

Condensed Consolidated Interim Financial Statements of

CROWN CAPITAL PARTNERS INC.

Three and nine months ended September 30, 2020 and
2019

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(expressed in thousands of Canadian dollars)

As at	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 17,935	\$ 8,361
Accounts receivable	9,612	10,881
Income taxes recoverable	2,896	227
Prepaid expenses and deposits	542	311
Investments (Note 4)	250,238	250,137
Share purchase loans (Note 10)	371	163
Inventory	894	-
Property and equipment (Note 15)	15,383	14,876
Network services contracts (Note 16)	4,274	3,371
Net investment in leased distributed power equipment (Note 4)	640	644
Distributed power equipment under development and related deposits (Note 17)	22,044	10,540
Deferred income taxes	698	142
	\$ 325,527	\$ 299,653
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities	\$ 8,373	\$ 4,177
Distributions payable to non-controlling interests	2,471	2,432
Crown Partners Fund Promissory Notes payable (Note 4)	-	8,512
Lease obligations	3,624	4,324
Deferred compensation (Note 6)	401	386
Vendor Promissory Notes payable (Notes 4 and 13)	581	-
Contingent consideration	1,153	284
Provision for performance bonus (Note 9)	2,916	2,096
Credit facilities (Note 7)	63,566	38,406
Convertible debentures - liability component (Note 8)	18,836	18,562
Non-controlling interests (Note 11)	139,148	122,996
Total Liabilities	241,069	202,175
Equity		
Share capital (Note 5)	79,033	95,342
Convertible debentures - equity component (Note 8)	483	483
Contributed surplus	15,696	1,087
Retained earnings (deficit)	(10,754)	566
Total Equity	84,458	97,478
	\$ 325,527	\$ 299,653

Commitments and contingencies (Note 18)

See accompanying notes to condensed consolidated interim financial statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss) (unaudited)

(expressed in thousands of Canadian dollars, except earnings per share and weighted average number of shares)

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Revenues				
Interest revenue	\$ 6,878	\$ 7,545	\$ 21,435	\$ 21,222
Fees and other income	304	528	1,420	2,910
Network services revenue	2,526	1,885	6,377	1,885
Net gain (loss) on investments				
Net realized gain (loss) from investments	-	(10,796)	1,233	(9,866)
Net change in unrealized gains (losses) of investments	2,884	8,806	1,801	(1,197)
	12,592	7,968	32,266	14,954
Expenses				
Salaries, management fees and benefits	1,269	1,297	3,601	2,897
Share-based compensation (Note 6)	394	163	594	419
Performance bonus expense (recovery)	562	(5)	820	(654)
General and administration	1,231	949	2,680	2,664
Cost of network services revenue	1,159	592	2,638	592
Depreciation	1,034	1,242	4,037	1,312
Provision for bad debt	-	(442)	-	2,576
Provision for credit losses	11,153	(21)	15,399	130
Impairment of equipment (Note 15)	24	-	47	-
Impairment of distributed power equipment under development and related deposits (Note 17)	357	-	1,057	-
Finance costs (Notes 7 and 8)	1,561	1,074	4,819	2,698
	18,744	4,849	35,692	12,634
Income (loss) before other adjustments and income taxes	(6,152)	3,119	(3,426)	2,320
Gain (loss) on acquisition (Note 13)	105	(195)	105	(195)
Non-controlling interests (Note 11)	(4,723)	(1,893)	(10,453)	(3,485)
Income (loss) before income taxes	(10,770)	1,031	(13,774)	(1,360)
Income taxes				
Current tax expense (recovery)	(2,261)	498	(2,462)	(220)
Deferred tax	(431)	73	(390)	135
	(2,692)	571	(2,852)	(85)
Net income (loss) and comprehensive income (loss)	\$ (8,078)	\$ 460	\$ (10,922)	\$ (1,275)
Income (loss) per share attributable to shareholders:				
Basic	\$ (0.87)	\$ 0.05	\$ (1.17)	\$ (0.13)
Diluted	\$ (0.86)	\$ 0.05	\$ (1.16)	\$ (0.13)
Weighted average number of shares, basic	9,293,730	9,538,075	9,374,701	9,583,082
Weighted average number of shares, diluted	9,352,607	9,649,500	9,432,773	9,692,603

See accompanying notes to condensed consolidated interim financial statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Changes in Equity (unaudited)

For the nine months ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars, except number of shares)

	Number of shares	Share capital	Convertible debentures - equity component	Contributed surplus	Retained earnings (deficit)	Total Equity
Balance as at January 1, 2019	9,616,555	\$ 97,615	\$ 483	\$ 1,397	\$ 5,397	\$ 104,892
Net loss and comprehensive loss attributable to shareholders of the Corporation	-	-	-	-	(1,275)	(1,275)
Share-based compensation (Note 6)	-	-	-	340	-	340
Cash-settled share-based compensation (Note 6)	-	-	-	(117)	(8)	(125)
Issuance of common shares (Note 5)	13,059	126	-	(126)	-	-
Shares repurchased (Note 5)	(173,771)	(1,764)	-	-	398	(1,366)
Cancellation of stock options (Note 6)	-	-	-	(521)	521	-
Dividends declared (Note 5)	-	-	-	-	(4,308)	(4,308)
Balance as at September 30, 2019	9,455,843	\$ 95,977	\$ 483	\$ 973	\$ 725	\$ 98,158
Balance as at January 1, 2020	9,393,242	\$ 95,342	\$ 483	\$ 1,087	\$ 566	\$ 97,478
Net loss and comprehensive loss attributable to shareholders of the Corporation	-	-	-	-	(10,922)	(10,922)
Share-based compensation (Note 6)	-	-	-	173	-	173
Cash-settled share-based compensation (Note 6)	-	-	-	(180)	43	(137)
Issuance of common shares (Note 5)	39,024	384	-	(384)	-	-
Shares repurchased (Note 5)	(193,098)	(1,693)	-	-	973	(720)
Dividends declared (Note 5)	-	-	-	-	(1,414)	(1,414)
Reduction of share capital (Note 5)	-	(15,000)	-	15,000	-	-
Balance as at September 30, 2020	9,239,168	\$ 79,033	\$ 483	\$ 15,696	\$ (10,754)	\$ 84,458

See accompanying notes to condensed consolidated interim financial statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(expressed in thousands of Canadian dollars)

For the nine months ended September 30,	2020	2019
Cash provided by (used in) operating activities		
Net income (loss)	\$ (10,922)	\$ (1,275)
Non-controlling interests (Note 11)	10,453	3,485
Adjustments for:		
Net realized (gain) loss from investments	(1,233)	9,866
Net change in unrealized losses in fair value of investments	(1,801)	1,197
Finance fees received on loans carried at amortized cost, net of non-cash finance fees	828	390
Interest income	(21,435)	(21,222)
Interest income received in the period	15,723	15,614
Lease payments received on distributed power equipment	4	-
Provision for expected credit loss	15,399	130
Non-cash finance costs	705	562
Depreciation	4,037	1,312
Current income tax (recovery)	(2,462)	(220)
Income taxes paid, net of refunds received	(208)	(784)
Deferred income tax	(390)	135
Share-based compensation, net of cash settlements	457	261
Provision for performance bonus (recovery)	819	(654)
Provision for bad debt	-	2,576
Impairment of equipment (Note 15)	47	-
Impairment of distributed power equipment under development and related deposits (Note 17)	1,057	-
Gain (loss) on acquisition (Note 13)	(105)	195
Net change in non-cash working capital (Note 12)	(1,268)	(617)
	9,705	10,951
Cash provided by (used in) investing activities		
Proceeds from repayment of debt securities	36,758	70,512
Addition of investments	(40,133)	(61,672)
Share purchase loan repayments, net of advances	(208)	477
Purchase of property and equipment (Note 15)	(1,782)	(465)
Acquisition of subsidiary, net of cash acquired (Note 13)	(504)	(10)
Purchase of distributed power equipment under development and related deposits (Note 17)	(12,561)	(4,019)
	(18,430)	4,823
Cash provided by (used in) financing activities		
Non-controlling interests contributions to Crown Partners Fund (Note 11)	11,880	12,316
Non-controlling interests contributions to Crown Power Fund (Note 11)	7,105	13,289
Distributions paid by Crown Partners Fund to non-controlling interests	(13,241)	(37,401)
Repayment of Crown Partners Fund Promissory Notes (Note 4)	(8,512)	-
Payments of lease obligations	(1,158)	(214)
Repayment of Galaxy debt assumed on acquisition (Note 13)	(370)	-
Credit facility advances, net of repayments (Note 7)	24,900	5,300
Shares repurchased (Note 5)	(720)	(1,366)
Dividends (Note 5)	(1,414)	(4,308)
Deferred financing costs (Note 7)	(171)	(800)
	18,299	(13,184)
Increase in cash and cash equivalents	9,574	2,590
Cash and cash equivalents, beginning of period	8,361	11,307
Cash and cash equivalents, end of period	\$ 17,935	\$ 13,897
Supplemental cash flow information:		
Interest paid in the period	\$ 4,114	\$ 1,830

