

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

The Management's Discussion and Analysis ["MD&A"] of financial condition and results of operations analyzes significant changes in Clairvest Group Inc.'s consolidated financial results, financial position, risks and opportunities. It should be read in conjunction with the audited annual consolidated financial statements and related notes for the year ended March 31, 2017 ["consolidated financial statements"].

The following MD&A is the responsibility of Management and is as at June 22, 2017. The Board of Directors carries out its responsibility for review of this disclosure through its Audit Committee. The Audit Committee reviews the disclosure and recommends its approval to the Board of Directors. The Board of Directors has approved this disclosure.

### INTRODUCTION

Clairvest Group Inc. ["Clairvest" or the "Company"] is a private equity investor that specializes in partnering with management teams and other stakeholders of both emerging and established companies. The Company's shares are traded on the Toronto Stock Exchange under the stock symbol "CVG".

Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners III Limited Partnership ["CEP III"], Clairvest Equity Partners IV Limited Partnership ["CEP IV"] and Clairvest Equity Partners IV-A Limited Partnership ["CEP IV-A"], and Clairvest Equity Partners V Limited Partnership ["CEP V"] and Clairvest Equity Partners V-A Limited Partnership ["CEP V-A"] [together, the "CEP Funds"] in carefully selected companies that have the potential to generate superior returns.

Clairvest also manages third party capital through the CEP Funds and provides loans to and earns priority distributions or management fees and carried interest from the CEP Funds, which meet the definition of structured entities under International Financial Reporting Standards ["IFRS"]. The Company concluded that its ownership interests in the CEP Funds do not meet the definition of control under IFRS. Accordingly, the financial positions and operating results of the CEP Funds are not included in Clairvest's consolidated financial statements.

The Company's consolidated financial statements include those subsidiaries which provide investment-related services and that the Company controls by having the power to govern the financial and operating policies of these entities. Such entities would include those which earn priority distributions or management fees and carried interest from the CEP Funds. The following entities, which are significant in nature, provide investment-related services on behalf of the Company.

Clairvest GP Manageco Inc.  
Clairvest GP [GPLP] Inc.  
CEP MIP GP Corporation  
Clairvest USA Limited  
Clairvest General Partner Limited Partnership  
Clairvest General Partner III Limited Partnership  
Clairvest General Partner IV Limited Partnership  
Clairvest General Partner V Limited Partnership  
PGO Aviation LP

Clairvest employs various acquisition entities in structuring its investments, all of which are controlled by Clairvest. These acquisition entities, which are accounted for at fair value in accordance with IFRS as described in the Critical Accounting Estimates section of the MD&A, include the following:

2141788 Ontario Corporation ["2141788 Ontario"]  
2486303 Ontario Inc. ["2486303 Ontario"]  
CEP III Co-Investment Limited Partnership ["CEP III Co-Invest"]  
MIP III Limited Partnership ["MIP III"]  
CEP IV Co-Investment Limited Partnership ["CEP IV Co-Invest"]

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

MIP IV Limited Partnership ["MIP IV"]  
CEP V Co-Investment Limited Partnership ["CEP V Co-Invest"]  
MIP V Limited Partnership ["MIP V"]

2141788 Ontario, a limited partner of CEP III Co-Invest and CEP V Co-Invest, is a wholly-owned acquisition entity of Clairvest. 2486303 Ontario is a wholly-owned acquisition entity of Clairvest which purchased 100% of the limited partnership interest of Clairvest Equity Partners Limited Partnership ["CEP"] and 50% interest of Clairvest General Partner Limited Partnership in December 2015. CEP was an investment fund held by third party investors prior to being purchased by 2486303 Ontario. Clairvest's relationship with CEP III Co-Invest and MIP III, CEP IV Co-Invest and MIP IV, and CEP V Co-Invest and MIP V are described in the Transactions with Related Parties and Off-Statement of Financial Position Arrangements sections of the MD&A.

As at March 31, 2017, Clairvest, through these acquisition entities, had 16 core investments in 8 different industries and 3 countries. Two were joint investments with CEP III, nine were joint investments with CEP IV and CEP IV-A [together, the "CEP IV Fund"], and three were joint investments with CEP V and CEP V-A [together, the "CEP V Fund"]. Clairvest also held investments in the Grey Eagle Casino and Wellington Financial.

The table below summarizes Clairvest's direct and indirect investee companies ["investee companies"] as at March 31, 2017:

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

### SUMMARY OF CLAIRVEST'S INVESTEE COMPANIES AS AT MARCH 31, 2017

Investee Company	Industry Segment	Geographic Segment	Ownership Percentage <sup>[17]</sup>	Cost of Investment [millions]	Net Cash Investment [millions] <sup>[18]</sup>	Fair Value of Investment [millions] <sup>[19]</sup>	Description of Business
<b>INVESTMENTS MADE BY CEP III CO-INVEST ALONGSIDE CEP III</b>							
Chilean Gaming Holdings <sup>[1]</sup>	Gaming	Chile	36.8%	\$ 28.8	\$ 17.2	\$ 48.8	An investment vehicle which holds an equity interest in various gaming entertainment complexes in Chile. <b>CEP III ownership: 37.7%</b>
Lyophilization Services of New England Inc. ["LSNE"] <sup>[2]</sup>	Contract Manufacturing	United States	11.2%	\$ 6.6	\$ 6.1	\$ 27.2	A Manchester, New Hampshire based contract manufacturing organization focused on providing lyophilization services to biotech, pharmaceutical and medical device manufacturers. <b>CEP III ownership: 33.5%</b>
<b>INVESTMENTS MADE BY CEP IV CO-INVEST ALONGSIDE CEP IV/CEP IV-A</b>							
Centaur Gaming <sup>[3]</sup>	Gaming	United States	Debt interest with stapled warrants	\$ 34.7	\$ 31.8	\$ 111.2	The owner and operator of the Hoosier Park Racing & Casino in Anderson, Indiana and the Indiana Grand Casino and Indiana Downs Racetrack ["Indiana Grand Casino"] in Shelbyville, Indiana. <b>CEP IV and CEP IV-A ownerships: debt interests with stapled warrants</b>
County Waste of Virginia, LLC ["County Waste"] <sup>[4]</sup>	Waste Management	United States	12.5%	\$ 7.5	\$ 7.5	\$ 18.0	A private regional solid waste collection company headquartered in Albany, New York. <b>CEP IV and CEP IV-A ownerships: 29.5% and 4.7% respectively</b>
CRS Contractors Rental Supply Limited Partnership ["CRS"] <sup>[5]</sup>	Equipment Rental	Canada	13.5%	\$ 10.6	\$ 8.7	\$ 28.8	An Ontario based equipment rental provider focused on commercial, industrial and infrastructure sectors. <b>CEP IV and CEP IV-A ownerships: 31.8% and 5.1% respectively</b>
Davenport Land Investments <sup>[6]</sup>	Other	United States	18.7% [Davenport North] & 13.4% [Davenport South]	\$ 2.2	\$ 1.7	\$ 3.0	Comprised of two entities ["Davenport North" and "Davenport South"] holding real estate surrounding a casino development in Davenport, Iowa. <b>CEP IV and CEP IV-A ownerships: 44.1% and 7.0% of Davenport North and 31.6% and 5.0% of Davenport South respectively</b>
Discovery Air Inc. ["Discovery Air"] <sup>[7]</sup>	Specialty Aviation	Canada	27.3% and debt interest	\$ 36.9	\$ 32.8	\$ 21.0	A specialty aviation services business delivering airborne training services globally and commercial aviation services primarily in Northern Canada. <b>CEP IV and CEP IV-A ownerships: 35.9% and 5.7% of Discovery Air respectively and debt interest</b>
Momentum Aerospace Group ["MAG"] <sup>[8]</sup>	Specialty Aviation	United States	10.3% and debt interest	\$ 5.1	\$ 5.1	\$ 11.6	A U.S.-based specialty aviation and intelligence, surveillance and reconnaissance service provider. <b>CEP IV and CEP IV-A ownerships: 24.3% and 3.9% respectively</b>

[1] Clairvest held 30,446,299 units of Chilean Gaming Holdings which holds a 50% interest in Casino Marina del Sol and a 73.8% interest in each of Casino Osorno and Casino sol Calama.

[2] Clairvest held 6,406,000 Series A 10% cumulative convertible preferred shares and 331,506 Series B 10% cumulative preferred shares.

[3] Clairvest invested \$34.7 million in Centaur Gaming by way of US\$17.4 million in unsecured term loans with stapled warrants which, subject to regulatory approval, were convertible upon exercise into 12.7% of Class A and Class B units of Centaur Gaming.

[4] Clairvest held 6,942.64 Class B units in County Waste and 174.3 units in Spare Lots, LLC ["Spare Lots"], a company affiliated with County Waste.

[5] Clairvest held 241,896 Class B and 10,572,805 Class C limited partnership units in CRS. Clairvest has the right to receive proceeds equal to an additional 2.2% economic interest in CRS until Clairvest has received proceeds equal to three times its invested capital.

[6] Clairvest held 1,408.81 units in Davenport North, 1,298.21 units in Davenport South and a US\$0.6 million loan to a partner of Davenport Land Investments.

[7] Clairvest held 22,384,024 common shares, \$22.0 million in convertible debentures with a stated interest rate of 10% per annum and \$6.6 million in secured loans advanced to DA Defence, a wholly-owned subsidiary of Discovery Air with a stated interest rate of 12% per annum. Clairvest also advanced \$2.3 million in promissory notes with a stated rate of 8% per annum which was included in its loans receivable.

[8] Clairvest held 33,736 Class A stock in MAG and advanced \$1.1 million in the form of promissory notes from Discovery Air Fire Services, which had been acquired by MAG during fiscal 2017, with a stated interest rate of 10% per annum.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

Investee Company	Industry Segment	Geographic Segment	Ownership Percentage <sup>[17]</sup>	Cost of Investment [millions]	Net Cash Investment [millions] <sup>[18]</sup>	Fair Value of Investment [millions] <sup>[19]</sup>	Description of Business
<b>INVESTMENTS MADE BY CEP IV CO-INVEST ALONGSIDE CEP IV/CEP IV-A</b>							
New Meadowlands Racetrack LLC [the "Meadowlands"] <sup>[9]</sup>	Gaming	United States	Debt interest and equity investment rights	\$ 6.4	\$ 5.3	\$ 9.6	Operates North America's premier standardbred horse racing track located in East Rutherford, New Jersey. <b>CEP IV and CEP IV-A ownerships:</b> debt interests and equity investment rights
Rivers Casino <sup>[10]</sup>	Gaming	United States	5.0%	\$ 9.1	\$ [34.1]	\$ 14.3	A gaming entertainment complex located in Des Plaines, Illinois. <b>CEP IV and CEP IV-A ownerships:</b> 11.8% and 1.9% respectively
Winters Bros. Waste Systems of CT, LLC ["Winters Bros. of CT"] <sup>[11]</sup>	Waste Management	United States	13.4%	\$ 8.1	\$ 8.1	\$ 11.2	A regional solid waste collection, recycling and disposal company based in Danbury, Connecticut. <b>CEP IV and CEP IV-A ownerships:</b> 31.6% and 5.0% respectively
<b>INVESTMENTS MADE BY CEP V CO-INVEST ALONGSIDE CEP V/CEP V-A</b>							
Accel Entertainment Inc. ["Accel Entertainment"] <sup>[12]</sup>	Gaming	United States	7.9%	\$ 16.0	\$ 16.0	\$ 20.6	A licensed video gaming terminal operator in Illinois. <b>CEP V and CEP V-A ownerships:</b> 15.4% and 2.9% respectively
Digital Media Solutions, LLC ["Digital Media Solutions"] <sup>[13]</sup>	Marketing Services	United States	13.9%	\$ 8.3	\$ 7.5	\$ 8.2	A digital media company which operates as a lead generation engine for companies in a variety of different industries. <b>CEP V and CEP V-A ownerships:</b> 27.3% and 5.2% respectively
Winters Bros. Waste Systems of Long Island Holdings, LLC ["Winters Bros. of LI"] <sup>[14]</sup>	Waste Management	United States	14.0%	\$ 10.6	\$ 10.6	\$ 11.2	A private regional solid waste management company based in Long Island, New York. <b>CEP V and CEP V-A ownerships:</b> 27.5% and 5.2% respectively
<b>STANDALONE INVESTMENTS</b>							
Grey Eagle Casino <sup>[15]</sup>	Gaming	Canada	Equity participation	\$ 11.0	\$ [0.1]	\$ 12.6	A charitable casino on Tsuu T'ina First Nation reserve lands, located southwest of the city of Calgary, Alberta.
Wellington Financial <sup>[16]</sup>	Financial Services	Canada	10.1%	\$ 15.6	\$ [15.6]	\$ 22.1	Provides debt capital and operating lines to venture capital backed technology, biotechnology, communications and industrial product companies in Canada and the United States.
<b>OTHER</b>				\$ 1.0	\$ 1.0	\$ 1.0	
<b>TOTAL</b>				\$ 218.5	\$ 109.7	\$ 380.4	

[9] Clairvest invested US\$5.4 million [C\$5.6 million] in the Meadowlands in the form of secured convertible debentures with a stated interest rate of 15% per annum and an additional US\$0.7 million [C\$0.9 million] in the form of preferred debt with a stated interest rate of 3% per annum. Clairvest also held warrants which entitle it to invest in equity securities subject to certain conditions.

[10] Clairvest held 9,021,917 units in Rivers Casino.

[11] Clairvest held 76,284.8 Class C units of Winters Bros. of CT.

