864	allocated from net income to income attributable to Shareholders
Performance fees related to non-controlling interest in NCOF II	-	-	-	75	allocated from net income to income attributable to Shareholders
Management fees related to non-controlling interest in Crown Partners Fund and NCOF II	442	366	1,247	1,020	allocated from net income to income attributable to Shareholders
	\$ 774	\$ 670	\$ 2,520	\$ 3,999	

## **Critical Estimates and Accounting Policies**

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

Information about judgments, assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements for the three months ended June 30, 2018 are included in the following notes in those financial statements:

- Note 3 – Significant accounting policies;
- Note 4 – Financial instruments;
- Note 6 – Share-based compensation.

Additional information about critical estimates and accounting policies can be found in the Corporation's 2017 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Current Period Changes in Accounting Policies**

IFRS 9:

On January 1, 2018, the Corporation adopted IFRS 9, which replaces the guidance in IAS 39. The Corporation applied IFRS 9 on a retrospective basis and did not restate prior period comparative consolidated financial statements, which are reported under IAS 39 and are therefore not comparable to the information presented in 2018.

The new standard brings fundamental changes to the accounting for financial assets. Whereas the Corporation's debt instruments were classified and measured at FVTPL for periods prior to January 1, 2018, the Corporation now measures some of its debt instruments at amortized cost and others at fair value. Therefore, for those debt instruments which are now classified and measured at amortized cost under IFRS 9, a transition adjustment was applied to opening retained earnings as at January 1, 2018. This adjustment includes an amount to account for up-front financing fees over the term of the related debt instruments as part of the effective interest rate. Financing fees earned at the time of origination of instruments accounted for at FVTPL will continue to be recognized when the debt instrument is originated. The impact of adoption of IFRS 9 to opening retained earnings was a reduction of \$0.9 million, as detailed in the following table.

<b>As at January 1, 2018</b>	<b>(000's)</b>
Investments at amortized cost:	
Amortized cost under IFRS 9	\$114,498
Fair value under IAS 39	(116,499)
Allowance for expected credit loss under IFRS 9	(103)
Difference in carrying value of investments at amortized cost	(2,104)
Non-controlling interest adjustment	896
Total difference in carrying values before tax impact	(1,208)
Tax impact on difference in carrying values (26.5% effective tax rate)	320
Impact of adoption of IFRS 9 to retained earnings	\$ (888)

Information regarding the key aspects of IFRS 9 and their impact to the Corporation's accounting policies resulting from its adoption can be found in Note 3, Significant accounting policies in the Corporation's condensed consolidated interim financial statements for the three and nine months ended September 30, 2018.

*IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"):*

Effective January 1, 2018 the Corporation adopted IFRS 15, replacing IAS 18 "Revenue" and other revenue related guidance. The Corporation adopted IFRS 15 using the modified retrospective with cumulative effect approach and, as permitted, elected to apply the new standard only to contracts that were not completed contracts on January 1, 2018. The adoption of IFRS 15 did not impact the timing or measurement of revenues within the scope of the standard, which would include performance fee revenues from managed funds.

**New Accounting Policy Implemented in the Period**

**Compound Financial Instruments:**

The Corporation's compound financial instrument is comprised of its Convertible Debentures that can be converted to common shares at the option of the holder. The number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of a convertible debenture is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component. Any direct attributable transaction costs are allocated to the equity and liability components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component is not re-measured subsequent to initial recognition. On conversion at maturity, the financial liability is reclassified equity and no gain or loss is recognized.

## **Financial Instruments and Associated Risks**

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, share purchase loans, accounts payable and accrued liabilities, distributions payable to non-controlling interests, Credit Facility and Convertible Debentures – liability component. The fair value of share purchase loans approximates carrying value due to the variable rate of interest applicable to these instruments. The fair values of other financial instruments approximate carrying value due to the short term to maturity of the instruments.

The Corporation, through its subsidiaries CCFC, Crown Partners Fund and Crown Private Credit Fund, also holds investments in debt securities which are measured at amortized cost and at FVTPL and equity securities which are measured at FVTPL.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation's Canadian equity securities include Crown Partners Fund's interest in Source common shares. The Corporation's Canadian warrants include Crown Partners Fund's interest in common share purchase warrants of Marquee, Medicure, Baylin, Data Communications and Persta. Source, Marquee, Medicure, Baylin, Data Communications and Persta are publicly-traded companies. The primary risk to the FVTPL of these equity securities is market risk.

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's investments in debt securities. A portion of the debt instruments held by the Corporation are unrated and relatively illiquid. Repayments are dependent on the ability of the underlying businesses to generate sufficient cash flow from operations, refinancings or the sale of assets or equity. For loans carried at fair value through profit and loss, the terms of the individual debt instruments and the risks of the underlying businesses are reflected in the fair values at the reporting date. The carrying value of loans at amortized cost is net of an allowance for credit losses that reflects management's estimation of expected credit loss for each loan carried at amortized cost.