See accompanying notes to condensed consolidated interim financial statements.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

1. Reporting entity:

Crown Capital Partners Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act on September 8, 1999 and commenced operations effective October 1, 2000. The Corporation provides investment management services and its registered office is 150 9th Avenue S.W., Suite 26-131, Calgary, Alberta. These condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2020 and 2019 comprise the Corporation and its subsidiaries, which include:

- A 100% interest (September 30, 2019 - 100%) in Crown Capital Funding Corporation ("CCFC");
- Through CCFC, a 100% interest (September 30, 2019 - 100%) in Crown Capital Private Credit Fund, LP ("Crown Private Credit Fund");
- Through CCFC, an effective interest of 38.8% (September 30, 2019 - 37.0%) in Crown Capital Partner Funding, LP ("Crown Partners Fund");
- A 100% interest (September 30, 2019 - 100%) in Crown Capital Private Credit Management Inc. ("CCPC MI"), the General Partner of Crown Private Credit Fund;
- A 100% interest (September 30, 2019 - 100%) in Crown Capital LP Partner Funding Inc. ("CCPF MI"), the general partner of Crown Partners Fund and Crown Capital Fund IV Investment, LP ("CCF IV Investment");
- A 100% interest (September 30, 2019 - 100%) in Crown Capital Fund III Management Inc. ("CCF III"), the general partner and manager of Norrep Credit Opportunities Fund, LP ("NCOF LP");
- A 100% interest (September 30, 2019 - 100%) in 10824356 Canada Inc. ("Crown Power Fund GP"). Crown Power Fund GP was incorporated on June 8, 2018 and is the general partner of Crown Capital Power Limited Partnership ("Crown Power Fund");
- Through CCFC, an interest of 43.2% (February 28, 2019 to September 30, 2019 – 43.2%; January 1, 2019 to February 27, 2019 - 100%) in Crown Power Fund;
- Effective July 12, 2019, a 100% interest in WireIE Holdings International Inc., WireIE (Canada) Inc. and WireIE (Development) Inc. (hereinafter collectively referred to as "WireIE"); and
- Effective September 15, 2020, a 100% interest in Galaxy Broadband Communications, Inc. ("Galaxy").

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

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(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 Interim Financial Reporting. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Corporation’s financial position and results of operations since the last annual consolidated financial statements as at and for the year ended December 31, 2019. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2019.

These condensed consolidated interim financial statements were authorized for issue by the Corporation’s Board of Directors on November 10, 2020.

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis, other than investments and certain share-based awards carried at fair value through profit or loss (“FVTPL”).

(c) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

(d) Use of estimates and judgments:

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

The significant judgments made by management in applying the Corporation’s accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2019.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued):

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic. Emergency measures enacted globally have caused material disruption to businesses resulting in an economic slowdown. It is not possible to forecast with certainty the duration and full financial effect of the COVID-19 pandemic. The situation remains fluid and there is significant uncertainty surrounding the potential impact it may have on the Corporation’s assets, liabilities, revenues, expenses and cash flows.

In the preparation of the condensed consolidated interim financial statements, the Corporation has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets and liabilities, and the reported amount of its results using the best available information as of September 30, 2020. Significant sources of estimation uncertainty include the fair value measurement of investments and the determination of expected credit losses on financial assets.

The Corporation actively monitors developments related to COVID-19, including existing and potential economic impacts on the underlying businesses associated with the Corporation’s financial assets, and the ability of such businesses to meet their financial obligations to the Corporation’s investment subsidiaries on a timely basis. The Corporation also reviews collateral values and monitors financial results of the underlying businesses on an ongoing basis.

(e) Reclassification of prior period presentation:

Certain comparative figures have been reclassified to conform with the current year’s presentations.

3. Significant accounting policies:

The accounting policies applied to these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements as at and for the year ended December 31, 2019, except for those detailed below.

(a) Current period change in accounting policies:

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

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

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

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

3. Significant accounting policies (continued):

(a) Current period change in accounting policies (continued):

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

(b) Significant accounting policies adopted in the period:

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

Inventory

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

4. Financial instruments:

(a) Investments

As at	September 30, 2020	December 31, 2019
Investments at FVTPL:		
Canadian debt securities at FVTPL	\$ 66,901	\$ 72,227
Canadian equity securities	2,147	2,662
Other investments	8,920	10,532
Total Investments at FVTPL	77,968	85,421
Canadian debt securities at amortized cost	188,126	165,460
Allowance for credit losses	(15,856)	(744)
Total Investments at amortized cost, net of allowance for credit losses	172,270	164,716
Total Investments	\$ 250,238	\$ 250,137

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(b) Canadian debt securities

The gross carrying value of Canadian debt securities broken down by contractual maturity is as follows:

Contractual maturity	September 30, 2020	December 31, 2019
On demand	\$ 52,700	\$ 17,414
0 – 12 months	8,700	7,900
1 – 3 years	131,514	77,737
3 – 5 years	62,113	101,357
5 years or more	-	33,279
Total debt securities	\$ 255,027	\$237,687

As at September 30, 2020, investments held in the form of Canadian debt securities had coupon interest rates ranging from 10.0% to 16.0% (December 31, 2019 – 8.0% to 14.0%) per annum.

Interest revenue calculated using the effective interest rate method for debt securities carried at amortized cost totaled \$4,792 and \$14,901 for the three and nine months ended September 30, 2020 (for the three and nine months ended September 30, 2019 - \$4,520 and \$14,254). The effective interest rates as at September 30, 2020 ranged from 10.0% to 14.3% (September 30, 2019 – 10.0% to 15.1%).

Finance fees recognized in revenue in relation to the repayment of debt securities carried at amortized cost totaled \$10 and \$269 for the three and nine months ended September 30, 2020 (for the three and nine months ended September 30, 2019 - \$nil and \$900).

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Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(c) Canadian equities

As at September 30, 2020, investments in equity securities included common shares of Canadian public companies, warrants in Canadian public companies, common shares of a Canadian private company and warrants in a Canadian private company.

(d) Other investments

Other investments include royalty arrangements and other investment structures that are neither debt securities nor equity-linked.

(e) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and are used by the Corporation in the management of short-term commitments.

(f) Other receivable

Included in accounts receivable is a receivable that comprises an amount owing from an operating partner formerly affiliated with Crown Power Fund. This amount relates to advances from the Corporation that were used by the operating partner to fund unauthorized operating expenses. A provision for bad debt has been set up in the amount of \$2,526 (December 31, 2019 - \$2,526), representing the gross amount of the receivable, and is based on the Corporation's current assessment of the recoverability of this amount.

(g) Network services receivables

Included in accounts receivable are amounts owing from parties with which the Corporation has entered into network services contracts.

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Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(h) Net investment in leased distributed power equipment

During 2019, the Corporation entered into a finance lease contract upon completion of the development of the related distributed power assets. There was no resultant gain or loss on reclassification of the distributed power equipment under development to a net investment in leased distributed power equipment. For the three and nine months ended September 30, 2020, the Corporation recognized interest income in relation to its net investment in leased distributed power equipment of \$13 and \$39 (for the three and nine months ended September 30, 2019 - \$nil and \$nil).