[12] Clairvest held 283,478 Class D preferred shares of Accel Entertainment.

[13] Clairvest held 6,150,000 Class B units of Digital Media Solutions.

[14] Clairvest held 1,487,773 Class C units in Winters Bros. of LI. And 256,037 units in WBLI II, LLC, an affiliate to Winters Bros. of LI which is owned proportionately by the same unitholders as Winters Bros. of LI.

[15] During fiscal 2016, Clairvest increased its equity participation interest in the Grey Eagle Casino, through the purchase of CEP by 2486303 Ontario, to between 11.25% to 38.25% of the earnings of Grey Eagle Casino until December 2022. Cost and fair value excludes \$1.2 million which represent Clairvest's direct entitlement through the general partner of CEP ("CEP GP").

[16] Clairvest has a \$30.3 million limited partner commitment to Wellington Financial Fund V, \$15.6 million of which had been funded as at March 31, 2017. Clairvest also held a limited partner interest in Wellington Financial Fund III and Wellington Financial Fund IV and an interest in the general partner of the various Wellington Funds.

[17] Ownership percentage calculated on a fully diluted basis as at March 31, 2017.

[18] Net cash investment [proceeds] comprised cost net of dividends, interest and other distributions received but excludes advisory and other fees received, foreign income taxes incurred by acquisition entities and foreign exchange gains or losses on foreign exchange forward contracts entered into as economic hedges against Clairvest's foreign denominated investments.

[19] The determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments and an estimate of fair value for privately-held investments. The fair value of foreign exchange forward contracts entered into as economic hedges against Clairvest's foreign denominated investments is not included in this fair value.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

### OVERVIEW OF FISCAL 2017

An overview of the significant events during fiscal 2017 and those which occurred subsequent to year-end follows:

#### Overall and Corporate

- Clairvest's book value increased by \$64.7 million, or \$4.30 per share, to \$550.2 million or \$36.21 per share. The increase was primarily due to net income and comprehensive income ["net income"] of \$4.61 per share, net of \$0.3191 per share in dividends paid. During fiscal 2017, 20,000 common shares were purchased and cancelled under the Normal Course Issuer Bid, reducing the number of common shares outstanding to 15,194,095.
- For the year ended March 31, 2017, Clairvest recorded \$131.5 million in total revenue, comprised \$72.9 million in net investment gains, \$20.3 million in distributions and interest income, \$35.6 million in net carried interest income from the CEP Funds and \$2.7 million in other income. Total revenue for the prior fiscal year was \$75.9 million.
- Net income for the year ended March 31, 2017 was \$70.1 million compared to \$40.0 million in the prior fiscal year.
- In December 2016, Clairvest closed on a new 5-year \$100 million committed revolving credit facility with several Schedule 1 Canadian chartered banks. The new credit facility replaced \$95 million in prior credit facilities. Further details are on page 10 of the MD&A.
- Clairvest filed a new normal course issuer bid enabling it to make market purchases of up to 760,627 of its common shares in the 12-month period commencing March 7, 2017. No purchases have been made under this bid to June 22, 2017. As at June 22, 2017, Clairvest had repurchased a total of 6,615,049 common and non-voting shares for \$68.9 million over the last thirteen years.
- Clairvest paid an annual ordinary dividend of \$0.10 per share and a special dividend of \$0.2191 per share. The dividends were paid on July 22, 2016 to common shareholders of record as of July 6, 2016. The dividends were eligible dividends for Canadian income tax purposes.

#### Clairvest/CEP III Co-Invest and CEP III

- In September 2016, CEP III Co-Invest and CEP III realized on Light Tower Rentals, Inc. ["LTR"], an oilfield equipment rental company based in the U.S. The carrying value of LTR had been nil since December 2015. Over the 8-year investment horizon, LTR generated 4.7 times invested capital, or a 29.8% internal rate of return ["IRR"] for Clairvest and CEP III on a currency neutral basis. Further details are on page 13 of the MD&A.
- CEP III Co-Invest and CEP III announced the sale of LSNE in March 2017 which was completed in April 2017. CEP III Co-Invest realized proceeds of US\$19.9 million [C\$27.1 million] at closing and are entitled to additional proceeds in fiscal 2018 of up to US\$0.3 million subject to certain conditions. Over the 9-year investment horizon, LSNE generated 2.9 times invested capital, or a 13.3% IRR for Clairvest and CEP III on a currency neutral basis. In Canadian dollar terms, net of foreign exchange hedges, CEP III Co-Invest received net proceeds of \$26.2 million against an investment of \$7.5 million, or 3.5 times invested capital. As at March 31, 2017, LSNE is carried at the estimated sale proceeds substantially all of which have since been received.
- Subsequent to the sale of LSNE, CEP III has returned 2.25 times invested capital to its third-party investors, after consideration of general partner priority distributions, carried interest and expenses. CEP III continues to hold one investment as at June 22, 2017. Based on the fair value at March 31, 2017, CEP III is expected to generate approximately 2.5 times invested capital or an IRR of over 18% for its third-party investors after all expenses and carried interest over the life of the fund.

#### Clairvest/CEP IV Co-Invest and the CEP IV Fund

- In December 2016, Rivers Casino completed its second financing since it began operations in July 2011. As a result of the financing, CEP IV Co-Invest and the CEP IV Fund received distributions totalling US\$42.7 million [C\$57.5 million], CEP IV Co-Invest's portion was US\$11.0 million [C\$14.8 million]. To March 31, 2017, CEP IV Co-Invest and the CEP IV Fund had received distributions, interest and fees totaling 4.8 times invested capital from Rivers Casino.
- In January 2017, CEP IV Co-Invest and the CEP IV Fund realized on Cieslok Media Inc. ["Cieslok Media"], an outdoor advertising company operating large format digital and static billboards across major cities in Canada. CEP IV Co-Invest's

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

portion of the proceeds was \$33.3 million versus a cost of \$4.0 million. Over the 3-year investment horizon, Cieslok Media generated 8.4 times invested capital, or a 92% IRR for Clairvest and the CEP IV Fund.

- During fiscal 2017, CEP IV Co-Invest invested an additional \$20 million in Centaur Gaming in the form of US\$3.8 million in term loans with stapled warrants. As at March 31, 2017, the investments in Centaur held by CEP IV Co-Invest were convertible upon exercise into 12.7% of Class A and B units in Centaur Gaming, and with a carrying value of \$111.2 million at March 31, 2017 represented 20.2% of the book value of Clairvest.
- Also during fiscal 2017, CEP IV Co-Invest, the CEP IV Fund and other co-investors in Discovery Air [collectively the "Discovery Air Investor Group"] invested an additional net \$20.8 million to Discovery Air, CEP IV Co-Invest's portion of which was \$4.6 million. As at March 31, 2017, CEP IV Co-Invest's investment in Discovery Air had a carrying value of \$21.0 million, compared to \$30.7 million in the prior year. Subsequent to year-end, the Discovery Air Investor Group made additional investments in Discovery Air totaling \$12.5 million, \$4.4 million of which was funded by CEP IV Co-Invest. Further details are on page 14 of the MD&A.
- In February 2017, MAG acquired Discovery Air Fire Services, Inc. ["DAFS"] from Discovery Air. Further details are on page 15 of the MD&A.
- As at March 31, 2017 and June 22, 2017, the CEP IV Fund had realized or partially realized 3 of its 11 investments, and had returned 55% of capital invested by third-party investors.

### Clairvest/CEP V Co-Invest and the CEP V Fund

- During fiscal 2017 and pursuant to a post-closing purchase price adjustment, CEP V Co-Invest and the CEP V Fund invested an additional US\$7.9 million in Accel Entertainment. CEP V Co-Invest's portion of the investment in Accel Entertainment was US\$2.4 million.
- Subsequent to year-end, CEP V Co-Invest, the CEP V Fund and other co-investors invested US\$73.7 million [C\$99.2 million] in Head InfoTech India Pvt. Ltd. ["Head Infotech"], which operates an online skill-based gaming platform in India providing online experience of Rummy. CEP V Co-Invest invested US\$41.6 million [C\$56.0 million] in Head InfoTech, which comprised US\$17.0 million [C\$22.9 million] in the form of compulsory convertible debentures which bear interest at a rate of 16.0% per annum, and US\$24.6 million [C\$33.1 million] for a 33.6% equity interest in Head InfoTech. A foreign exchange hedging strategy has not been implemented against this investment. Subsequent to the investment, a material adverse regulatory development occurred with respect to this investment. The impact to the fair value of this investment is currently uncertain and potentially material.
- As at June 22, 2017, the CEP V Fund had made 4 investments, or approximately 34% of its committed capital.

## OUTLOOK

Clairvest's current management team has made 43 platform investments and has realized or partially realized on 30 investments which have in aggregate generated 3.1 times invested capital. From inception, the Company has invested its own capital in every investment. Clairvest's team of professionals have all invested significant amounts of capital in the Company which allows Clairvest to approach each investment as owners and shareholders.

As a long-term investor, Clairvest is focused on building value in its investee companies by contributing strategic expertise, advising on operational improvement and helping its investee companies capitalize on new opportunities that arise.

As at March 31, 2017, Clairvest and its controlled acquisition entities had \$714.4 million of capital available for future acquisitions through its cash, cash equivalents and temporary investments ["treasury funds"], credit facilities and uncalled capital in the CEP Funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

The table below summarizes the status of the CEP Funds as at June 22, 2017:

### Status of Clairvest Equity Partnerships

[Millions, except year of fund and number of investments]							Number of Investments	
	Year of Fund	Third Party Capital	Clairvest Commitment	Total Capital	Percentage Drawn	Total	Currently Held	
Clairvest Equity Partners III ["CEP III"]	2006	225	75	300	79.8%	8	1	
Clairvest Equity Partners IV ["CEP IV"]	2010	342	125	467	81.3%	11	9	
Clairvest Equity Partners V ["CEP V"]	2015	420	180	600	34.0%	4	4	

### FINANCIAL CONDITION AND BOOK VALUE

The following table summarizes the Company's financial position and book value as at March 31, 2017 and 2016:

#### Financial Position

As at, [\$000's, except number of shares and per share amounts]	March 31, 2017	March 31, 2016
Cash, cash equivalents and temporary investments ["treasury funds"]	\$ 122,169	\$ 87,043
Carried interest receivable from the CEP Funds	98,322	64,009
Corporate investments, at fair value	410,102	353,801
Total assets	671,951	570,191
Management participation	67,050	43,977
Total liabilities	121,747	84,670
Book value	550,204	485,521
Book value per share	36.21	31.91
Dividends per share paid during the fiscal year ended	0.3191	0.2958
Number of common shares outstanding	15,194,095	15,214,095

As at March 31, 2017, Clairvest had total assets of \$672.0 million, an increase of \$101.8 million during fiscal 2017. The increase was primarily due to net gains on realizations and a net increase in the fair value of Clairvest's investee companies.

As at March 31, 2017, the Company's treasury funds of \$122.2 million were held in cash, money market savings accounts rated not below R1-High, investment savings accounts and guaranteed investment certificates rated not below BBB-. 2141788 Ontario also held \$43.9 million in cash, investment savings accounts and guarantee investment certificates with consistent ratings to the above. Clairvest also had access to \$5.0 million in cash held in various other acquisition entities which were controlled by Clairvest.

During the year ended March 31, 2017, Clairvest closed on a new 5-year, \$100.0 million, committed revolving credit facility with several Schedule 1 Canadian chartered banks. The credit facility, which has an initial expiry of December 2021 and is eligible for a one-year extension on each anniversary of the closing date, bears interest at the bank prime rate, which was 2.7% per annum as at March 31, 2017, plus 1.25% per annum on drawn amounts and a standby fee of 0.70% per annum on undrawn amounts. The amount available under the credit facility as at March 31, 2017 was \$100.0 million, which is based on debt covenants and certain restrictions within the banking arrangement. No amounts had been drawn on the facility during the year and as at March 31, 2017. The new credit facility replaced a \$75 million committed credit facility and a \$20 million credit facility which were extinguished in December 2016. No amounts were drawn on those facilities during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

As at March 31, 2017, Clairvest had corporate investments with a carrying value of \$410.1 million, an increase of \$56.3 million during fiscal 2017, \$380.4 million of which represented the fair value of Clairvest's investee companies and the remaining \$29.7 million of which represented other net assets [liabilities] held by Clairvest's acquisition entities.

Excluding net assets [liabilities] held by Clairvest's acquisition entities, the aggregate carrying value of Clairvest's investee companies increased by \$55.7 million during fiscal 2017, which primarily comprised the following:

- Net changes in unrealized gains on its investee companies of \$35.3 million;
- Follow-on investments net of return of capital totaling \$30.6 million in existing investee companies;
- Foreign exchange revaluations of investee companies totaling \$7.0 million; partially offset by
- The sale of Cieslok Media which had a carrying value of \$10.6 million as at March 31, 2016;
- Provisions for interest on debenture investments totaling \$5.6 million; and
- Interest payments on debenture investments totaling \$1.7 million.