The Corporation's Canadian debt securities include Crown Partners Fund's loans to BGO, Touchstone, Source, Solo, Marquee, Ferus, RBee, Active, Canadian Helicopters, Baylin, Data Communications, Persta, and Triple Five, and Crown Private Credit Fund's loans to PenEquity, Mill Street and WireIE. The primary risk to the carrying value of these debt securities is credit risk. Other than the PenEquity and Mill Street loans, these debt securities bear fixed interest rates which impacts interest rate risk.

The Corporation's investments are denominated in Canadian currency so there is no currency risk associated with the above investments except to the extent of investees' underlying operations which in some cases are dependent on revenues and are exposed to costs denominated in foreign currencies.

Additional information about financial instruments and associated risks can be found in the Corporation's 2017 audited consolidated financial statements and notes thereto and other public filings available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Risk Factors**

Crown operates in a dynamic environment that involves various risks, many of which are beyond Crown's control and which could have an effect on Crown's business, revenues, operating results and financial condition.

In the short term, a significant risk to the Corporation is that all financing clients repay their loans and replacement loans are not completed such that interest, fees and other income and the capital base for determination of management fee revenues drop significantly. In the longer term, an inability to raise and place additional capital on which to charge interest and management fees would be a significant risk.

The primary risk factor for Crown Partners Fund is credit risk, being the potential inability of one or more of the 12 portfolio companies to meet their debt obligations to Crown Partners Fund. As at September 30, 2018, Crown Partners Fund held Source common shares which were valued at \$0.5 million, Marquee common share purchase warrants which were valued at \$0.01 million, Medicare common share purchase warrants which were valued at \$1.1 million, Baylin common share purchase warrants which were valued at \$1.1 million, Data Communications common share purchase warrants valued at \$0.4 million and Persta warrants valued at \$0.8 million. A reduction in the value of these warrants or shares would reduce the value of Crown's Investments.

The primary risk factor for Crown Private Credit Fund is credit risk, being the potential inability of PenEquity, Mill Street or WireIE to meet their obligations to Crown Private Credit Fund.

The primary risk factor for Crown Power Fund will be credit risk, being the potential inability of counterparties to long-term power supply contracts to meet their obligations to Crown Power Fund.

See Note 5 - Financial risk management in the Corporation's December 31, 2017 audited consolidated financial statements.

A complete 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](http://www.sedar.com).

## **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

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.

The Corporation determined that Crown Power Fund has joint control over MCS Energy 21 Inc. Accordingly, Crown Power Fund's investment in MCS Energy 21 Inc. is recorded using the equity method as at and for the nine months ended September 30, 2018. Previously, it had accounted for MCS Energy 21 Inc. as a controlled entity upon acquisition on June 26, 2018. As a result, the disclosure controls and internal controls over financial reporting of MCS Energy 21 Inc. are not within the scope of the Corporation's evaluation of disclosure controls and ICFR.

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 September 30, 2018 that have materially affected, or are reasonably likely to materially affect, Crown's ICFR.

### **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 Corporation's intentions for the use of its cash and cash equivalents and the timing thereof, including additional capital contributions to Crown Partners Fund and Crown Private Credit Fund;
- the investments of Crown Partners Fund in Special Situations Financing transactions and the potential structuring of such transactions;
- the performance of financing clients;
- the investments of Crown Private Credit Fund in Long-Term Financing transactions and the potential structuring of such transactions;
- the Corporation's business plans and strategy;
- the Corporation's future cash flow and shareholder value;
- the sourcing of deals from Crown's established network and its potential pipeline of projects;
- the future capitalization of Crown Partners Fund, Crown Private Credit Fund, Crown Power Fund and Crown and future closings in relation thereto;
- Crown's future entitlement to base management and performance fees;
- the effect of delays between the repayment of loans and the redeployment of capital on Crown's financial condition;
- the future accounting policies of the Corporation;
- the alternative financial market and the general economy;
- the determination of recovery levels for Crown's loans going forward;
- the effect of the early repayment of loans on anticipated interest income;
- the Corporation's ability to secure debt financing on terms acceptable to the Corporation (or obtaining debt financing); and
- the vesting of Share Units and Options.

Readers are cautioned that the foregoing list of forward-looking statements should not be construed as being exhaustive.

In making the forward-looking statements in this MD&A, the Corporation has made assumptions regarding general economic conditions, reliance on debt financing, interest rates, continued lack of regulation in the business of lending from sources other than commercial banks or equity transactions, continued operation of key systems, debt service, continuing constraints on bank lending to mid-market companies for at least several years, 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, 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.

**Additional Information**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com), including the Annual Information Form.