The following table sets out a maturity analysis of its net investment in leased distributed power equipment, showing the undiscounted lease payments to be received as at the reporting date.

	September 30, 2020	December 31, 2019
Less than one year	\$ 65	\$ 59
One to two years	65	65
Two to three years	65	65
Three to four years	65	65
Four to five years	65	65
Greater than five years	913	962
Total undiscounted lease payments	1,238	1,281
Unearned finance income	(657)	(696)
Undiscounted unguaranteed residual value	65	65
Net investment in leased distributed power equipment, before allowance for credit loss	646	650
Allowance for credit loss	(6)	(6)
Net investment in leased distributed power equipment	\$ 640	\$ 644

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(i) Allowance for credit losses

The changes to the Corporation's allowance for credit losses under IFRS 9, as at and for the nine months ended September 30, 2020 and September 30, 2019, are shown in the following tables.

September 30, 2020				
Allowance for credit losses	Debt securities	Net investment in leased distributed power equipment	Network services receivables	Total
Opening balance	\$ 744	\$ 6	\$ 81	\$ 831
Additions	11	-	185	196
Repayment	(2)	-	-	(2)
Net remeasurement of loss allowance	15,103	-	102	15,205
Transfer to (from) Stage One ¹	(7)	-	-	(7)
Transfer to (from) Stage Two ¹	(79)	-	-	(79)
Transfer to (from) Stage Three ¹	86	-	-	86
Ending balance	\$ 15,856	\$ 6	\$ 368	\$ 16,230

¹ Excludes net remeasurement of loss allowance in respect of loans transferred between stages.

As at and for the nine months ended September 30, 2020, the transfer to Stage Two is in relation to a transfer from Stage One, and the transfer to Stage Three is in relation to a transfer from Stage Two.

September 30, 2019				
Allowance for credit losses	Debt securities	Net investment in leased distributed power equipment	Network services receivables	Total
Opening balance	\$ 221	\$ -	\$ -	\$ 221
Additions	20	-	-	20
Repayment	(14)	-	-	(14)
Net remeasurement of loss allowance	215	-	-	215
Transfer to (from) Stage One ¹	(85)	-	-	(85)
Transfer to (from) Stage Two ¹	85	-	-	85
Transfer to (from) Stage Three ¹	-	-	-	-
Settlement of debt security upon acquisition	(91)	-	-	(91)
Ending balance	\$ 351	\$ -	\$ -	\$ 351

¹ Excludes net remeasurement of loss allowance in respect of loans transferred between stages.

As at and for the nine months ended September 30, 2019, the transfer to Stage Two is in relation to a transfer from Stage One.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(i) Allowance for credit losses (continued)

The total gross carrying values of debt securities at amortized cost classified as Stage One, Stage Two and Stage Three and the associated allowance for credit losses, as at September 30, 2020 and December 31, 2019, are shown in the following tables:

	September 30, 2020			
	Stage One	Stage Two	Stage Three	Total
Debt securities:				
Gross carrying value at amortized cost	\$ 46,000	\$ 110,868	\$ 31,258	\$ 188,126
Allowance for credit losses	(32)	(710)	(15,114)	(15,856)
Net carrying value at amortized cost, net of allowance for credit losses	\$ 45,968	\$ 110,158	\$ 16,144	\$ 172,270
Net investment in leased distributed power equipment:				
Gross carrying value at amortized cost	-	646	-	646
Allowance for credit losses	-	(6)	-	(6)
Net carrying value at amortized cost, net of allowance for credit losses	\$ -	\$ 640	\$ -	\$ 640
Receivables from network services:				
Gross carrying value at amortized cost	-	2,933	-	2,933
Allowance for credit losses	-	(368)	-	(368)
Net carrying value at amortized cost, net of allowance for credit losses	\$ -	\$ 2,565	\$ -	\$ 2,565
Total allowance for credit losses	\$ (32)	\$ (1,084)	\$ (15,114)	\$ (16,230)

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

- (i) Allowance for credit losses (continued):

	December 31, 2019			
	Stage One	Stage Two	Stage Three	Total
Debt securities:				
Gross carrying value at amortized cost	\$ 58,388	\$ 107,072	\$ -	\$ 165,460
Allowance for credit losses	(26)	(718)	-	(744)
Net carrying value at amortized cost, net of allowance for credit losses	\$ 58,362	\$ 106,354	\$ -	\$ 164,716
Net investment in leased distributed power equipment:				
Gross carrying value at amortized cost	-	650	-	650
Allowance for credit losses	-	(6)	-	(6)
Net carrying value at amortized cost, net of allowance for credit losses	\$ -	\$ 644	\$ -	\$ 644
Receivables from network services:				
Gross carrying value at amortized cost	-	1,287	-	1,287
Allowance for credit losses	-	(81)	-	(81)
Net carrying value at amortized cost, net of allowance for credit losses	\$ -	\$ 1,206	\$ -	\$ 1,206
Total allowance for credit losses	\$ (26)	\$ (805)	\$ -	\$ (831)

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Notes to the condensed consolidated interim financial statements

As at and for the three and nine months ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(j) Fair values:

The fair values of financial assets and financial liabilities that are traded on active markets are based on closing quoted market prices at the reporting date. For all other financial instruments, the Corporation determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair values of investments without quoted market prices are determined by management on the basis of the expected realizable value of the investments as at the date of the statement of financial position if they were disposed of in an orderly manner over a reasonable period of time, discounted at a discount rate which is considered by management to be appropriate at the date of the financial statement for the specific investment. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

A three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Corporation's investments. The hierarchy of inputs is summarized below:

- Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for instruments, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on the quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

CROWN CAPITAL PARTNERS INC.

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(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(j) Fair values (continued):

The tables below analyze the fair value of investments at September 30, 2020 and December 31, 2019 by the level in the fair value hierarchy into which the fair value measurement is categorized. For investments carried at FVTPL, the amounts are based on the values recognized in the statement of financial position. There were no transfers between levels during the period.

September 30, 2020					
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Carrying value
Canadian debt securities at FVTPL	\$ -	\$ -	\$ 66,901	\$ 66,901	\$ 66,901
Canadian equity securities	493	1,654	-	2,147	2,147
Other investments	-	-	8,920	8,920	8,920
Total Investments at FVTPL	493	1,654	75,821	77,968	77,968
Canadian debt securities at amortized cost	-	-	172,011	172,011	172,270
Total Investments	\$ 493	\$ 1,654	\$ 247,832	\$ 249,979	\$ 250,238
December 31, 2019					
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value	Carrying value
Canadian debt securities at FVTPL	\$ -	\$ -	\$ 72,227	\$ 72,227	\$ 72,227
Canadian equity securities	480	706	1,476	2,662	2,662
Other investments	-	-	10,532	10,532	10,532
Total Investments at FVTPL	480	706	84,235	85,421	85,421
Canadian debt securities at amortized cost	-	-	166,107	166,107	164,716
Total Investments	\$ 480	\$ 706	\$ 250,342	\$ 251,528	\$ 250,137

CROWN CAPITAL PARTNERS INC.

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4. Financial instruments (continued):

(j) Fair values (continued):

Canadian debt securities are valued using the discounted present value of expected cash flows arising from these debt instruments.

Observable inputs used in the development of an appropriate discount rate include Government of Canada benchmark interest rate for the term of the individual loan and the BBB-rated corporate interest rate spread for the term of the individual loan. Significant unobservable inputs include an illiquidity spread as well as a credit spread, both of which increase the discount rate. These rates are set initially at a level such that the loan valuation equals the initial purchase cost of the loan and are subsequently adjusted at each valuation date to reflect management's current assessment of market conditions as well as of loan-specific credit and illiquidity risk.

Discount rates are subject to adjustment based on both management's current assessment of market conditions and the economic performance of individual investments. At September 30, 2020, discount rates used range from 10.9% to 19.0% (December 31, 2019 – 10.0% to 15.3%).