Clairvest has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada. In order to limit its exposure to changes in the value of these investments denominated in foreign currencies relative to the Canadian dollar, Clairvest and its acquisition entities consider and if determined appropriate, enters into hedging positions against these foreign denominated currencies as approved by the Board of Directors. For the year ended March 31, 2017, the foreign exchange adjustments made in Clairvest's valuation of its investee companies is primarily offset by the foreign exchange adjustments made in the forward exchange forward contracts used to support its foreign exchange hedging strategy, except for its foreign exchange exposure in the Chilean Pesos ["CLP"] which is unhedged. Forward exchange forward contracts are described in the Derivative Financial Instruments section of the MD&A.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

The table below details the cost and fair value of Clairvest's investee companies as at March 31, 2017 and 2016:

	March 31, 2017			March 31, 2016		
	Fair value	Cost	Difference	Fair value	Cost	Difference
<b>CEP III CO-INVEST INVESTMENTS</b>						
Chilean Gaming Holdings <sup>[1]</sup>	\$ 48,835	\$ 28,754	\$ 20,081	\$ 43,674	\$ 28,754	\$ 14,920
Light Tower Rentals	—	—	—	—	2,403	[2,403]
LSNE	27,248	6,619	20,629	16,017	7,077	8,940
<b>CEP IV CO-INVEST INVESTMENTS</b>						
Centaur Gaming	111,170	34,657	76,513	68,672	14,644	54,028
Cieslok Media	—	—	—	10,640	4,015	6,625
County Waste	17,999	7,533	10,466	11,981	7,308	4,673
CRS	28,758	10,573	18,185	22,009	10,573	11,436
Davenport Land Investments	3,009	2,196	813	2,858	2,196	662
Discovery Air	21,037	36,860	[15,823]	30,685	32,243	[1,558]
MAG	11,557	5,068	6,489	5,600	3,838	1,762
The Meadowlands	9,563	6,444	3,119	8,551	5,580	2,971
Rivers Casino	14,307	9,058	5,249	26,202	9,058	17,144
Winters Bros. of CT	11,160	8,053	3,107	9,907	8,053	1,854
<b>CEP V CO-INVEST INVESTMENTS</b>						
Accel Entertainment	20,639	15,978	4,661	12,646	12,910	[264]
Digital Media Solutions	8,179	8,254	[75]	7,987	8,254	[267]
Winters Bros. of LI	11,190	10,636	554	10,927	10,636	291
Grey Eagle Casino <sup>[2]</sup>	12,613	11,017	1,596	14,076	11,017	3,059
Wellington Financial	22,101	15,640	6,461	20,852	14,631	6,221
	379,365	217,340	162,025	323,284	193,190	130,094
Other investments	1,039	1,127	[88]	1,415	1,486	[71]
	\$ 380,404	\$ 218,467	\$ 161,937	\$ 324,699	\$ 194,676	\$ 130,023

[1] Comprised CEP III Co-Invest's investment in Casino Marina del Sol, Casino Osorno and Casino Sol Calama.

[2] Fair value included the portion owned directly by Clairvest and the portion owned indirectly through 2486303 Ontario. Fair value excluded the amount of \$1.0 million which represented Clairvest's 50% entitlement of the carried interest of CEP as described in the Transactions with Related Parties section of the MD&A.

The cost and fair value of these investee companies do not reflect foreign exchange gains or losses on the foreign exchange forward contracts entered into as economic hedges against the Company's foreign-denominated investments. Details of each investee company held as at March 31, 2017 and 2016 follows:

### INVESTMENTS MADE BY CEP III CO-INVEST ALONGSIDE CEP III

#### Chilean Gaming Holdings

As at March 31, 2017 and 2016, CEP III Co-Invest held 30,446,299 limited partnership units in Chilean Gaming Holdings, representing a 36.8% ownership interest on a fully diluted basis.

During fiscal 2017, CEP III Co-Invest earned dividends totaling \$3.7 million through its interest in Chilean Gaming Holdings, bringing total dividends earned to March 31, 2017 to \$13.2 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

Also during fiscal 2017, management determined that the fair value of Chilean Gaming Holdings should be adjusted upward by \$3.7 million. The fair value of \$48.8 million as at March 31, 2017 compares to a fair value of \$43.7 million at March 31, 2016 and a cost of \$28.8 million. The fair value is adjusted for foreign exchange fluctuations.

### Light Tower Rentals

As at March 31, 2016, CEP III Co-Invest held 3,985,604 common shares in Light Tower Rentals, representing a 6.7% ownership interest on a fully diluted basis.

During fiscal 2017, CEP III Co-Invest realized on its investment in Light Tower Rentals which had a carrying value of nil since December 2015. Over the life of this investment, CEP III Co-Invest received total proceeds of US\$37.9 million [C\$40.7 million] against its original investment of US\$8.1 million [C\$8.2 million] in Light Tower Rentals. In addition, Clairvest and CEP III Co-Invest had incurred total costs of \$4.6 million on the foreign exchange hedging strategy for the investment in Light Tower Rentals.

### LSNE

As at March 31, 2016, CEP III Co-Invest held 6,406,000 Series A 10% cumulative preferred shares and 1,250,000 Series B 10% cumulative preferred shares in LSNE. The Series A 10% cumulative preferred shares were convertible into a 11.2% ownership interest on a fully diluted basis and dividends would be forfeited on conversion. The Series B preferred shares were not convertible.

During fiscal 2017, LSNE redeemed 918,494 Series B preferred shares held by CEP III Co-Invest at their fair market value of US\$0.6 million [C\$0.8 million]. Subsequent to year-end, the remaining 331,506 Series B preferred shares were redeemed at their fair market value of US\$0.2 million [C\$0.3 million]. Also subsequent to year-end, CEP III Co-Invest realized its investment in LSNE and sold the Series A 10% cumulative preferred shares for US\$19.9 million [C\$27.1 million] in cash proceeds at closing and is entitled to additional proceeds of US\$0.3 million subject to the conditions of the purchase and sale agreement. As at March 31, 2017, LSNE was carried at a value which approximated the sale proceeds received subsequent to year-end.

As at June 22, 2017, CEP III Co-Invest had received total proceeds of US\$21.6 million [C\$29.0 million] against its original investment of US\$7.5 million [C\$7.5 million] in LSNE. Clairvest and CEP Co-Invest III had also incurred total costs of \$2.8 million on the foreign exchange hedging strategy for the investment in LSNE.

## INVESTMENTS MADE BY CEP IV CO-INVEST ALONGSIDE CEP IV

### Centaur Gaming

As at March 31, 2016, CEP IV Co-Invest held US\$13.6 million in term loans with stapled warrants which were convertible upon exercise to 9.9% of Class A and B units in Centaur Gaming.

During fiscal 2017, CEP IV Co-Invest invested an additional \$20.0 million in Centaur Gaming in the form of US\$3.8 million in term loans with stapled warrants which were convertible upon exercise to 2.8% of Class A and Class B units of Centaur Gaming. As at March 31, 2017, CEP IV Co-Invest held US\$17.4 million in term loans with stapled warrants which were convertible upon exercise to 12.7% of Class A and Class B units of Centaur Gaming.

Also during fiscal 2017, management determined that the fair value of Centaur Gaming should be adjusted upward by \$19.3 million. The fair value of \$111.2 million as at March 31, 2017 compares to a fair value of \$68.7 million at March 31, 2016 and a cost of \$34.7 million. The increase in fair value was due to continuing growth in operating performance and reduced debt levels. The fair value is adjusted for foreign exchange fluctuations.

### Cieslok Media

As at March 31, 2016, CEP IV Co-Invest held 4,014,989 common shares in Cieslok Media, representing a 23.5% ownership interest on a fully diluted basis.

During fiscal 2017, CEP IV Co-Invest completed the sale of Cieslok Media and received cash proceeds of \$33.3 million

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

against its original investment of \$4.0 million. During fiscal 2017, CEP IV Co-Invest realized a net gain of \$22.7 million on the sale of Cieslok Media.

### County Waste

As at March 31, 2017 and 2016, CEP IV Co-Invest held 6,942.64 Class B units in County Waste, representing a 12.5% ownership interest on a fully diluted basis.

During fiscal 2017, CEP IV Co-Invest invested US\$0.2 million [C\$0.2 million] for 174.3 units in Spare Lots, LLC ["Spare Lots"], a company affiliated with County Waste and which is owned proportionately by the unitholders of County Waste.

Also during fiscal 2017, management determined that the fair value of County Waste should be adjusted upward by \$5.4 million. The fair value of \$18.0 million as at March 31, 2017 compares to a fair value of \$12.0 million at March 31, 2016 and a cost of \$7.5 million. The increase in fair value was due to growth in operating performance. The fair value is adjusted for foreign exchange fluctuations.

### CRS

As at March 31, 2016, CEP IV Co-Invest held 226,902 Class B units and 10,572,805 Class C units in CRS.

During fiscal 2017, CEP IV Co-Invest exercised its right to purchase Class B limited partnership units in CRS from a departing unitholder of CRS at a pre-determined price. CEP IV Co-Invest purchased 14,994 Class B units in CRS for \$21 thousand which was funded by a return of capital from CRS. As at March 31, 2017, CEP IV Co-Invest held 241,896 Class B units and 10,572,805 Class C units in CRS, representing a 13.5% ownership interest and the right to receive sale proceeds equal to an additional 2.2% economic interest until CEP IV Co-Invest has received three times its invested capital.

Also during fiscal 2017, management determined that the fair value of CRS should be adjusted upward by \$6.7 million. The fair value of \$28.8 million as at March 31, 2017 compares to a fair value of \$22.0 million at March 31, 2016 and a cost of \$10.6 million. The increase in fair value was due to continuing growth in operating performance.

Also during fiscal 2017, CEP IV Co-Invest earned \$0.6 million in distributions from CRS. As a result of CRS' flow-through status for tax purposes, Clairvest incurred income tax obligations totaling \$0.6 million as a result of its investment in CRS.

### Davenport Land Investments

As at March 31, 2017 and 2016, CEP IV Co-Invest had invested \$1.6 million in Davenport North and \$0.9 million in Davenport South. CEP IV Co-Invest had also advanced a US\$0.6 million promissory note to a partner to help fund its 50% ownership in Davenport North. Effective October 1, 2016, the promissory note bears interest at a rate of 10% per annum.

The fair value of \$3.0 million as at March 31, 2017 compares to a fair value of \$2.9 million at March 31, 2016 and a cost of \$2.2 million. The fair value is adjusted for foreign exchange fluctuations.

### Discovery Air

As at March 31, 2016, CEP IV Co-Invest had invested \$22.0 million in secured convertible debentures ["Debentures"] of Discovery Air. The Debentures, which had a maturity date of March 22, 2017 and were extended to May 5, 2018 during fiscal 2017, accrue interest at a rate of 10% per annum and interest is paid in-kind and compounded on an annual basis. At March 31, 2016, the gross accrued value of the Debentures was \$32.1 million, which included \$10.1 million in accrued interest. During fiscal 2017, \$3.2 million in interest was accrued on the Debentures and \$1.7 million in interest payment was made by Discovery Air in conjunction with the sale transaction of Discovery Air Fire Services ["DAFS"] to MAG as described below. As at March 31, 2017, the gross accrued value of the Debentures was \$33.6 million. As at March 31, 2017, the carrying value of the Debentures was \$14.2 million, which excluded all interest accrued on the Debentures and an additional \$7.8 million write-down of the Debentures associated with the challenges experienced in the divisions providing commercial aviation services in Northern Canada. As at March 31, 2017, the Debentures were convertible into 2,637,703 common shares of Discovery Air at a conversion price of \$12.73 per share. As at March 31, 2017, the closing quoted market price of a Discovery Air common

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

share was \$0.20 per share.

As at March 31, 2016, CEP IV Co-Invest held 20,758,800 common shares of Discovery Air and Clairvest held 506,615 common shares of Discovery Air, which collectively represented a 25.9% ownership interest on a fully diluted basis. During fiscal 2017, CEP IV Co-Invest invested an additional \$0.2 million to acquire 1,118,609 common shares of Discovery Air. As at March 31, 2017, Clairvest and CEP IV Co-Invest collectively held 22,384,024 common shares representing a 27.3% ownership interest on a fully diluted basis. As at March 31, 2017 and 2016, the carrying value of the Discovery Air common shares was nil. CEP IV Co-Invest had also committed to fund under a definitive agreement with amongst the Discovery Air Investor Group to purchase all outstanding common shares of Discovery Air at a cash consideration of \$0.20 per share. The transaction was completed subsequent to year-end for total cash consideration of \$1.5 million, \$0.4 million of which was funded by CEP IV Co-Invest.

As at March 31, 2016, Clairvest had advanced to Discovery Air \$2.3 million in the form of a promissory note bearing interest at 8.0% per annum and was repayable May 15, 2016. During fiscal 2017, the maturity date was extended to September 15, 2017. Interest of \$0.2 million was earned from this promissory note from Discovery Air during fiscal 2017. As at March 31, 2017, the promissory note was included in loans receivable at the accrued value.

As at March 31, 2016, CEP IV Co-Invest had committed to advance up to \$3.8 million to Discovery Air in the form of a secured revolving credit facility with interest at 12% per annum on drawn amounts, \$2.2 million of this facility had been drawn. During fiscal 2017, an additional \$0.9 million was advanced under this facility. In December 2016, the secured revolving credit facility was extinguished at the maturity date and the \$3.1 million was repaid in full. Interest of \$0.2 million was earned from the secured revolving credit facility during fiscal 2017.

Also during fiscal 2017, the Discovery Air Investor Group provided a \$25.0 million secured revolving credit facility to ["Revolver"] to Discovery Air Defence Services Inc. ["DA Defence"] a subsidiary of Discovery Air, \$20.0 million of which was drawn at closing and was outstanding as at March 31, 2017. All drawn amounts bear interest at a rate of 12% per annum which compounds quarterly and the Revolver matures on December 15, 2017. The Revolver provides the Discovery Air Investor Group the option to convert the outstanding balance of the Revolver into common shares of DA Defence based on an agreed market value of DA Defence. As at March 31, 2017, CEP IV Co-Invest's portion of the drawn amounts under the Revolver was \$6.6 million. Interest of \$0.2 million was earned by CEP IV Co-Invest from the Revolver during fiscal 2017. As at March 31, 2017, the accrued value of the loans made under the Revolver by CEP IV Co-Invest was \$6.9 million. Subsequent to year-end, the Revolver was fully drawn, with CEP IV Co-Invest advancing an additional \$1.4 million under the Revolver.