The most significant input into the calculation of fair value of Level 3 debt investments is the discount rate applied to expected future cash flows. If the discount rate increased or decreased by 100 bps, the fair value of Level 3 investments at September 30, 2020 would decrease by \$3,349 or increase by \$3,865, respectively.

The Canadian equity securities at September 30, 2020 include warrants classified as Level 3 that are valued based on a net asset value-based estimate of the underlying equity value, and common shares in a Canadian private company classified as Level 3 that are valued using an enterprise value multiple approach. The other investments classified as Level 3 are either valued using the discounted present value of expected cash flows arising from these investments with discount rates ranging from 15.0% to 17.5% or are valued using both this discounted cash flow approach and an enterprise value approach. If the discount rate increased or decreased by 100 bps, the fair value of other Level 3 investments at September 30, 2020 would not change significantly.

CROWN CAPITAL PARTNERS INC.

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(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

4. Financial instruments (continued):

(j) Fair values (continued):

The following tables reconcile opening balances to closing balances for fair value measurements of investments carried at FVTPL in Level 3 of the fair value hierarchy as at and for the nine months ended September 30, 2020 and September 30, 2019:

For the nine months ended	September 30, 2020	September 30, 2019
Level 3 securities at FVTPL		
Opening balance	84,235	77,042
Additions	-	38,573
Repayments	(7,000)	(41,080)
Net change in unrealized gains	(1,414)	(9,739)
Ending balance	\$ 75,821	\$ 64,796

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable to non-controlling interests and promissory notes payable approximate their fair values due to their short term to maturity. The carrying values of the credit facilities, net investment in leased distributed power equipment and share purchase loans approximate their fair values due to the market interest rates on the loans. The carrying value of the convertible debentures – liability component approximates fair value at September 30, 2020 due to the market interest rate at September 30, 2020 which was consistent with that used to record the convertible debentures – liability component upon initial recognition at fair value on June 13, 2018.

Contingent consideration in relation to the WireIE and Galaxy acquisitions is valued using the discounted present value of expected cash flows in excess of prescribed percentages of cumulative earnings and in excess of prescribed percentages of cumulative earnings and revenues, respectively, arising from the Corporation's investments in WireIE and Galaxy.

The deferred compensation liability is measured based on the market value of the Corporation's share price with the impact of any resultant change included in share-based compensation expense in the period.

CROWN CAPITAL PARTNERS INC.

Notes to the condensed consolidated interim financial statements

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4. Financial instruments (continued):

(k) Promissory notes payable

(i) Redemption of limited partnership units

Upon the redemption of 13,600 limited partnership units effective December 31, 2019 in Crown Partners Fund, the general partner elected to settle the redemption price, equal to the net asset value of the limited partnership units so redeemed calculated on December 31, 2019, by way of secured promissory notes ("Crown Partners Fund Promissory Notes"). The Crown Partners Fund Promissory Notes bear interest at 8.0% per annum, which is compounded semi-annually and payable quarterly in arrears. Principal amounts are to be repaid in four equal quarterly installments, payable on the last day of each calendar quarter, commencing on the last day of the first full calendar quarter ending after December 31, 2019. The Corporation has the ability to prepay all or any portion of the Crown Partners Fund Promissory Notes at any time without penalty. Any proceeds in excess of \$5,000 received by the Corporation in relation to the disposition or prepayment of investments must be applied as a prepayment of Crown Partners Fund Promissory Notes payable.

Proceeds received by the Corporation in relation to the prepayment of an investment in the nine months ended September 30, 2020 were used to repay the remaining balance of Crown Partners Fund Promissory Notes payable of \$6,384. As at September 30, 2020, the balance of Crown Partners Fund Promissory Notes payable is \$nil (December 31, 2019 - \$8,512). Interest expense in relation to Crown Partners Fund Promissory Notes payable for the three and nine months ended September 30, 2020 was \$nil and \$276 (for the three and nine months ended September 30, 2019 - \$nil and \$nil).

(ii) Vendor promissory notes payable

On September 15, 2020, as partial consideration for the equity acquired from the previous shareholders of Galaxy (see Note 13) the Corporation has agreed to pay to selling shareholders additional consideration in the form of unsecured promissory notes ("Vendor Promissory Notes") which have an aggregate value of \$581 as at September 30, 2020. The Vendor Promissory Notes bear interest at 5.0% per annum, calculated and payable annually. Principal amounts, including accrued interest, are to be repaid in two equal instalments on September 15, 2021 and September 15, 2022. The Corporation has the ability to prepay all or any portion of the Vendor Promissory Notes at any time without penalty.

As at September 30, 2020, the balance of Vendor Promissory Notes payable is \$581 (December 31, 2019 - \$nil).

The Vendor Promissory Notes payable have been measured on a provisional basis, pending completion of the related valuation of consideration transferred in respect of the acquisition of Galaxy (see Note 13).

CROWN CAPITAL PARTNERS INC.

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(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

5. Share capital:

The authorized share capital of the Corporation consists of an unlimited number of common shares, each carrying the right to one vote per common share at all meetings of shareholders of the Corporation and fully participating as to dividends of the Corporation.

On April 10, 2019, the Corporation renewed its normal course issuer bid (“NCIB”) to purchase up to 300,000 common shares, representing approximately 3.1% of its issued and outstanding common shares as at March 31, 2019, over the next twelve months, or until such time as the bid is completed or terminated at the Corporation’s option. Any shares purchased under this bid are purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid are cancelled. Total shares purchased and cancelled under this NCIB up to its expiry on April 9, 2020 was 235,509.

On April 13, 2020, the Corporation renewed its NCIB to purchase up to 550,000 common shares, representing approximately 5.8% of its issued and outstanding common shares as at March 31, 2020, over the next twelve months, or until such time as the bid is completed or terminated at the Corporation’s option. Any shares purchased under this bid are purchased on the open market at the prevailing market price at the time of the transaction. Common shares acquired under this bid are cancelled. Total shares purchased and cancelled under the current NCIB up to September 30, 2020 was 171,700.

During the three and nine months ended September 30, 2020, the Corporation purchased and cancelled a total of 154,400 and 193,098 shares, respectively (September 30, 2019 – 134,119 and 173,771 shares, respectively), for total consideration of \$545 and \$720 (September 30, 2019 - \$986 and \$1,366, respectively).

During the three and nine months ended September 30, 2020, the Corporation issued nil and 39,024 shares, respectively, as vested share-based compensation (September 30, 2019 – nil and 13,059 shares, respectively) (see Note 6).

On May 5, 2020, the Corporation’s shareholders approved a special resolution authorizing the reduction of the stated capital of the common shares of the Corporation by \$15,000 pursuant to Section 38(1) of the Canada Business Corporation Act. Effective May 5, 2020, share capital was reduced by \$15,000 and \$15,000 was added to contributed surplus with no net impact on total equity.

During the nine months ended September 30, 2020, the Corporation declared and paid dividends of \$0.15 per share (September 30, 2019 - \$0.45 per share) for a total payment of \$1,414 (September 30, 2019 - \$4,308).

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6. Share-based compensation:

The Corporation issues performance share units (“PSUs”) and restricted share units (“RSUs”) to employees. Prior to May 8, 2018, the Corporation issued RSUs to directors. PSUs and RSUs are collectively referred to as “Share Units”. On the vesting date, each Share Unit is exchanged for one common share of the Corporation, except that the holder may elect to be compensated in cash based on the fair value of such common shares to the extent necessary to pay any tax withholdings related to the vesting of the Share Units. The PSUs vest when certain performance objectives are achieved. RSUs issued to employees vest on January 3, 2021 provided the holder of the RSUs remains an employee of the Corporation. RSUs issued to directors vest over a three-year period from the issue date provided the holder remains a director of the Corporation.

The Corporation issues additional Share Units to employees and directors in lieu of dividends on outstanding Share Units. These Share Units vest on the same date as the respective Share Units for which they were awarded. The number of Share Units issued in lieu of dividends is based on the weighted average trading price of the common shares in the five days preceding payment of a dividend.

Effective May 8, 2018, the Corporation revised its compensation program for directors and introduced a Director Deferred Share Unit (“DDSU”) Plan under which it issues DDSUs to directors. DDSUs vest immediately upon grant and are redeemable no earlier than the date at which a director ceases to be a director, and no later than December 14 in the calendar year following such date. Upon redemption, DDSUs are settled by cash payments based on the market value of the DDSUs being redeemed, net of applicable tax withholdings. The Corporation’s liability related to its DDSU settlement obligation is measured based on the market value of the Corporation’s share price and is recorded in provision for deferred compensation, with the impact of any resulting changes in carrying value included in share-based compensation expense in the period. At September 30, 2020, the deferred compensation liability was \$401 (December 31, 2019 - \$386).

Effective December 20, 2019, the Corporation revised its compensation program for employees and introduced a Medium-Term Performance Unit (“MTPU”) Plan under which it issues MTPUs to employees. The Corporation does not expect to issue PSUs and RSUs to employees in the future. MTPUs vest when certain performance objectives are achieved. Vested MTPUs are settled in cash or Employee Deferred Share Units (“EDSUs”) on the date of vesting.

EDSUs vest immediately upon grant and are redeemable no earlier than the date on which an employee ceases to be an employee, and no later than 367 days following such date. Upon redemption, EDSUs are settled by cash payments based on the market value of the EDSUs being redeemed, net of applicable tax withholdings. The Corporation’s liability related to its EDSU settlement obligation is measured based on the market value of the Corporation’s share price and is recorded in provision for deferred compensation, with the impact of any resulting changes in carrying value included in share-based compensation expense in the period. As at September 30, 2020, there are no EDSUs outstanding and \$nil liability related to the EDSU settlement obligation.

CROWN CAPITAL PARTNERS INC.

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(expressed in thousands of Canadian dollars except number of shares and where otherwise indicated)

6. Share-based compensation (continued):

The Corporation issues additional DDSUs to directors and additional MTPUs and EDSUs to employees in lieu of dividends on outstanding DDSUs, MTPUs and EDSUs. These DDSUs, MTPUs and EDSUs vest on the same terms as the respective units for which they were awarded. The number of DDSUs, MTPUs and EDSUs issued in lieu of dividends is based on the weighted average trading price of the common shares for a ten-day period ending at the dividend payment date.

Stock options granted are valued using a Black-Scholes formula and the expense is recognized over the vesting period. The stock options vest over a three-year period and have terms of five to seven years and exercise prices of \$10.00 to \$11.00. During the nine months ended September 30, 2020, 534,024 stock options were granted. During the nine months ended September 30, 2019, 450,182 stock options that had vested but had not been exercised were cancelled, and 21,212 stock options that had not vested were cancelled. In the same period, 31,818 options were granted.

Assumptions used to determine the fair value of stock options granted by the Corporation as at the dates on which they were granted are as follows:

Risk-free interest rate	0.8% - 1.0%
Dividend yield	6.1% - 8.8%
Expected life	5 to 7 years
Grant date price	\$6.80 - \$9.90
Exercise price	\$10.00 - \$11.00
Volatility	25.0%

The expense is recognized over the vesting period. The fair value of the options as at grant date was calculated at \$0.13 to \$0.75 per option. As at September 30, 2020, 10,606 (December 31, 2019 – nil) stock options had vested but had not been exercised, and an additional 555,236 (December 31, 2019 – 31,818) stock options which had not vested were outstanding.

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6. Share-based compensation (continued):

The tables below detail the share-based compensation expense recognized in the nine months ended September 30, 2020 and 2019. Share-based compensation expense is recognized over the expected vesting period of each award.

For the nine months ended September 30, 2020						
	Number outstanding at January 1, 2020	Issued in the period	Vested or exercised	Cancelled or forfeited	Number outstanding at September 30, 2020	Expensed in the period
PSUs ¹	55,982	1,028	(27,599)	-	29,411	\$ 60
RSUs ¹	59,257	1,148	(29,835)	(1,104)	29,466	76
MTPUs ²	124,588	204,843	-	-	329,431	347
DDUs ²	50,916	42,398	-	-	93,314	74
Total units	290,743	249,417	(57,434)	(1,104)	481,622	557
Stock options	31,818	534,024	-	-	565,842	37
Total	322,561	783,441	(57,434)	(1,104)	1,047,464	\$ 594

¹ The PSUs and RSUs issued in the period were issued in lieu of dividends on the underlying securities.

² The DDUs and MTPUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

For the nine months ended September 30, 2019						
	Number outstanding at January 1, 2019	Issued in the period	Vested or exercised	Cancelled or forfeited	Number outstanding at September 30, 2019	Expensed in the period
PSUs ¹	54,825	2,837	-	(2,788)	54,874	\$ 173
RSUs ¹	85,037	3,146	(25,322)	(4,777)	58,084	151
DDUs ²	25,433	27,788	(3,311)	-	49,910	79
Total units	165,295	33,771	(28,633)	(7,565)	162,868	403
Stock options	471,394	31,818	-	(471,394)	31,818	16
Total	636,689	65,589	(28,633)	(478,959)	194,686	\$ 419

¹ The PSUs and RSUs issued in the period were issued in lieu of dividends on the underlying securities.

² The DDUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

CROWN CAPITAL PARTNERS INC.

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7. Credit facilities:

The Corporation has a \$35,000 senior secured revolving credit facility (the “Crown Credit Facility”) to fund the Corporation’s capital commitments to each of its controlled investment funds and its investment in WireIE. The Crown Credit Facility provides financing at a variable interest rate based on Prime Rate plus 275 bps to 325 bps or on Bankers Acceptance rate plus 375 to 425 bps and has a customary set of covenants. Effective February 5, 2019, the Corporation extended the maturity of the Crown Credit Facility by 17 months to May 31, 2021, which is subject to a one-year extension annually on each May 31, and amended certain terms of the facility. In the second quarter of 2020, the Corporation initiated the negotiation with its lenders of an amendment and extension of the Crown Credit Facility which currently has a maturity date of May 31, 2021. These negotiations have not yet been completed. The resulting classification of the liability under the facility as a current liability in the Corporation’s non-consolidated financial statements as at September 30, 2020 resulted in the Corporation not satisfying the minimum excess working capital requirements under applicable securities law as at September 30, 2020. The securities commission that regulates the Corporation in respect of its investment management operations is aware of this matter.

As of September 30, 2020, \$29,600 (December 31, 2019 - \$14,300) has been drawn on the Crown Credit Facility. The Crown Credit Facility is secured by the Corporation’s effective ownership interest in the investments held by its controlled investment funds, through CCFC and certain other investments held by the Corporation. The carrying value of assets pledged as at September 30, 2020 was \$138,392.

During the three and nine months ended September 30, 2020, \$574 and \$1,573 (September 30, 2019 - \$233 and \$844) was expensed as finance costs relating to the Crown Credit Facility including amortization of deferred financing costs of \$102 and \$302, interest of \$425 and \$1,134, standby fees and other costs of \$47 and \$137, respectively (September 30 2019 - \$75 and \$239, \$99 and \$445, \$59 and \$160, respectively). The balance of unamortized deferred financing costs relating to the Crown Credit Facility as at September 30, 2020 was \$251 (December 31, 2019 - \$425).

On February 5, 2019, Crown Partners Fund entered into an agreement for a \$25,000 senior secured revolving credit facility (“CCPF Credit Facility”) to fund investments in mid-market corporations (prior to February 5, 2019 - \$nil). On December 17, 2019, the size of the CCPF Credit Facility was increased to \$50,000. The CCPF Credit Facility provides financing at a variable interest rate based on Prime Rate plus 225 bps to 325 bps or on Bankers Acceptance rate plus 325 to 425 bps and has a customary set of covenants. The CCPF Credit Facility matures on May 31, 2023 and is subject to a one-year extension annually on each May 31, which is not to exceed the term of Crown Partners Fund, as defined in its limited partnership agreement.