Also subsequent to year-end, the Discovery Air Investor Group provided an additional \$13.0 million secured revolving credit facility ["New Revolver"] to DA Defence which is in addition to the \$25.0 million Revolver described above but on the same economic terms. As at June 22, 2017, \$6.0 million of the New Revolver had been funded, \$2.2 million of which was funded by CEP IV Co-Invest. CEP IV Co-Invest is committed to fund any shortfall of the other investors of the Discovery Air Investor Group. The New Revolver provides the Discovery Air Investor Group the option to convert the outstanding balance of the New Revolver into common shares of DA Defence on the same economic terms as the Revolver. Concurrent with the New Revolver, Discovery Air and DA Defence granted the Discovery Air Investor Group an option to exchange \$18.4 million of the Debentures into \$14.7 million of common shares in DA Defence, with the valuation of DA Defence being the same as that used for the conversion of the Revolver and the New Revolver.

### MAG

As at March 31, 2017 and 2016, CEP IV Co-Invest held 33,736 Class A stock in MAG, representing a 10.3% ownership interest on a fully-diluted basis. The Class A stock have a stated dividend rate of 10% per annum and each Class A stock is convertible into 1.0114 common stock of MAG at CEP IV Co-Invest's discretion and dividends are forfeited on conversion.

During fiscal 2017, MAG acquired DAFS from Discovery Air. In support of this transaction, CEP IV Co-Invest advanced \$1.1 million to DAFS in the form of promissory notes bearing interest at 10.0% per annum with a maturity date of January 31, 2021. Interest of \$21 thousand was earned from these promissory notes from DAFS during fiscal 2017.

Also during fiscal 2017, management determined that the fair value of MAG should be adjusted upward by \$4.6

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

million. The fair value of \$11.6 million as at March 31, 2017 compares to a cost of \$5.1 million, with the increase being attributable to growth in operating performance. The fair value is adjusted for foreign exchange fluctuations.

Additionally, Clairvest had advanced working capital loans to a Canadian subsidiary of MAG ["MAG Canada"], the outstanding balance as at March 31, 2017 was \$2.9 million which had been included in loans receivable. \$1.0 million of the loans had been repaid subsequent to year-end.

### The Meadowlands

As at March 31, 2017 and 2016, CEP IV Co-Invest had funded US\$5.4 million [C\$5.6 million] to the Meadowlands in the form of secured convertible debentures which accrue interest at a rate of 15% per annum, 10% of which was payable quarterly in cash and 5% payable in-kind. Commencing January 1, 2016, CEP IV Co-Invest agreed to the entire 15% interest be payable in-kind. CEP IV Co-Invest also held warrants which entitle it to invest in equity securities of the Meadowlands subject to certain conditions. The 5% interest on the secured convertible debentures is forfeited in the event CEP IV Co-Invest exercises the warrants.

As at March 31, 2016, the gross accrued value of the secured debentures was US\$6.6 million [C\$8.6 million], which included US\$1.2 million [C\$1.5 million] in accrued interest. During fiscal 2017, US\$1.0 million [C\$1.3 million] in interest was accrued on the Debentures and no interest payments were made by the Meadowlands. As at March 31, 2017, the gross accrued value of the secured debentures was US\$7.6 million [C\$10.1 million]. As at March 31, 2017, the carrying value of the secured debentures was US\$6.5 million [C\$8.7 million], which excluded US\$1.1 million [C\$1.4 million] in accrued interest on the secured debentures.

Also during fiscal 2017, CEP IV Co-Invest invested an additional US\$0.7 million [\$0.9 million] in the form of preferred debt, which is junior to the secured debentures. The preferred debt has a stated interest rate of 3% per annum and interest is payable-in-kind.

The fair value of \$9.6 million as at March 31, 2017 compares to a cost of \$6.4 million. The fair value is adjusted for foreign exchange fluctuations.

### Rivers Casino

As at March 31, 2017 and 2016, CEP IV Co-Invest held 9,021,917 units in Rivers Casino representing a 5.0% ownership interest on a fully diluted basis.

During fiscal 2017, Rivers Casino completed a financing and made a distribution to its owners. CEP IV Co-Invest received \$14.8 million from this distribution. CEP IV Co-Invest also earned quarterly distributions of \$3.9 million and quarterly fees of \$0.6 million as an investor in Rivers Casino. As a result of CEP IV Co-Invest's investment in Rivers Casino requiring certain acquisition entities in the United States, \$1.2 million in U.S. income tax obligations were incurred during fiscal 2017.

Also during fiscal 2017, management determined that the fair value of Rivers Casino should be adjusted downward by \$12.4 million. The fair value of \$14.3 million as at March 31, 2017 compares to a fair value of \$26.2 million at March 31, 2016 and a cost of \$9.1 million. The decrease in fair value was due to the distributions received during fiscal 2017. The fair value is adjusted for foreign exchange fluctuations.

### Winters Bros. of CT

As at March 31, 2017 and 2016, CEP IV Co-Invest held 76,284.8 Class C units in Winters Bros. of CT, representing a 13.4% ownership interest on a fully diluted basis.

During fiscal 2017, management determined that the fair value of Winters Bros. of CT should be adjusted upward by \$1.0 million. The fair value of \$11.2 million as at March 31, 2017 compares to a fair value of \$9.9 million at March 31, 2016 and a cost of \$8.1 million. The increase in fair value was due to growth in operating performance. The fair value is adjusted for foreign exchange fluctuations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

### INVESTMENTS MADE BY CEP V CO-INVEST ALONGSIDE CEP V

#### Accel Entertainment

As at March 31, 2017 and 2016, CEP V Co-Invest held 283,478 Class D preferred shares in Accel Entertainment, representing a 7.9% ownership interest on a fully diluted basis. The Class D preferred shares are entitled to certain preference over all other equity of Accel Entertainment.

During fiscal 2017, CEP V Co-Invest invested an additional US\$2.4 million in Accel Entertainment pursuant to a post-closing purchase price adjustment.

Also during fiscal 2017, management determined that the fair value of Accel Entertainment should be adjusted upward by \$4.6 million. The fair value of \$20.6 million as at March 31, 2017 compares to a cost of \$16.0 million. The fair value is adjusted for foreign exchange fluctuations.

#### Digital Media Solutions

As at March 31, 2017 and 2016, CEP V Co-Invest held 6,150,000 Class B units in Digital Media Solutions, representing a 13.9% ownership interest on a fully diluted basis. The Class B units are entitled to certain preference over all other equity units in Digital Media Solutions.

During fiscal 2017, CEP V Co-Invest received distributions totaling \$0.8 million from Digital Media Solutions.

The fair value of \$8.2 million as at March 31, 2017 compares to a fair value of \$8.0 million as at March 31, 2016 and a cost of \$8.3 million. The fair value is adjusted for foreign exchange fluctuations.

#### Winters Bros. of LI

As at March 31, 2017 and 2016, CEP V Co-Invest held 1,487,773 Class C units in Winters Bros. of LI and 256,037 units of WBLI II, an affiliated company of Winters Bros. of LI which is owned proportionately by the same unitholders of Winters Bros. of LI, representing a 14.0% ownership interest on a fully diluted basis in the respective entities.

The fair value of \$11.2 million as at March 31, 2017 compares to a fair value of \$11.0 million as at March 31, 2016 and a cost of \$10.6 million. The fair value is adjusted for foreign exchange fluctuations.

### OTHER INVESTMENTS

#### Grey Eagle Casino

As at March 31, 2017 and 2016, Clairvest held units in a limited partnership which operates Grey Eagle Casino, entitling Clairvest between 2.8% and 9.6% of the earnings of the casino until December 18, 2022. Additionally, CEP is entitled to between 8.5% and 28.7% of the earnings of the Grey Eagle Casino until December 18, 2022. During fiscal 2016, 2486303 Ontario invested \$11.0 million for 100% of CEP's limited partner interest and 50% of CEP's general partner interest which in aggregate represents a 90% interest in CEP. Clairvest holds a 10% interest in CEP through its carried interest entitlement in CEP.

During fiscal 2017, Clairvest earned \$0.7 million and CEP earned \$2.2 million in equity distributions from Grey Eagle Casino.

The aggregate fair value of \$12.6 million as at March 31, 2017 compares to a fair value of \$14.1 million as at March 31, 2016 and a cost of \$11.0 million.

#### Wellington Financial

As at March 31, 2016, Clairvest had funded \$14.6 million of its \$30.3 million limited partner commitment in WF Fund V Limited Partnership ["Wellington Fund V"], representing a 10.1% ownership interest in Wellington Fund V.

During fiscal 2017, Clairvest funded an additional \$1.0 million to Wellington Fund V bringing total amount funded to \$15.6 million. Clairvest also has an interest in the general partner of various Wellington Financial funds and retained residual limited partner interest in WF Fund III Limited Partnership ["Wellington Fund III"] and WF Fund IV Limited Partnership ["Wellington Fund IV"].

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

During fiscal 2017, Clairvest received distributions totaling \$4.6 million from Wellington Financial. As at March 31, 2017, Clairvest had received distributions from Wellington Financial totaling \$31.2 million.

The fair value of \$22.1 million as at March 31, 2017 compares to a cost of \$15.6 million and reflects management's estimated realizable value of Clairvest's entitlement as a limited partner of various Wellington Financial funds and general partner interest in Wellington Financial.

### LIABILITIES

As at March 31, 2017, Clairvest had \$121.7 million in total liabilities, which included \$8.3 million in accrued management and director compensation, \$21.7 million in share-based compensation, \$67.1 million in management participation and \$20.7 million in deferred tax liability. \$92.8 million of these liabilities were payable only upon the cash realization of certain investments of Clairvest or the CEP Funds.

### FINANCIAL RESULTS

Clairvest's operating results reflect revenue earned from its corporate investments and cash, cash equivalents and temporary investments and realized gains and net changes in unrealized gains and losses on its corporate investments. These results are net of all costs incurred to manage these assets.

Net income for the year ended March 31, 2017 was \$70.1 million compared with net income of \$40.0 million for the year ended March 31, 2016. The following table summarizes the composition of net income for the years ended March 31:

#### Financial Results

Year ended March 31, [\$000's, except per share amounts]	2017	2016
Net investment gains		
- Investee companies inclusive of foreign exchange hedging activities	\$ 60,455	\$ 32,674
- Acquisition entities including distributions, interest, dividends and fees received from investee companies and net of taxes payable by these acquisition entities	12,491	5,405
	<b>72,946</b>	38,079
Distributions, interest income, dividends and fees		
- CEP Funds	12,282	9,955
- Investee companies	7,260	6,548
- Treasury funds <sup>[1]</sup>	764	517
- Acquisition entities and other	2,601	4,563
	<b>22,907</b>	21,583
Net carried interest income – realized and unrealized changes	35,617	16,255
Total expenses	51,870	32,690
Income before income taxes	79,600	43,227
Income taxes	9,474	3,261
Net income and comprehensive income	70,126	39,966
Net income and comprehensive income per share	4.61	2.63
Net income and comprehensive income per share - fully diluted	4.61	2.63

[1] Includes realized gains/losses and market value changes to Clairvest's treasury funds

The Company fair values its acquisition entities which hold Clairvest's investee companies as well as other assets and liabilities. Distributions, interest, dividends and fees earned from and realized gains and net changes in unrealized gains on

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

the investee companies held by acquisition entities, including foreign exchange fluctuations and the hedging activities related to managing the foreign currency exposure of these investments, and income taxes incurred by these acquisition entities, are reflected in net investment gains until the proceeds are distributed out of these acquisition entities, at which point the Company would record a distribution or a dividend from acquisition entities and reverse the net investment gains or losses which had previously been recorded.

During fiscal 2017, CEP III Co-Invest realized its investment in Light Tower Rentals which had a fair value of nil since December 2015. During fiscal 2017, CEP III Co-Invest made distributions totaling \$3.1 million to its unitholders, \$1.2 million of which were to Clairvest and the remaining \$1.9 million were to acquisition entities of Clairvest. During fiscal 2016, CEP III Co-Invest completed the sale of Casino New Brunswick and distributed substantially all of the proceeds to its unitholders, \$3.7 million of which was received by Clairvest and \$5.1 million of which was received by acquisition entities of Clairvest. During fiscal 2017, CEP IV Co-Invest received \$33.3 million in cash proceeds as a result of the sale of Cieslok Media and received \$14.8 million in distributions from the financing of Rivers Casino. During fiscal 2017, CEP IV Co-Invest made capital distributions totaling \$38.1 million to its unitholders, \$37.5 million of which were to Clairvest and the remaining \$0.6 million were to acquisition entities of Clairvest.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

The following tables summarize the net investment gains or losses of investee companies for the years ended March 31, 2017 and 2016. These net investment gains are inclusive of the foreign exchange hedging activities related to these investments:

### Net investment gains [losses] on investee companies

Year ended March 31, 2017 [\$000's]	Net realized gains (losses)	Net unrealized gains (losses)	Foreign Exchange gains (losses) inclusive of foreign exchange hedging activities	Total
Accel Entertainment	\$ —	\$ 4,560	\$ [30]	\$ 4,530
Centaur Gaming	—	19,275	1,251	20,526
Cieslok Media <sup>[1]</sup>	22,707	—	—	22,707
Chilean Gaming Holdings	—	3,719	1,540	5,259
County Waste	—	5,385	42	5,427
CRS	—	6,749	—	6,749
Davenport Land Investments	—	—	[21]	[21]
Digital Media Solutions	—	—	[16]	[16]
Discovery Air	—	[8,097]	—	[8,097]
Grey Eagle Casino	—	[1,424]	—	[1,424]
Light Tower Rentals <sup>[1]</sup>	—	—	—	—
LSNE	31	11,670	[73]	11,628
MAG	—	4,570	7	4,577
The Meadowlands	—	—	[89]	[89]
Rivers Casino <sup>[2]</sup>	—	[12,375]	[147]	[12,522]
Wellington Financial	—	223	—	223
Winters Bros. of CT	—	1,015	[9]	1,006
Winters Bros. of LI	—	—	[8]	[8]
<b>Net investment gains on investee companies</b>	<b>\$ 22,738</b>	<b>\$ 35,270</b>	<b>\$ 2,447</b>	<b>\$ 60,455</b>

[1] Cieslok Media and Light Tower Rentals were realized during fiscal 2017.