As of September 30, 2020, \$34,600 (December 31, 2019 - \$25,000) has been drawn on the CCPF Credit Facility. The CCPF Credit Facility is secured by the investments held by Crown Partners Fund. The carrying value of assets pledged as at September 30, 2020 was \$238,816.

During the three and nine months ended September 30, 2020, \$496 and \$1,498 (September 30, 2019 - \$334 and \$571) was expensed as finance costs relating to the CCPF Credit Facility including amortization of deferred financing costs of \$43 and \$129, interest of \$433 and \$1,309 and standby fees of \$20 and \$60, respectively (September 30, 2019 - \$28 and \$72, \$298 and \$464 and \$8 and \$35, respectively). The balance of unamortized deferred financing costs relating to the CCPF Credit Facility as at September 30, 2020 was \$383 (December 31, 2019 - \$469).

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7. Credit facilities (continued):

The following table reconciles opening balances to closing balances for the Crown Credit Facility and CCPF Credit Facility as at September 30, 2020 and September 30, 2019:

As at	September 30, 2020		
	Crown Credit Facility	CCPF Credit Facility	Total
Balance drawn			
Balance, January 1, 2020	\$ 14,300	\$ 25,000	\$ 39,300
Net advances (repayments)	15,300	9,600	24,900
Balance, September 30, 2020	\$ 29,600	\$ 34,600	\$ 64,200
Deferred finance costs			
Balance, January 1, 2020	\$ (425)	\$ (469)	\$ (894)
Amortization	302	129	431
Additions	(128)	(43)	(171)
Balance, September 30, 2020	\$ (251)	\$ (383)	\$ (634)
Carrying value – September 30, 2020	\$ 29,349	\$ 34,217	\$ 63,566
September 30, 2019			
As at	September 30, 2019		
	Crown Credit Facility	CCPF Credit Facility	Total
Balance drawn			
Balance, January 1, 2019	\$ 18,000	\$ -	\$ 18,000
Net advances (repayments)	(10,700)	16,000	5,300
Balance, September 30, 2019	\$ 7,300	\$ 16,000	\$ 23,300
Deferred finance costs			
Balance, January 1, 2019	\$ (270)	\$ -	\$ (270)
Amortization	239	72	311
Additions	(467)	(358)	(825)
Balance, September 30, 2019	\$ (498)	\$ (286)	\$ (784)
Carrying value – September 30, 2019	\$ 6,802	\$ 15,714	\$ 22,516

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8. Convertible Debentures:

On June 13, 2018 the Corporation issued \$20,000 of 6.0% convertible unsecured subordinated debentures (the "Convertible Debentures") for net proceeds of \$18,703 with maturity date of June 30, 2023 (the "Debenture Maturity Date"). Interest on the Convertible Debentures is payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2018. The Convertible Debentures are direct, subordinated unsecured obligations of the Corporation, subordinated to the Credit Facility.

Each \$1 principal amount of Convertible Debenture is convertible at the option of the holder into approximately 72.99 common shares of the Corporation (representing a conversion price of \$13.70 per share). The Convertible Debentures are not redeemable on or before June 30, 2021, except in limited circumstances following a Change of Control (as defined in the Trust Indenture). After June 30, 2021, but prior to June 30, 2022, the Convertible Debentures may be redeemed in whole or in part from time to time at the Corporation's option, on not more than 60 days and not less than 30 days prior written notice, at a price equal to the aggregate principal amount plus accrued and unpaid interest, provided that the weighted average price of the common shares during the 20 consecutive trading days ending on the fifth day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after June 30, 2022 and prior to the Debenture Maturity Date, the Convertible Debentures may be redeemed in whole or in part from time to time at the Corporation's option at a price equal to their aggregate principal amount plus accrued and unpaid interest.

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8. Convertible Debentures (continued):

On a Redemption Date (as defined in the Trust Indenture) or on the Debenture Maturity Date, as applicable, the Corporation may, at its option, elect to satisfy its obligation to pay the aggregate principal amount of and premiums on (if any) the Convertible Debentures by issuing common shares. Payment for such Convertible Debentures, subject to the election, would be satisfied by delivering that number of common shares obtained by dividing the aggregate principal amount of the outstanding Convertible Debentures which are to be redeemed, or which will mature, by 95% of the Weighted Average Price of the Common Shares for the 20 consecutive trading days ending five trading days prior to the date fixed for redemption or the Maturity Date, as the case may be. Any accrued and unpaid interest will be paid in cash.

As at	September 30, 2020	
	Liability Component	Equity Component
Balance, January 1, 2020	\$ 18,562	\$ 483
Effective interest on Convertible Debentures	274	-
Balance, September 30, 2020	18,836	483

As at	September 30, 2019	
	Liability Component	Equity Component
Balance, January 1, 2019	\$ 18,222	\$ 483
Effective interest on Convertible Debentures	252	-
Balance, September 30, 2019	18,474	483

During the three and nine months ended September 30, 2020, \$396 and \$1,174 (September 30, 2019 - \$389 and \$1,149) was expensed as finance costs relating to the Convertible Debentures including amortization of deferred financing costs of \$94 and \$274 and interest of \$302 and \$900 (September 30, 2019 - \$87 and \$252 and \$302 and \$897, respectively).

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8. Convertible Debentures (continued):

The following table reconciles total finance costs to costs recognized in relation to the Crown Credit Facility, the CCPF Credit Facility, the Convertible Debentures, promissory notes payable and the Corporation's lease obligations, including its office leases, vehicle leases and network co-location arrangements for the nine months ended September 30, 2020 and September 30, 2019:

For the nine months ended	September 30, 2020					
	Crown Credit Facility	CCPF Credit Facility	Convertible Debentures	Promissory Notes	Lease Obligations	Total
Interest	\$ 1,134	\$ 1,309	\$ 900	\$ 276	\$ 298	\$ 3,917
Standby and other lending fees	137	60	-	-	-	197
Amortization of deferred finance costs	302	129	274	-	-	705
Total Finance Costs	\$ 1,573	\$ 1,498	\$ 1,174	\$ 276	\$ 298	\$ 4,819

For the nine months ended	September 30, 2019					
	Crown Credit Facility	CCPF Credit Facility	Convertible Debentures	Promissory Notes	Lease Obligations	Total
Interest	\$ 445	\$ 464	\$ 897	\$ -	\$ 134	\$ 1,940
Standby and other lending fees	160	35	-	-	-	195
Amortization of deferred finance costs	239	72	252	-	-	563
Total Finance Costs	\$ 844	\$ 571	\$ 1,149	\$ -	\$ 134	\$ 2,698

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9. Provision for performance bonus:

The Corporation has asset performance bonus pool (“APBP”) arrangements for certain individuals, primarily employees, collectively, the “APBP Participants”. For certain investment funds managed by the Corporation, 20% of investment returns in excess of an annual rate of return of 8% earned by the fund accrue to the Corporation as performance fee distributions. The Corporation’s current compensation policy provides that 50% of such performance fees will be distributed to APBP Participants with the other 50% retained by the Corporation.

Allocation of the units of the APBP relating to Crown Partners Fund commenced in 2015 and will continue until the expiration of the investment fund’s term in 2025, subject to annual one-year extensions, with 50% of performance fees recognized by Crown Partners Fund allocated to employees.

Allocation of the units of the APBP relating to Crown Power Fund commenced in 2020 and will continue until the expiration of the investment fund’s term in 2026, subject to annual one-year extensions, with 50% of performance fees recognized by Crown Power Fund allocated to employees.

Performance bonus amounts will be paid to APBP Participants in accordance with the Limited Partnership Agreement of the investment fund, upon declaration by the General Partner of the investment fund.

As at September 30, 2020, the Corporation had accrued a provision for performance bonus payable of \$2,916 relating to the APBP of Crown Partners Fund (December 31, 2019 - \$2,096).

As at September 30, 2020, no amounts have been accrued in relation to the APBP of Crown Power Fund.

10. Share purchase loans:

The Corporation has an Executive Share Purchase Plan (the “Share Purchase Plan”) whereby the Board can approve loans to participants (“Share Purchase Plan Participants”) for the purpose of purchasing the Corporation’s common shares in the open market. Loans in relation to the Share Purchase Plan are advanced by both a third-party financial institution and the Corporation (collectively the “Lenders”). The following must be paid directly to the Lenders on behalf of management in repayment of interest and principal on these loans: all dividend distributions on the common shares, all annual performance incentive plan payments to Participants in excess of target bonus payouts, and all proceeds from the sale of the common shares.

During the three and nine months ended September 30, 2020, the Corporation advanced \$86 and \$266 of new loans under the Share Purchase Plan and \$nil and \$59 of principal was repaid. During the three and nine months ended September 30, 2019, the Corporation advanced \$119 and \$359 of new loans, respectively, and \$73 and \$840 of principal was repaid, respectively. As at September 30, 2020, \$371 of loans to Share Purchase Plan Participants were outstanding (December 31, 2019 - \$163), including accrued interest of \$3 (2019 - \$2). Loans from the Corporation under the Share Purchase Plan bear interest at prime (2.45% as at September 30, 2020), are repayable in full within 90 days following the date on which the Participant ceases to be employed by the Corporation and are personally guaranteed by Participants.

The Corporation has guaranteed repayment of loans advanced to Participants by a third-party financial institution pursuant to the Share Purchase Plan which totaled \$2,317 as at September 30, 2020 (December 31, 2019 - \$2,526), and which are secured by common shares of the Corporation owned by Participants with a value of \$1,708 as at September 30, 2020 (December 31, 2019 - \$3,014).

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11. Non-controlling interests (NCI):

As at	September 30, 2020		
	Crown Partners Fund	Crown Power Fund	Total
NCI percentage	61.2% ¹	56.8%	
Beginning balance, January 1, 2020	\$ 110,010	\$ 12,986	\$ 122,996
Allocation of net income (loss)	10,685	(232)	10,453
Contributions	11,880	7,105	18,985
Distributions	(13,282)	-	(13,282)
Redemption of units	(4)	-	(4)
Balance, September 30, 2020	\$ 119,289	\$ 19,859	\$ 139,148

1. NCI percentage in Crown Partners Fund decreased from 63.0% to 61.2% effective January 1, 2020.

As at	September 30, 2019		
	Crown Partners Fund	Crown Power Fund	Total
NCI percentage	63.0%	56.8% ¹	
Beginning balance, January 1, 2019	\$ 127,938	\$ -	\$ 127,938
Allocation of net income (loss)	3,513	(28)	3,485
Contributions	12,316	13,289	25,605
Distributions	(36,864)	-	(36,864)
Balance, September 30, 2019	\$ 106,903	\$ 13,261	\$ 120,164

1. NCI percentage in Crown Power Fund increased from 0.0% to 56.8% effective February 28, 2019.

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12. Net change in non-cash working capital:

Nine months ended September 30,	2020	2019
Accounts receivable	\$ (1,282)	\$ (759)
Prepaid expenses	(122)	151
Accounts payable and accrued liabilities	155	(9)
Inventory	(19)	-
Total	\$ (1,268)	\$ (617)
Net change attributable to operating activities	(1,268)	(617)

13. Acquisition of subsidiary:

(a) Consideration transferred:

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

For the period from September 15, 2020 to September 30, 2020, Galaxy contributed revenue of \$533 and earnings before gain on acquisition and income taxes of \$92 to the Corporation's results. If the acquisition had occurred on January 1, 2020, management estimates that consolidated revenue and consolidated net income (loss) for the nine months ended September 30, 2020 would have been \$40,518 and \$(10,722), respectively. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2020.

The following table summarizes the acquisition date fair value of each major class of consideration transferred:

(a) Consideration transferred (continued):

	September 15, 2020
Cash	\$ 543
Vendor Promissory Note	581
Contingent consideration	869
Total consideration transferred	\$ 1,993

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13. Acquisition of subsidiary (continued):

As partial consideration for the debt acquired from the previous shareholders, the Corporation has agreed to pay additional consideration on an annual basis at a predefined percentage of cumulative revenue and earnings of Galaxy, in accordance with prescribed dollar thresholds starting in 2021 for a four-year period, and not to exceed a \$4,250 aggregate amount. The Corporation has included \$869 as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. At September 30, 2020, the contingent consideration has been recorded as a liability and is held at \$869.

(b) Acquisition-related costs:

The Corporation incurred legal fees of \$39 in relation to this acquisition. These costs have been included in general and administration expenses.

(c) Identifiable assets acquired and liabilities assumed:

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

	September 15, 2020
Cash and cash equivalents	\$ 39
Accounts receivable	1,658
Inventory	875
Network services contracts	1,896
Prepaid expenses and deposits	109
Property and equipment	1,817
Deferred tax asset	166
Debt	(370)
Accounts payable and accrued liabilities	(3,634)
Lease obligations	(458)
Total identifiable net assets acquired	\$ 2,098

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13. Acquisition of subsidiary (continued):

(c) Identifiable assets acquired and liabilities assumed (continued):

(i) Measurement of fair values:

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Accounts receivable	<i>Income technique:</i> The fair value of accounts receivable is equal to the gross contractual amounts receivable and reflects the best estimates as at the acquisition date of the contractual cash flows expected to be collected.
Network services contracts	<i>Multi-period excess earnings method:</i> The fair value of network services contracts considers the present value of net cash flows in respect of network services contracts and employs the following key assumptions: (i) future cash flows on existing contracts; (ii) expected contract durations and renewals; (iii) a risk-adjusted discount rate; and (iv) cash flows related to contributory assets (e.g. network services equipment, working capital and an assembled work force).
Property and equipment	<i>Cost technique:</i> The fair value of property, office equipment and network services equipment considers depreciated replacement cost, which reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Inventory	<i>Market comparison technique:</i> The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

Accounts receivable comprise gross contractual amounts due of \$1,685, of which \$27 was expected to be uncollectable as at the date of acquisition.

The fair values of consideration transferred, accounts receivable, network service contracts, property and equipment and acquired and the deferred tax asset assumed have been measured on a provisional basis, pending completion of the related valuations.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

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13. Acquisition of subsidiary (continued):

(d) Gain on acquisition

The gain on acquisition arising from the business combination has been recognized as follows:

	September 15, 2020
Fair value of identifiable net assets	\$ 2,098
Consideration transferred	(1,993)
Gain on acquisition	\$ 105

14. Segment information:

Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses. The Corporation has two strategic divisions, which are its reportable segments. These divisions offer different services and are managed separately because they invest in different asset classes, serve different customer types, require different operational strategies and involve different regulatory treatment.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Specialty finance	Origination and management of, and investment in, capital pools comprised of special situations financing, long-term financing and distributed power investments.
Network services	Provision of network services segment in relation to the deployment and management of carrier-grade data networks.

Information related to each reportable segment is set out below. Segment net income (loss) is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

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14. Segment information (continued):

Information presented in respect of reportable segments for the nine months ended September 30, 2020 and September 30, 2019 is presented in the table below.

For the nine months ended	September 30, 2020		
Reportable segments	Specialty finance	Network services	Total
External revenues ¹	\$ 22,855	\$ 6,377	\$ 29,232
Net realized loss on investment	1,233	-	1,233
Net change in unrealized loss of investments	1,801	-	1,801
Consolidated revenues²	25,889	6,377	32,266
Inter-segment revenues ³	882	-	882
Segment revenues	26,771	6,377	33,148
Cost of network services	-	2,638	2,638
Segment earnings (loss) before other adjustments and income taxes⁴	(1,161)	(2,265)	(3,426)
Financing costs ³	4,539	280	4,819
Depreciation and amortization	102	3,935	4,037
Income taxes (recovery) – current	(2,462)	-	(2,462)
Income taxes – deferred	(407)	17	(390)
Other material non-cash items:			
Provision for expected credit loss	15,113	286	15,399
Performance bonus expense	820	-	820
Additions to property and equipment	124	1,658	1,782

¹ External revenues of the “specialty finance” segment include interest revenue of \$21,435. Revenues from two customers of the Corporation’s “network services” segment represented approximately \$3,879 of the Corporation’s total revenues.