[2] During fiscal 2017, Rivers Casino completed a financing and distributed \$14.8 million to CEP IV Co-Invest which resulted in a decrease to the fair value of the investment.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at, and for the year ended, March 31, 2017

June 22, 2017

Year ended March 31, 2016 [\$000's]	Net realized gains (losses)	Net unrealized gains (losses)	Foreign exchange gains (losses) inclusive of foreign exchange hedging activities	Total
Accel Entertainment	\$ —	\$ —	\$ [6]	\$ [6]
Casino New Brunswick <sup>[1]</sup>	1,474	—	—	1,474
Centaur Gaming	—	17,251	121	17,372
Cieslok Media	—	3,228	—	3,228
Chilean Gaming Holdings	—	10,433	[1,124]	9,309
County Waste	—	3,069	124	3,193
CRS	—	5,025	—	5,025
Davenport Land Investments	—	223	[22]	201
Digital Media Solutions	—	—	[4]	[4]
Discovery Air	—	[4,993]	—	[4,993]
Grey Eagle Casino	—	378	—	378
Light Tower Rentals	—	[11,531]	[1,070]	[12,601]
Linen King <sup>[1]</sup>	[74]	—	[1]	[75]
LSNE	—	6,277	798	7,075
MAG	—	483	18	501
The Meadowlands	—	—	1	1
Rivers Casino	—	165	[152]	13
Wellington Financial	—	2,528	—	2,528
Winters Bros. of CT	—	—	25	25
Winters Bros. of LI	—	—	30	30
<b>Net investment gains on investee companies</b>	<b>\$ 1,400</b>	<b>\$ 32,536</b>	<b>\$ [1,262]</b>	<b>\$ 32,674</b>

[1] Casino New Brunswick and Linen King were realized during fiscal 2016.

The Company and its acquisition entities also receive distributions, interest, dividends or fees from various investee companies. The following table summarizes these income earned by the Company and its acquisition entities for the years ended March 31:

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at, and for the year ended, March 31, 2017

June 22, 2017

**Distributions, Interest, Dividends, and Fees from Investee Companies**

Year ended March 31, [\$000's]	2017			2016		
	Earned directly by Clairvest	Earned through acquisition entities	Total	Earned directly by Clairvest	Earned through acquisition entities	Total
<b>Distributions and interest income</b>						
Casino New Brunswick	\$ —	\$ —	\$ —	\$ —	\$ 4,587	\$ 4,587
Centaur Gaming	—	121	121	—	59	59
CRS	—	622	622	—	465	465
Davenport Land Investments	—	82	82	—	378	378
Digital Media Solutions	—	819	819	—	—	—
Discovery Air	183	395	578	253	—	253
Grey Eagle Casino	729	2,187	2,916	849	1,108	1,957
LSNE	—	—	—	74	122	196
MAG	245	21	266	69	—	69
The Meadowlands	—	866	866	—	1,203	1,203
Rivers Casino	—	18,691	18,691	—	4,896	4,896
Wellington Financial	4,773	—	4,773	3,375	—	3,375
	5,930	23,804	29,734	4,620	12,818	17,438
<b>Dividend income</b>						
Chilean Gaming Holdings	—	3,701	3,701	—	501	501
<b>Advisory and other fees</b>						
	1,330	619	1,949	1,928	628	2,556
<b>Distributions, interest, dividends and fees from investee companies</b>						
	\$ 7,260	\$ 28,124	\$ 35,384	\$ 6,548	\$ 13,947	\$ 20,495

The Company and its acquisition entities also receive distributions, fees and interest from the CEP Funds as described in the Transaction with Related Parties section of the MD&A. The following table summarizes the distributions, fees and interest earned from the CEP Funds for the years ended March 31:

**Distributions, Fees and Interest from the CEP Funds**

Year ended March 31, [\$000's]	2017			2016		
	Earned directly by Clairvest	Earned through acquisition entities	Total	Earned directly by Clairvest	Earned through acquisition entities	Total
Priority distributions	\$ 10,860	\$ —	\$ 10,860	\$ 7,760	\$ —	\$ 7,760
Management fees	1,311	—	1,311	835	—	835
Interest on loans advanced	111	74	185	1,360	902	2,262
<b>Distributions, fees and interest from the CEP Funds</b>						
	\$ 12,282	\$ 74	\$ 12,356	\$ 9,955	\$ 902	\$ 10,857

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

Also included in distributions and interest income for the year ended March 31, 2017 was income on treasury funds of \$0.8 million which included a net realized loss of \$0.7 million on the US\$7.5 million Light Tower Rentals corporate bonds purchased under Clairvest's treasury portfolio. During fiscal 2016, income on treasury funds of \$0.5 million included net unrealized losses of \$1.8 million on these bonds. Acquisition entities of Clairvest earned interest from its treasury funds totaling \$0.5 million during fiscal 2017 compared to \$0.4 million during fiscal 2016.

The Company also earns carried interest income from the CEP Funds, as described in the Transaction with Related Parties section of the MD&A. The following table summarizes net carried interest income earned by the Company for the years ended March 31:

### Net carried interest income

Year ended March 31, [\$000's]	2017	2016
Realized carried interest from CEP	\$ 474	\$ 439
Realized carried interest from the CEP Funds	830	5,395
Net change in unrealized carried interest from the CEP Funds	34,313	10,421
<b>Net carried interest income<sup>[1]</sup></b>	<b>\$ 35,617</b>	<b>\$ 16,255</b>

<sup>[1]</sup> Includes carried interest which are ultimately paid to non-Clairvest participants if and when they are payable, which are recorded as management participation as described below

Total expenses for the year were \$53.4 million, compared with \$32.7 million for the year ended March 31, 2016. The following table summarizes expenses incurred by the Company for the years ended March 31:

### Total Expenses, excluding Income Taxes

Year ended March 31, [\$000's]	2017	2016
<b>Employee compensation and benefits</b>	<b>\$ 11,342</b>	<b>\$ 10,025</b>
<b>Share-based compensation expenses</b>	<b>10,992</b>	<b>6,264</b>
<b>Administration and other expenses</b>		
Domain and due diligence expenses <sup>[1]</sup>	730	120
Professional fees	770	699
Office and other expenses	3,388	3,389
	<b>4,888</b>	<b>4,208</b>
<b>Finance and foreign exchange expense</b>		
Interest and bank charges	828	871
Foreign exchange gain	[14]	[432]
	<b>814</b>	<b>439</b>
<b>Management participation</b>	<b>23,834</b>	<b>11,754</b>
<b>Total expenses, excluding income taxes</b>	<b>\$ 51,870</b>	<b>\$ 32,690</b>

<sup>[1]</sup> Domain and due diligence expenses with respect to investments made alongside CEP V and CEP V-A are allocated to CEP V Co-Invest. These expenses are therefore included in the fair value determination of Clairvest's acquisition entities.

Included in share-based compensation expenses for the year ended March 31, 2017 was \$0.9 million for the Non-Voting Option Plan as described in the Equity and Share Information section of the MD&A, \$7.8 million for book value appreciation rights ["BVARs"] and \$2.7 million for Deferred Share Units ["DSUs"] and Appreciation Deferred Share Units ["ADSUs"],

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

compared to \$0.8 million for the legacy stock option plan, \$5.5 million for BVARs and \$0.4 million for DSUs and ADSUs for the year ended March 31, 2016. Refer to *notes 2[h], 2[i], 2[j] and 12* to the consolidated financial statements for details of these compensation plans.

Management participation is further described in the Transaction with Related Parties section of the MD&A.

### SUMMARY OF QUARTERLY RESULTS

	Gross Revenue	Net Income	Net Income Per Common Share*	Net Income Per Common Share Fully Diluted*
[\$000's except per share information]	\$	\$	\$	\$
March 31, 2017	33,443	17,268	1.14	1.14
December 31, 2016	52,368	30,764	2.02	2.02
September 30, 2016	20,354	10,520	0.69	0.69
June 30, 2016	25,305	11,574	0.76	0.76
March 31, 2016	28,156	17,265	1.14	1.14
December 31, 2015	18,956	11,930	0.78	0.78
September 30, 2015	8,072	2,882	0.19	0.19
June 30, 2015	20,733	7,889	0.52	0.52

\* The sum of quarterly net income [loss] per common share may not equal to the full year net income per common share due to rounding and the dilutive effect on any quarters which may not be applicable for the full year.

Significant variations arise in the quarterly results due to net investment gains, net carried interest income and management participation which are re-valued on a quarterly basis when conditions warrant an adjustment to the fair value of the corporate investments and due to realizations, and share-based compensation due to the movement in the trading price and book value of Clairvest's common shares.

### FOURTH QUARTER RESULTS

Net income for the fourth quarter of fiscal 2017 was \$17.3 million compared with a net income of \$17.3 million for the fourth quarter of fiscal 2016. Gross revenue for the fourth quarter of fiscal 2017 was \$33.4 million compared with \$28.2 million for the fourth quarter of fiscal 2016. Expenses before income tax for the fourth quarter of fiscal 2017 were \$14.5 million compared to \$9.6 million for the fourth quarter of fiscal 2016. The Company incurred \$1.6 million in tax expense during the fourth quarter of fiscal 2017, compared to \$1.3 million in tax expense for the same quarter last year.

Gross revenue for the fourth quarter of fiscal 2017 comprised \$17.2 million in net investment gains, \$5.8 million in distributions, interest, dividends and fees, and \$10.4 million in net carried interest income. This compares with net investment gains in \$14.5 million, \$5.4 million in distributions, interest, dividends and fees and \$8.2 million in net carried interest income for the fourth quarter of fiscal 2016.

The net investment gains of \$17.2 million for the fourth quarter of fiscal 2017 resulted from \$18.5 million in net unrealized gains from Clairvest's investee companies inclusive of foreign exchange hedging activities and \$1.3 million in net unrealized losses from Clairvest's acquisition entities. This compared with \$15.0 million in net unrealized gains from Clairvest's investee companies and \$0.5 million in net unrealized losses from Clairvest's acquisition entities for the fourth quarter of fiscal 2016. Distributions from acquisition entities are typically declared annually during the fourth quarter of each fiscal year resulting in net unrealized losses from these acquisition entities.

Distributions, interest, dividends and fees for the quarter included income on treasury funds of \$0.3 million, general partner distributions and interest earned from the CEP Funds of \$3.1 million, distributions and interest earned from investee companies of \$2.1 million and \$0.3 million from acquisition entities. This compared with \$0.7 million in income on treasury

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

funds, \$3.0 million earned from the CEP Funds, \$0.9 million earned from investee companies and \$0.8 million in distributions from Clairvest's acquisition entities for the same quarter last year.

Net carried interest income of \$10.4 million for the fourth quarter of fiscal 2017 comprised \$0.1 million in realized carried interest from CEP and \$10.3 million in unrealized carried interest payable by the CEP Funds. Net carried interest income of \$8.2 million for the fourth quarter of fiscal 2016 comprised entirely of unrealized carried interest payable by the CEP Funds. Net carried interest income from the CEP Funds is further described in the Transaction with Related Parties section of the MD&A.

Expenses for the fourth quarter of fiscal 2017 included \$6.8 million of management and director compensation expenses, \$6.4 million of management participation, \$1.1 million in administrative and other expenses, and \$0.2 million in finance and foreign exchange expenses. This compares with \$3.8 million of management and director compensation expenses, \$5.4 million of management participation, \$0.6 million in administrative and other expenses, and \$0.1 million in finance and foreign exchange expenses recoveries for the fourth quarter of fiscal 2016. Management participation is further described in the Transaction with Related Parties section of the MD&A.

## EQUITY AND SHARE INFORMATION

As at March 31, 2017 and June 22, 2017, Clairvest had 15,194,095 common shares issued and outstanding.

During fiscal 2017, Clairvest purchased and cancelled 20,000 common shares under a previous normal course issuer bid. No purchases had been made on the current normal course issuer bid to June 22, 2017. As at June 22, 2017, Clairvest had repurchased a total of 6,615,049 common and non-voting shares for total consideration of \$68.9 million over the last thirteen years.

During fiscal 2017, the Board of Directors of the Company authorized the creation of Non-Voting Series 2 Shares ["Non-Voting Shares"] which have a two times preference over the common shares. The Non-Voting Shares were authorized as part of the new stock option program as described below. No Non-Voting Shares had been issued as at March 31, 2017 and June 22, 2017.