² Consolidated revenues represents the Corporation’s consolidated revenues.

³ Inter-segment revenue representing interest revenue earned on certain intercompany debt amounts is eliminated on consolidation of the Corporation’s revenues. The related interest expense is eliminated on consolidation from financing costs attributable to the “network services” segment.

⁴ Total segment income (loss) before tax represents the Corporation’s consolidated income (loss) before income taxes. Interest revenue earned on certain intercompany debt amounts is eliminated on consolidation from segment net income before tax attributable to the “specialty finance” segment. The related interest expense is eliminated on consolidation from segment net income before tax attributable to the “network services” segment.

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14. Segment information (continued):

For the nine months ended	September 30, 2019		
	Reportable segments	Specialty finance	Network services ⁵
External revenues ¹	\$ 24,132	\$ 1,885	\$ 26,017
Net realized loss on investment	(9,866)	-	(9,866)
Net change in unrealized loss of investments	(1,197)	-	(1,197)
Consolidated revenues²	13,069	1,885	14,954
Inter-segment revenues ³	222	-	222
Segment revenues	13,291	1,885	15,176
Cost of network services	-	592	592
Segment earnings (loss) before other adjustments and income taxes⁴	2,898	(578)	2,320
Financing costs	2,587	111	2,698
Depreciation and amortization	105	1,207	1,312
Income taxes (recovery) – current	(220)	-	(220)
Income taxes – deferred	135	-	135
Other material non-cash items:			
Provision for bad debt	2,576	-	2,576
Performance bonus recovery	(654)	-	(654)
Additions to property, office equipment and network services equipment	-	560	560

¹ External revenues of the “specialty finance” segment include interest revenue of \$21,222 and fees and other income of \$2,910. Revenues from one customer of the Corporation’s “network services” segment represented approximately \$1,184 of the Corporation’s total revenues.

² Consolidated revenues represents the Corporation’s consolidated revenues.

³ Inter-segment revenue representing interest revenue earned on certain intercompany debt amounts is eliminated on consolidation of the Corporation’s revenues. The related interest expense is eliminated on consolidation from financing costs attributable to the “network services” segment.

⁴ Total segment income (loss) before tax represents the Corporation’s consolidated income (loss) before income taxes. Interest revenue earned on certain intercompany debt amounts is eliminated on consolidation from segment net income before tax attributable to the “specialty finance” segment. The related interest expense is eliminated on consolidation from segment net income before tax attributable to the “network services” segment.

⁵ Information presented in respect of the network services reportable segment is for the period July 12, 2019 to September 30, 2019.

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14. Segment information (continued):

As at	September 30, 2020		
Reportable segments	Specialty finance	Network services	Total
Segment assets ^{1,2}	\$ 307,381	\$ 18,146	\$ 325,527
Segment liabilities ^{1,2}	231,766	9,303	241,069

¹Total segment assets and total segment liabilities represent the consolidated assets and liabilities of the Corporation, respectively.

²Intercompany debt amounts are eliminated on consolidation from segment assets and segment liabilities presented above.

As at	September 30, 2019		
Reportable segments	Specialty finance	Network services	Total
Segment assets ^{1,2}	258,849	17,670	276,519
Segment liabilities ^{1,2}	168,552	9,809	178,361

¹Total segment assets and total segment liabilities represent the consolidated assets and liabilities of the Corporation, respectively.

²Intercompany debt amounts are eliminated on consolidation from segment assets and segment liabilities presented above.

15. Property and equipment:

As at	September 30, 2020				
	Network Co-location	Network Service Equipment	Office and Other Equipment	Distributed Power Equipment	Total
Cost					
Beginning balance, January 1, 2020	\$ 4,307	\$ 6,113	\$ 935	\$ 5,551	\$ 16,906
Additions (disposals)	(211)	1,869	-	124	1,782
Additions through acquisition	-	1,374	443	-	1,817
Balance, September 30, 2020	\$ 4,096	\$ 9,356	\$ 1,378	\$ 5,675	\$ 20,505
Accumulated depreciation and impairment of equipment					
Beginning balance, January 1, 2020	\$ (654)	\$ (833)	\$ (406)	\$ (137)	\$ (2,030)
Depreciation	(879)	(2,048)	(118)	-	(3,045)
Impairment of equipment	-	(47)	-	-	(47)
Balance, September 30, 2020	\$ (1,533)	\$ (2,928)	\$ (524)	\$ (137)	\$ (5,122)
Carrying value – September 30, 2020	\$ 2,563	\$ 6,428	\$ 854	\$ 5,538	\$ 15,383

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15. Property and equipment (continued):

As at	September 30, 2019				
	Network Co-location	Network Service Equipment	Office and Other Equipment	Distributed Power Equipment	Total
Cost					
Beginning balance, January 1, 2019	\$ -	\$ -	\$ 383	\$ -	\$ 383
Impact of adoption of IFRS 16	-	-	503	-	503
Adjusted balance as at January 1, 2019	-	-	886	-	886
Additions through acquisition	4,721	7,644	454	-	12,819
Additions	-	557	3	-	560
Balance, September 30, 2019	\$ 4,721	\$ 8,201	\$ 1,343	\$ -	\$ 14,265
Accumulated depreciation and impairment of equipment					
Beginning balance, January 1, 2019	\$ -	\$ -	\$ (259)	\$ -	\$ (259)
Depreciation	(301)	(720)	(115)	-	(1,136)
Balance, September 30, 2019	\$ (301)	\$ (720)	\$ (374)	\$ -	\$ (1,395)
Carrying value – September 30, 2019	\$ 4,420	\$ 7,481	\$ 969	\$ -	\$ 12,870

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16. Network services contracts

The Corporation has recognized intangible assets in the amount of \$5,868 relating to the acquisition of network services contracts acquired by the Corporation that have finite useful lives, of which \$1,594 has been amortized as of September 30, 2020 and is included in depreciation expense (December 31, 2019 - \$601). The unamortized balance outstanding as at September 30, 2020, is \$4,274 (December 31, 2019 - \$3,371).

17. Distributed power equipment under development and related deposits:

Reconciliation of carrying amount:

As at	September 30, 2020
	Carrying amount
Balance, January 1, 2020	\$ 10,540
Additions	12,561
Impairment of equipment under development	(1,057)
Balance, September 30, 2020	\$ 22,044

As at	September 30, 2019
	Carrying amount
Balance, January 1, 2019	\$ 12,000
Additions	4,019
Reclassification to other receivable	(2,576)
Balance, September 30, 2019	\$ 13,443

Additions to distributed power equipment under development and related deposits included capitalized interest of \$744 for the nine months ended September 30, 2020 (September 30, 2019 - \$113).

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18. Commitments and contingencies:

The following is a summary of the Corporation's financial commitments as at September 30, 2020:

As at September 30, 2020 the Corporation, through Crown Power Fund, had committed to contracts valued at \$25,630 in relation to the construction of power generation assets, of which \$21,085 was funded, included in equipment under development and related deposits, and \$4,545 was unfunded, of which \$2,583 was attributable to non-controlling interests.

As at September 30, 2020 the Corporation, through Crown Partners Fund, had unfunded commitments to provide loan advances of \$3,000, of which \$1,837 was attributable to non-controlling interests.

The Corporation, through CCFC, has an aggregate commitment to provide funding to Crown Partners Fund and CCF IV Investment of \$35,921 as at September 30, 2020.

The Corporation, through CCFC, has an aggregate commitment to provide funding to Crown Power Fund of \$9,514 as at September 30, 2020.

The Corporation, through WireIE, has an aggregate commitment with respect to its use of broadband network infrastructure of \$849 as at September 30, 2020.

The Corporation, through Galaxy has an aggregate commitment with respect to its use of broadband network infrastructure of \$6,170 as at September 30, 2020.

From time to time, the Corporation is party to legal proceedings. Based on current knowledge, the Corporation does not expect the outcome of such proceedings to have a material effect on the consolidated statement of financial position or consolidated statement of comprehensive income (loss).