Also during fiscal 2017, Company adopted a new stock option plan [the "Non-Voting Option Plan"]. Options granted under the Non-Voting Option Plan are exercisable for Non-Voting Shares. Subsequent to the adoption of the Non-Voting Option Plan, Clairvest granted 203,353 options under this plan. The Non-Voting Option Plan has a cash settlement feature. Options granted under this plan vest at a rate of one-fifth of the grant at the end of each year over a five-year period. As at March 31, 2017 and June 22, 2017, all 203,353 options were outstanding and none had vested.

In addition, during fiscal 2017 the Board of Directors of the Company approved an Employee Deferred Share Units ["EDSU"] Plan. The EDSU Plan provides, among other things, that participants may elect annually to receive all or a portion of their annual bonus amounts that would otherwise be payable in cash in the form of EDSUs. EDSUs may be redeemed for cash or for common shares of the Company in accordance with the terms of the plan. Subsequently, the EDSU Plan received shareholders' approval by ordinary resolution during fiscal 2017. Clairvest is required to reserve one common share for each EDSU issued under the EDSU Plan. The maximum number of Clairvest common shares reserved for the EDSU Plan is 200,000 which represented approximately 1.3% of the outstanding number of common shares as at March 31, 2017 and June 22, 2017. As at March 31, 2017 and June 22, 2017, 18,445 EDSUs had been issued based on the terms and conditions of the EDSU Plan, and none of which had been redeemed.

Clairvest paid an ordinary dividend of \$0.10 per share on the common shares in each of fiscal 2017, fiscal 2016 and fiscal 2015. During fiscal 2017, and 2016 and 2015, Clairvest also paid a special dividend of \$0.2191 and, \$0.1958 and \$0.1492 per share respectively.

Subsequent to year-end, Clairvest declared an annual ordinary dividend of \$0.10 per share, and a special dividend of \$0.2621 per share. The dividends will be payable to common shareholders of record as of July 6, 2017. The dividend will be paid on July 24, 2017. Both dividends are eligible dividends for Canadian income tax purposes.

**CRITICAL ACCOUNTING ESTIMATES**

For a discussion of all significant accounting policies, refer to *note 2* to the consolidated financial statements.

**Fair value of financial instruments**

When a financial asset or liability is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to corporate investments are not included as part of the cost of the investment. Subsequent to initial recognition, the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded. Investments that are escrowed or otherwise restricted on sale or transfer are recorded at amounts at fair values which take into account the escrow terms or other restrictions. In determining the fair value for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments. The amounts at which Clairvest's publicly-traded investments could be disposed of may differ from this fair value and the differences could be material. Differences could arise as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Estimated costs of disposition are not included in the fair value determination.

In the absence of an active market, the fair values are determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private market transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. The amounts at which Clairvest's privately-held investments could be disposed of may differ from the fair value assigned and the differences could be material. Estimated costs of disposition are not included in the fair value determination.

In determining the fair value of public company warrants, for which the underlying security is traded on a recognized securities exchange, and if there are sufficient and reliable observable market inputs, including exercise price and term of the warrants, market interest rate, and current market price, expected dividends and volatility of the underlying security, a valuation technique is used. If market inputs are insufficient or unreliable, the warrants are valued at intrinsic value, which is equal to the higher of the closing bid price of the underlying security less the exercise price of the warrant, or nil. For private company warrants, the underlying security for which is not traded on a recognized securities exchange, the fair value is determined consistently with other investments which do not have an active market as described above.

A change to an estimate with respect to Clairvest's privately-held corporate investments or publicly-traded corporate investments would impact corporate investments and net investment gains.

**Recognition of carried interest and corresponding expenses**

The Company records unrealized carried interest receivable on its consolidated statements of financial position which are based on the fair values of the financial instruments held by the CEP Funds. As discussed previously, fair values of certain financial instruments are determined using valuation techniques and by their nature, the use of estimates and assumptions. Changes in the underlying estimates and assumptions could materially impact the determination of the fair value of these financial instruments. Imprecision in determining fair value using valuation techniques may affect the calculation of unrealized carried interest receivable and the resulting accrued liabilities for future payouts relating to these unrealized carried interest at the statement of financial position date.

**Deferred income taxes**

The process of determining deferred income tax assets and liabilities requires management to exercise judgment while considering the anticipated timing of disposal of corporate investments, and proceeds thereon, tax planning strategies,

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

changes in tax laws and rates, and loss carryforwards. Deferred income tax assets are only recognized to the extent that in the opinion of management, it is more likely than not that the deferred income tax asset will be realized. A change to an accounting estimate with respect to deferred income taxes would impact deferred tax liability and income tax expense.

### TRANSACTIONS WITH RELATED PARTIES

The general partner of CEP ["CEP GP"], an entity which is controlled by Clairvest, is entitled to participate in distributions equal to 20% of all net gains [a "20% carried interest"] of CEP as governed by its Limited Partnership Agreement. Effective December 21, 2015, 10% of the carried interest is allocated to Clairvest and the other 10% is allocated to 2486303 Ontario, which purchased the 10% carried interest from principals and employees of Clairvest during fiscal 2016 for \$1.2 million. During fiscal 2017, CEP GP earned \$0.5 million in carried interest from CEP, 50% of which was ultimately paid to Clairvest, and the other 50% was ultimately paid to 2486303 Ontario. As at March 31, 2017, CEP had declared and paid distributions to CEP GP totaling \$24.2 million, 50% of which or \$12.1 million was ultimately paid to Clairvest, \$11.8 million of which was ultimately paid to the principals and employees of Clairvest and \$0.3 million was ultimately paid to 2486303 Ontario.

As at March 31, 2017, if CEP were to sell all of its corporate investments at their current fair values, CEP GP would receive up to \$2.1 million in carried interest from CEP. In accordance with IFRS, Clairvest has recorded the \$2.1 million as carried interest receivable on the consolidated statements of financial position, with a \$1.0 million payable owed to 2486303 Ontario.

As a general partner of CEP III, Clairvest is entitled to a priority distribution from CEP III. Effective January 13, 2011, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 75% of any fees earned by Clairvest from corporate investments of CEP III. During fiscal 2017, CEP III declared to Clairvest priority distributions of \$0.9 million. As per the Limited Partnership Agreement, fees of \$0.1 million from corporate investments of CEP III were netted against the priority distributions.

The general partners of CEP III ["CEP III GPs"] are entitled to a 20% carried interest in respect of CEP III as governed by its Limited Partnership Agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP III, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP III have purchased, at fair market value, units of MIP III. From time to time, additional units in MIP III may be purchased by the limited partners of MIP III. During fiscal 2017, CEP III GPs earned \$0.8 million in carried interest from CEP III, 50% of which was ultimately paid to Clairvest, and the other 50% was ultimately paid to the limited partners of MIP III which reduced the management participation liability. As at March 31, 2017, CEP III had declared and paid distributions to the CEP III GPs totaling \$39.5 million, 50% of which was ultimately paid to Clairvest and the other 50% was ultimately paid to the limited partners of MIP III.

As at March 31, 2017, if CEP III were to sell all of its corporate investments at their current fair values, CEP III GPs would receive up to \$25.2 million in carried interest from CEP III. In accordance with IFRS, Clairvest had recorded the \$25.2 million as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP III, or \$12.6 million, recorded as a management participation liability on the consolidated statements of financial position.

Clairvest is required to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest was established in fiscal 2007 as the investment vehicle for this purpose. CEP III Co-Invest has three limited partners, Clairvest, 2141788 Ontario and MIP III. MIP III had invested \$1.1 million in CEP III Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP III Co-Invest via the general partner of CEP III Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$0.2 million in carried interest received by MIP III, and the remaining carried interest represents the entitlements of the limited partners of MIP III.

During fiscal 2017, CEP III Co-Invest paid \$0.3 million to MIP III with respect to this carried interest entitlement. As at March 31, 2017, CEP III Co-Invest had declared and paid distributions totaling \$5.1 million with respect to this carried interest entitlement, \$0.2 million of which was received by Clairvest and \$4.9 million was received by the limited partners of



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

MIP III. As at March 31, 2017, if CEP III Co-Invest were to sell its corporate investments at their current fair values, the limited partners of MIP III would receive up to \$5.9 million in carried interest from CEP III Co-Invest based on the terms described above, the amount of which had been recorded as a management participation liability on the consolidated statements of financial position.

Clairvest, as the general partner of MIP III, is also entitled to participate in distributions equal to the realizable value on the \$1.1 million invested by MIP III in CEP III Co-Invest. As at March 31, 2017, \$1.9 million had been received by Clairvest.

As general partner of CEP IV, Clairvest is entitled to a priority distribution from CEP IV. Effective January 14, 2016, the priority distribution is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 63.2% of any fees earned by Clairvest from corporate investments of CEP IV. During fiscal 2017, CEP IV declared to Clairvest priority distributions of \$3.0 million. As per the Limited Partnership Agreement, fees of \$0.5 million from corporate investments of CEP IV were netted against the priority distributions.

The general partners of CEP IV ["CEP IV GPs"] are entitled to a 20% carried interest in respect of CEP IV as governed by its Limited Partnership Agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP IV, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP IV have purchased, at fair market value, units of MIP IV. From time to time, additional units in MIP IV may be purchased by the limited partners of MIP IV. No carried interest had been declared and paid by CEP IV to CEP IV GPs as at March 31, 2017.

As at March 31, 2017, if CEP IV were to sell all of its corporate investments at their current fair values, CEP IV GPs would receive up to \$59.5 million in carried interest from CEP IV. In accordance with IFRS, Clairvest had recorded the \$59.5 million as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP IV, or \$29.8 million, recorded as a management participation liability on the consolidated statements of financial position.

As manager of CEP IV-A, Clairvest is entitled to a management fee from CEP IV-A. Effective January 14, 2016, the management fee is calculated monthly as 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 10.1% of fees earned by Clairvest from corporate investments of CEP IV-A and other amounts as provided in the Limited Partnership Agreement. During fiscal 2017, Clairvest earned management fees of \$0.4 million as compensation for its services in the administration of the portfolio of CEP IV-A. As per the Limited Partnership Agreement, fees of \$0.1 million from corporate investments of CEP IV-A were netted against the management fees.

The general partner of CEP IV-A ["CEP IV-A GP"], an entity which is controlled by Clairvest, is entitled to a 20% carried interest in respect of CEP IV-A as governed by its Limited Partnership Agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP IV. No carried interest had been declared and paid by CEP IV-A to CEP IV-A GP as at March 31, 2017.

As at March 31, 2017, if CEP IV-A were to sell all of its corporate investments at their current fair values, CEP IV-A GP would receive up to \$11.5 million in carried interest from CEP IV-A. In accordance with IFRS, Clairvest has recorded the \$11.5 million as carried interest receivable on the consolidated statements of financial position, with the 50% entitlement that will be ultimately paid to the limited partners of MIP IV, or \$5.7 million recorded as a management participation liability on the consolidated statements of financial position.

Clairvest is required to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV Co-Invest was established in fiscal 2010 as the investment vehicle for this purpose. CEP IV Co-Invest has two limited partners, Clairvest and MIP IV. MIP IV has invested \$1.6 million in CEP IV Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP IV Co-Invest via the general partner of CEP IV Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$0.4 million in carried interest received by MIP IV, and the remaining carried interest represents the entitlements of the limited partners of MIP IV.

As at March 31, 2017, if CEP IV Co-Invest were to sell all of its corporate investments at their current fair values, MIP IV would receive up to \$13.0 million in carried interest from CEP IV Co-Invest based on the terms described above, the amount

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

of which had been recorded as a management participation liability on the statements of financial position. To date, CEP IV Co-Invest had not made any carried interest payments to MIP IV.

Clairvest, as general partner of MIP IV, is also entitled to participate in distributions equal to the realizable value on the \$1.6 million invested by MIP IV in CEP IV Co-Invest. As at March 31, 2017, \$0.6 million had been received by Clairvest.

As general partner of CEP V, Clairvest is entitled to a priority distribution from CEP V. From January 14, 2016 to January 13, 2021, the priority distribution is calculated monthly as 0.1667% of committed capital; and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The priority distribution is reduced to the extent of 58.8% of any fees earned by Clairvest from corporate investments of CEP V. During fiscal 2017, CEP V declared to Clairvest priority distributions of \$6.9 million. As per the Limited Partnership Agreement, fees of \$0.1 million from corporate investments of CEP V were netted against the priority distributions.

The general partners of CEP V ["CEP V GPs"] are entitled to a 20% carried interest in respect of CEP V as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP V, the general partner of which is Clairvest and the limited partners of which are principals and employees of Clairvest. The limited partners of MIP V have purchased, at fair market value, units of MIP V. From time to time, additional units in MIP V may be purchased by the limited partners of MIP V. No carried interest had been declared and paid by CEP V to CEP V GPs as at March 31, 2017.

As manager of CEP V-A, Clairvest is entitled to a management fee from CEP V-A. From January 14, 2016 to January 13, 2021, the management fee is calculated monthly as 0.1667% of committed capital; and thereafter, 0.1667% of invested capital net of write-downs of capital then invested. The management fee is reduced to the extent of 11.2% of fees earned by Clairvest from corporate investments of CEP V-A and other amounts as provided in the limited partnership agreement. During fiscal 2017, Clairvest earned management fees of \$0.9 million as compensation for its services in the administration of the portfolio of CEP V-A. As per the limited partnership agreement, fees of \$0.3 million from corporate investments of CEP V-A were netted against the management fees.

The general partner of CEP V-A ["CEP V-A GP"], an entity which is controlled by Clairvest, is entitled to a 20% carried interest in respect of CEP V-A as governed by its limited partnership agreement. 10% of the carried interest is allocated to Clairvest and the remaining 10% is allocated to MIP V. No carried interest had been declared and paid by CEP V-A to CEP V-A GP as at March 31, 2017.

Clairvest is required to co-invest alongside CEP V and CEP V-A in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest was established in fiscal 2015 as an investment vehicle for this purpose. CEP V Co-Invest has three limited partners, Clairvest, 2141788 Ontario and MIP V. MIP V has invested \$2.4 million in CEP V Co-Invest and in addition is entitled to an 8.25% carried interest in respect of CEP V Co-Invest via the general partner of CEP V Co-Invest, an entity controlled by Clairvest. Clairvest is entitled to the first \$1.4 million in carried interest received by MIP V, and the remaining carried interest represents the entitlements of the limited partners of MIP V. To date, CEP V Co-Invest had not made any carried interest payments to MIP V.

Clairvest, as the general partner of MIP V, is also entitled to participate in distributions equal to the realizable value on the \$2.4 million invested by MIP V in CEP V Co-Invest. No amounts had been received by Clairvest as at March 31, 2017.

Key management at Clairvest are the Co-Chief Executive Officers ["Co-CEOs"] and its directors. The Co-CEOs are entitled to annual discretionary cash bonuses of up to 175% of their individual annual salary based on individual performance. There is also an annual objective cash bonus which is based on Clairvest's Incentive Bonus Program, stock option plans and the BVAR plan. Annual salaries and compensation under these plans paid to the Co-CEOs during fiscal 2017 was \$2.0 million. As at March 31, 2017, the total amounts payable to the Co-CEOs under the aforementioned plans were \$6.3 million. Compensation paid to the directors of Clairvest under the DSU plan, the ADSU plan and the BVAR plan during fiscal 2017 was \$2.8 million. As at March 31, 2017, the total amounts payable to the directors of Clairvest under the DSU, ADSU and Non-Voting Option plans was \$10.3 million.

As at March 31, 2017, Clairvest had share purchase loans receivable from certain officers of Clairvest [the "Officers"] totaling \$3.0 million. The loans are interest bearing, have full recourse to the individual and are collateralized by the common

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

shares of Clairvest owned by the Officers with a market value of \$4.8 million. None of these loans were made to key management. As at March 31, 2017, Clairvest also had loans receivable from certain officers of a company affiliated with Clairvest totaling \$0.4 million. The loans to officers of the affiliated company bear interest which is paid quarterly. Loans are repayable upon departure of the officer. Interest of \$67 thousand was earned on these loans during fiscal 2017.

During fiscal 2017, the Company had advanced to CEP III \$0.1 million in loans bearing interest at the prime rate in accordance with CEP III's limited partnership agreement. Interest of \$1 thousand was earned from loans to CEP III during fiscal 2017. Subsequent to year-end, the loans were repaid in full.

During fiscal 2017, the Company had advanced to CEP III Co-Invest \$25 thousand in non-bearing interest loans. Subsequent to year-end, the loans were repaid in full.

As at March 31, 2016, the Company had advanced to CEP IV \$5.0 million in loans bearing interest at the Reference Rate in accordance with CEP IV's limited partnership agreement. During fiscal 2017, additional loans totaling \$3.4 million were made by the Company to CEP IV. The loans were repaid in full during fiscal 2017. Interest of \$0.1 million was earned from loans to CEP IV during fiscal 2017.

During fiscal 2017, the Company had advanced to CEP IV-A \$0.1 million in loans bearing interest at the Reference Rate in accordance with CEP IV-A's limited partnership agreement. The loans were repaid in full during fiscal 2017.

As at March 31, 2016, the Company had advanced to CEP IV Co-Invest \$10.8 million in non-bearing interest loans. During fiscal 2017, additional loans totaling \$36.5 million were made by the Company to CEP IV Co-Invest. The loans were repaid in full during fiscal 2017.

During fiscal 2017, the Company had advanced to CEP V \$6.5 million in loans bearing interest at the Reference Rate in accordance with CEP V's limited partnership agreement. The loans were repaid in full during fiscal 2017. Interest of \$12 thousand was earned from loans to CEP V during fiscal 2017.

During fiscal 2017, the Company had advanced to CEP V-A \$1.1 million in loans bearing interest at the Reference Rate in accordance with CEP V-A's limited partnership agreement. The loans were repaid in full during fiscal 2017. Interest of \$2 thousand was earned from loans to CEP V-A during fiscal 2017.

As at March 31, 2016, the Company had advanced to CEP V Co-Invest \$0.5 million in non-bearing interest loans. During fiscal 2017, additional loans totaling \$3.7 million were made by the Company to CEP V Co-Invest. Also during fiscal 2017, \$3.9 million of these loans were repaid such that \$0.3 million remained outstanding as at March 31, 2017.

As at March 31, 2016, the Company had advanced to 2486303 Ontario \$10.9 million in loans bearing interest at 10% per annum. During fiscal 2017, \$1.0 million of these loans were repaid such that \$9.9 million remained outstanding as at March 31, 2017. Interest of \$1.0 million was earned from loans to 2486303 Ontario during fiscal 2017.

During fiscal 2017, Clairvest earned \$5.9 million in distributions and interest income and \$1.3 million in advisory and other fees from its investee companies. Additionally, acquisition entities of Clairvest which were not consolidated in accordance with IFRS earned \$23.8 million in distributions and interest income, \$3.7 million in dividend income and \$0.6 million in advisory and other fees from its investee companies.

As at March 31, 2017, Clairvest had accounts receivable from its investee companies totaling \$1.6 million, from CEP III totaling \$0.2 million, from CEP IV totaling \$0.3 million, from CEP IV-A totaling \$44 thousand, from CEP V totaling \$11.4 million and from CEP V-A totaling \$2.2 million. Additionally, acquisition entities of Clairvest which were not consolidated in accordance with IFRS held receivables from CEP III totaling \$7 thousand, from CEP IV totaling \$12 thousand, from CEP V totaling \$27 thousand and Clairvest's investee companies totaling \$1.8 million.

Clairvest, through PGO Aviation LP, has a 50% ownership in an aircraft where the other 50% ownership is held by a related party of Clairvest. Clairvest received 100% of the incidental rental income of the aircraft and is responsible for 100% of the operating expenses. The related party has the right to sell its portion of the ownership of the aircraft to Clairvest at the fair market value determined at the time of sale. Accordingly, Clairvest has recognized 100% of the net book value of the aircraft and a liability for the 50% ownership the Company does not own.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

### OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

CEP III Co-Invest has committed to co-invest alongside CEP III in all investments undertaken by CEP III. CEP III Co-Invest's co-investment commitment is \$75.0 million, \$15.2 million of which remains unfunded as at March 31, 2017. In accordance with the co-investment agreement, the proportion of the commitment amongst Clairvest, 2141788 Ontario and MIP III is at their own discretion. CEP III Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP III if it concurrently sells a proportionate number of securities of that corporate investment held by CEP III.

CEP IV Co-Invest has committed to co-invest alongside CEP IV and CEP IV-A in all investments undertaken by CEP IV and CEP IV-A. CEP IV's total co-investment commitment is \$125.0 million, \$21.2 million of which remains unfunded as at March 31, 2017. In accordance with the co-investment agreement, the proportion of the commitment between Clairvest and MIP IV is at their own discretion. CEP IV Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP IV and CEP IV-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP IV and CEP IV-A.

CEP V Co-Invest has committed to co-invest alongside CEP V and CEP V-A in all investments undertaken by CEP V and CEP V-A. CEP V Co-Invest's co-investment commitment is \$180.0 million, \$142.2 million of which remains unfunded as at March 31, 2017. In accordance with the co-investment agreement, the proportion of the commitment between Clairvest, 2141788 Ontario and MIP V is at their own discretion. CEP V Co-Invest may only sell all or a portion of a corporate investment that is a joint investment with CEP V and CEP V-A if it concurrently sells a proportionate number of securities of that corporate investment held by CEP V and CEP V-A.

Clairvest has committed \$25.2 million to Wellington Fund IV, all of which was unfunded at March 31, 2017. As specified in the Limited Partnership Agreement, upon the closing of Wellington Fund V, Wellington Fund IV may no longer invest in new investments.

Clairvest has also committed \$30.3 million to Wellington Fund V, \$14.6 million of which remained unfunded as at March 31, 2017.

As at March 31, 2017, Clairvest has earned profit distribution totaling \$0.9 million through its ownership interest in the General Partners of Wellington Fund V. Clairvest has guaranteed to return up to amounts received in the event the limited partners of Wellington Fund V do not meet their return threshold as specified in its Limited Partnership Agreement. As at March 31, 2017 and 2016, there were no accruals made with respect to the clawback.

Clairvest had guaranteed up to US\$10.0 million of CEP III's obligations to a schedule 1 Canadian chartered bank under CEP III's foreign exchange forward contracts with the bank. Subsequent to year-end, the guarantee was extinguished.

Under Clairvest's Bonus Program, a bonus of 10% of after-tax cash income and realizations on certain Clairvest's corporate investments would be paid to management annually as applicable [the "Realized Amount"]. As at March 31, 2017, the Realized Amount under the Bonus Program was \$0.2 million and had been accrued under accrued compensation expense liability. In accordance with IFRS, Clairvest is also required to record a liability equal to a bonus of 10% of the after-tax cash income and realizations which are applicable but which have yet to be realized. Accordingly, Clairvest also recorded a \$5.0 million accrued compensation expense liability that would only be payable to management when the corresponding realization events have occurred. The Bonus Program does not apply to the income generated from investments made by Clairvest through CEP III Co-Invest, CEP IV Co-Invest and CEP V Co-Invest.

In conjunction with the sale of Casino New Brunswick, Clairvest had agreed to a net guarantee of \$13.5 million to fund any valid claims made by the purchaser under the indemnity provisions of the sale for a specified period of time. Any funding pursuant to the guarantee will be allocated 25% to CEP III Co-Invest and 75% to CEP III. As at March 31, 2017, no amounts with respect to this guarantee had been funded. Subsequent to year-end, the net guarantee was reduced to \$2.2 million.

As part of the holding structure of Chilean Gaming Holdings, acquisition entities of CEP III Co-Invest had loans totaling \$41.9 million as at March 31, 2017 from an unrelated financial institution, while another acquisition entity of CEP III Co-Invest

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

held term deposits totaling \$41.9 million as at March 31, 2017 with the same financial institution as security for these loans. CEP III Co-Invest's ownership of both acquisition entities was 36.8% as at March 31, 2017.

Clairvest had agreed to guarantee up to \$10 million to support Discovery Air's credit facility with its bank. The guarantee is callable by the lender under certain circumstances and should it be called, Clairvest will assume the lender's security position that supports the loans provided by the lender. Clairvest intends to allocate any amounts called under this guarantee to CEP IV Co-Invest, CEP IV and CEP IV-A on a pro-rata basis in accordance with their respective capital commitments in the CEP IV fund pool. During fiscal 2017, in conjunction with the DAFS sale transaction as previously described, Discovery Air repaid \$5.0 million of its credit facility which reduced the guarantee provided by Clairvest. As at March 31, 2017, the total contingent exposure under this guarantee was \$2.4 million. Any additional guarantee is subject to Clairvest's consent in its sole discretion.

The Discovery Air Investor Group had entered into a definitive agreement to purchase all outstanding common shares of Discovery Air at a cash consideration of \$0.20 per share. The transaction was completed subsequent to year-end for total cash consideration of \$1.5 million, \$0.4 million of which was funded by CEP IV Co-Invest.

As at March 31, 2017, the Company had future minimum annual lease payments under non-cancellable operating leases for the use of office space of \$0.5 million due within one year, \$1.9 million due after one year but not more than five years and \$2.2 million due after five years.

In connection with its normal business operations, Clairvest is from time to time named as a defendant in actions for damages and costs allegedly sustained by plaintiffs. While it is not possible to estimate the outcome of the various proceedings at this time, Clairvest does not believe that it will incur any material loss in connection with such actions.

## RISK MANAGEMENT

The private equity investment business involves accepting risk for potential return, and is therefore affected by a number of risk factors. These factors, categorized as market risk, investing process risk and other risks, are described below. Additional risks not currently known to us or that we currently believe to be immaterial may also have a material adverse effect on future business of the Company.

### Market risk

#### *Fair Value risk*

Fair value risk includes exposure to fluctuations in the fair market value of the Company's investments. Included in corporate investments are investee companies for which the fair values have been estimated based on assumptions that may not be supported by observable market prices. The most significant unobservable input is the multiple of earnings before interest, taxes, depreciation and amortization ["EBITDA"] used for each individual investee company. In determining the appropriate multiple, Clairvest considers i) public company multiples for companies in the same or similar businesses; ii) where information is known and believed to be reliable, multiples at which recent transactions in the industry occurred; and iii) multiples at which Clairvest invested directly or indirectly in the company, or for follow-on investments or financings. The resulting multiple is adjusted, if necessary, to take into account differences between the investee company and those the Company selected for comparisons and factors include public versus private company, company size, same versus similar business, as well as with respect to the sustainability of the company's earnings and current economic environment. At March 31, 2017, 10 investee companies were valued using the earnings multiple approach. If the Company had used an earnings multiple for each investee company that was higher or lower by 0.5 times, the potential effect would have been an increase of \$29.6 million or a decrease of \$29.3 million to the carrying value of corporate investments and net investment gains, on a pre-tax basis, for the year ended March 31, 2017. Earnings multiples used are based on public company valuations as well as private market multiples for comparable companies.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

Clairvest may also use information about recent transactions carried out in the market for valuations of private equity investments. When fair value is determined based on recent transaction information, this value is the most representative indication of fair value for a period of up to twelve months. The fair value of corporate bonds, debentures or loans is primarily determined using discounted cash flow technique. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows. For those investments valued based on recent transactions and discounted cash flows, Clairvest has determined that there are no reasonable alternative assumptions that would change the fair value materially as at March 31, 2017.

The Company's corporate investment portfolio was diversified across 16 investee companies in 8 industries and 3 countries as at March 31, 2017. The Company has considered current economic events and indicators in the valuation of its investee companies.

### ***Interest rate risk***

Fluctuations in interest rates affect the Company's income derived from its treasury funds. For financial instruments which yield a floating interest rate, the income received is directly impacted by the prevailing interest rate. The fair value of financial instruments which yield a fixed interest rate would change when there is a change in the prevailing market interest rate. The Company manages interest rate risk on its treasury funds by conducting activities in accordance with the fixed income securities policy that is approved by the Audit Committee. Management's application of these policies is regularly monitored by the Audit Committee.

If interest rates were higher or lower by 1%, the potential effect would have been an increase or decrease of \$1.2 million to distributions and interest income on a pre-tax basis for the year ended March 31, 2017.

Certain of the Company's corporate investments are also held in the form of debentures and loans. Significant fluctuations in market interest rates can have a significant impact on the carrying value of these investments.

### ***Currency risk***

The Company has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in the United States and in Chile. The Company has also advanced loans to investee companies which are denominated in foreign currency. In order to limit its exposure to changes in the value of foreign denominated currencies relative to the Canadian dollar, Clairvest and its acquisition entities entered into hedging positions against these foreign denominated currencies as approved by the Board of Directors. In June 2016, the Company adopted a new foreign exchange policy to not hedge the Chilean Pesos ["CLP"] as approved by the Board of Directors. As a result, at March 31, 2017, the Company had foreign exchange exposure to the CLP totaling \$48.8 million.

A number of investee companies are subject to foreign exchange risk. A significant change in foreign exchange rates can have a significant impact on the profitability of these entities and in turn the Company's carrying value of these corporate investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

### ***Commodity price risk***

Certain of Clairvest's investee companies are subject to price fluctuations in commodities. For example, the price of oil had a material adverse effect on Light Tower Rentals, an investment which Clairvest realized during fiscal 2017. In addition, Discovery Air had been negatively impacted by the general downturn in the oil and gas and mining sectors. Clairvest understands the risk of investing in cyclical industries which are largely tied to commodity prices and takes such risk into account in making these investments. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

### Investing process risk

#### ***Competition risk***

Clairvest and the CEP Funds compete for acquisition of investments with many other investors, some of which may have greater depth of investment experience in particular industries or segment or greater financial resources. There may be intense competition for investments in which Clairvest intends to invest, and such competition may result in less favorable investment terms than would otherwise be the case. There can, therefore, be no assurance that the investments ultimately acquired by Clairvest will meet all the investment objectives of Clairvest, or that Clairvest will be able to invest all of the capital it has committed to invest alongside the CEP Funds. The Company manages this risk through a disciplined approach to investing its capital and that of the CEP Funds, and has strict investment policies where investments above a certain threshold require the approval of the Board of Directors.

#### ***Uncompleted and unspecified investment risk***

The due diligence of each specific investment opportunity that Clairvest looks at and the negotiation, drafting and execution of the relevant agreements require substantial management time and attention and may incur substantial third-party costs. In the event that Clairvest elects not to complete a specific investment, the costs incurred up to that point for the proposed transaction are often not recoverable by Clairvest and the CEP Funds. Furthermore, in the event that Clairvest reaches an agreement relating to a specific investment, it may fail to complete such an investment for any number of reasons, including those beyond Clairvest's control. Any such occurrence could similarly result in a financial loss to Clairvest and the CEP Funds due to the inability to recoup any of the related costs incurred to complete a transaction. A shareholder must rely upon the ability of Clairvest's management in making investment decisions consistent with its investment objectives and policies. Shareholders will not have the opportunity to evaluate personally the relevant economic, financial and other information which is utilized by Clairvest in its selection of investments.

#### ***Minority investment risk***

Clairvest and the CEP Funds may make minority equity investments in entities in which they do not legally control all aspects of the business or affairs of such entities. As at March 31, 2017, 15 of the 16 investments made by Clairvest were minority equity investments. In all investments, Clairvest monitors the performance of each investment, maintains an ongoing dialogue with each investee's management team and seeks board representation and negative controls as conditions of each investment.

#### ***Gaming investment risk***

As at March 31, 2017, Clairvest's exposure to the gaming industry represented 39.7% of its net book value. These investments are subject to the risks of any other investment but have heightened exposure to political and regulatory risk whereby a change in the political or regulatory regime governing the gaming industry in a particular jurisdiction where Clairvest's gaming assets are located could have an impact on the ultimate returns of that investment. In addition, many of these investments involve the construction of a gaming facility whereby not only is Clairvest underwriting the risk of completing the facility on budget, but it is also relying on forecasted gaming revenue, versus historical results, which is only a best estimate. While a project is in construction and for a specified period thereafter, the owners of a newly constructed gaming facility may have to guarantee some or all of the bank facility or agree to fund any operating shortfall. The Company manages this risk through oversight responsibilities with existing investee companies and by reviewing the financial condition of investee companies regularly. Historically, Clairvest has been able to manage all of these risks but past performance of Clairvest provides no assurance of future success.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

### ***Risks upon sale of investments***

In connection with the disposition of an investee company, Clairvest and the CEP Funds may be required to make representations about the business and financial affairs of the business. Clairvest and the CEP Funds may also be required to indemnify the purchasers of such investee companies to the extent that any such representation turns out to be incorrect, inaccurate or misleading.

### ***Investment structure and taxation risks***

Clairvest structures its investments in a manner that is intended to achieve its investment objectives. There can be no assurance that the structure of any investment will be as tax efficient as designed or that any particular tax result will be achieved, due to unanticipated tax law changes or unforeseen circumstances during the planning phase of the tax structuring. Furthermore, Clairvest's returns in respect of its investments may be reduced by withholding or other taxes imposed by jurisdictions in which Clairvest's investee companies are organized.

### **Other risks**

#### ***Credit risk***

Credit risk is the risk of a financial loss occurring as a result of default of a counterparty on its obligations to the Company. For the year ended March 31, 2017, there were no material income effects on changes of credit risk on financial assets. The Company manages credit risk on corporate investments through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and oversight responsibilities with existing investee companies and by conducting activities in accordance with investment policies that are approved by the Board of Directors. Management's application of these policies is regularly monitored by the Board of Directors. Management and the Board of Directors review the financial condition of its investee companies regularly.

The Company is also subject to credit risk on its accounts receivable and loans receivable, a significant portion of which are with its investee companies and its CEP Funds. The Company manages this risk through its oversight responsibilities with existing investee companies by reviewing their financial conditions regularly, and through its fiduciary duty as manager of the CEP Funds and by maintaining sufficient uncalled capital for the CEP Funds to settle obligations as they come due.

The Company manages counterparty credit risk on derivative instruments by only contracting with counterparties which are Schedule 1 Canadian chartered banks.

The Company manages credit risk on its treasury funds by conducting activities in accordance with the fixed income securities policy which is approved by the Audit Committee. The Company also manages credit risk by contracting with counterparties which are Schedule 1 Canadian chartered banks or through investment firms where Clairvest's funds are segregated and held in trust for Clairvest's benefit. Management's application of these policies is regularly monitored by the Audit Committee. Management and the Audit Committee review credit quality of cash equivalents and temporary investments regularly.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. Financial obligations arising from off-statement of financial position arrangements have been previously discussed. Accounts payable, loans payable, and derivative instruments have maturities of less than one year. Management participation liability, share-based compensation liability, and amounts accrued under the Bonus Program are only due upon cash realization or completion of the respective vesting periods. Total unfunded commitments to co-invest alongside the CEP Funds, as described were \$178.5 million as at March 31, 2017. The timing of any amounts to be funded under these commitments is dependent upon the timing of investment acquisitions, which are made at the sole discretion of the Company. In addition to its commitments to co-invest alongside the CEP Funds, as at March 31, 2017, the Company had unfunded commitments of \$25.2 million and \$14.6 million to Wellington Fund IV and Wellington Fund V respectively.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

The Company manages liquidity risk by maintaining a conservative liquidity position that exceeds all liabilities payable on demand. The Company invests treasury funds in liquid assets such that they are available to cover any potential funding commitments and guarantees. In addition, the Company maintains a \$100.0 million credit facility which was undrawn at March 31, 2017.

As at March 31, 2017, Clairvest had treasury funds of \$122.2 million and access to \$100.0 million in credit to support its obligations and current and anticipated corporate investments. Clairvest also had access to \$48.9 million in treasury funds held by its acquisition entities and \$443.4 million in uncalled committed third-party capital through the CEP Funds at March 31, 2017 to invest along with Clairvest's capital.

### ***Conflicts of interest risk***

Clairvest's primary business is that of a private equity investor investing its own capital but it also manages third-party capital through the CEP Funds. In accordance with the various fund agreements for the CEP Funds, Clairvest is required to invest alongside the CEP Funds unless the relevant CEP Fund investor committee approves such an investment to be invested by Clairvest without the CEP Funds' participation. Accordingly, Clairvest shareholders may not realize the full benefit of Clairvest investment opportunities as such opportunities are required to be shared with the CEP Funds.

### ***Risk of CEP Fund Limited Partners' failure to meet capital calls***

The general partner of the CEP Funds is responsible to manage the affairs of the CEP Funds, which includes calling capital for investments made by the CEP Funds. If a limited partner of the CEP Funds fails to make the required capital contribution when due, Clairvest could be required to increase its investment under certain conditions. The general partner of the CEP Funds manages this risk through designing the terms of the CEP Funds appropriately and due diligence of potential limited partners of the CEP Funds prior to admitting them to the partnership.

### ***Minority shareholder risks***

As at March 31, 2017, Clairvest's Board of Directors and employees owned over 90% of Clairvest's common shares and Kenneth B. Rotman owned or controlled over 50% of such shares. Accordingly, Mr. Rotman and other insider shareholders have the ability to exercise substantial influence with respect to Clairvest's affairs and can usually dictate the outcome of shareholder votes and may have the ability to prevent certain fundamental transactions.

Accordingly, Clairvest shares may be less liquid and trade at a relative discount compared to circumstances where such large shareholders did not have the ability to significantly influence or determine matters affecting Clairvest.

## **DERIVATIVE FINANCIAL INSTRUMENTS**

The Company and its acquisition entities entered into foreign exchange forward contracts as economic hedges against the fair value of its foreign-denominated investments and loans unless specific exemption is approved by the Board of Directors. During fiscal 2017, the Company received \$0.5 million on the settlement of realized foreign exchange forward contracts.

As at March 31, 2017, Clairvest had entered into foreign exchange forward contracts to sell US\$1.5 million at an average rate of Canadian \$1.3450 per U.S. dollar through to May 2017. The fair value of the forward contracts as at March 31, 2017 was a gain of \$24 thousand. Additionally, acquisition entities of Clairvest had entered into foreign exchange forward contracts to sell US\$165.2 million at an average rate of Canadian \$1.3145 per U.S. dollar through to February 2018. The fair value of the contracts held by these acquisition entities as at March 31, 2017 was a loss of \$2.3 million which had been included in the fair value of Clairvest's investments in these acquisition entities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2017

June 22, 2017

### DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ["CSA"], Management has evaluated the effectiveness of Clairvest's disclosure controls and procedures as of March 31, 2017 and concluded that the disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in its corporate filings is recorded, processed, summarized and reported within the required time period for the year then ended.

National Instrument 52-109 also requires certification from the Chief Executive Officers and Chief Financial Officer to certify their responsibilities for establishing and maintaining internal controls with regards to the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management has evaluated Clairvest's design and operational effectiveness of internal controls over financial reporting for the year ended March 31, 2017. Management has concluded that the design of internal controls over financial reporting were effective and operated as designed as of March 31, 2017 based on this evaluation. There were no changes in internal controls during the most recent interim period that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting. The Company has not identified any weakness that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

### FORWARD-LOOKING STATEMENTS

A number of the matters discussed in this MD&A deal with potential future circumstances and developments and may constitute "forward-looking" statements. These forward-looking statements can generally be identified as such because of the context of the statements and often include words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature.

The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general and economic business conditions and regulatory risks. The impact of any one risk factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future, considering all information then available.

All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances, management's estimates, or opinions change.

### REGULATORY FILINGS

The Company's continuous disclosure materials, including interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form, Notice of Annual Meeting of Shareholders and Proxy Circular are available on the Canadian System for Electronic Document Analysis and Retrieval ["SEDAR"] at [www.sedar.com](http://www.sedar.com).

### USE OF NON-IFRS MEASURES

This MD&A contains references to "book value" and "book value per share" which are non-IFRS financial measures. Book value is calculated as the value of total assets less the value of total liabilities. Book value per share is calculated as book value divided by the total number of common shares of the Company outstanding as at a specific date. The terms book value and book value per share do not have any standardized meaning according to IFRS. There is no comparable IFRS financial measure presented in the Company's consolidated financial statements and thus no applicable quantitative reconciliation for such non-IFRS financial measure. The Company believes that the measure provides information useful to its shareholders in understanding our performance, and may assist in the evaluation of the Company's business relative to that of its peers.