Condensed Consolidated Interim Financial Statements of

CROWN CAPITAL PARTNERS INC.

Three and nine months ended September 30, 2019 and 2018

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(expressed in thousands of Canadian dollars)

As at		September 30 2019		December 31, 2018
Assets				
Cash and cash equivalents	$	13,897	$	11,307
Accounts receivable		9,074		4,388
Income taxes recoverable		718		-
Prepaid expenses and deposits		291		220
Investments (Note 4)		222,184		246,862
Share purchase loans (Note 10)		161		638
Property, office equipment and network services equipment (Note 16)		12,870		124
Network services contracts (Note 17)		3,666		-
Equipment under development and related deposits (Note 13)		13,443		12,030
Deferred income taxes		216		352
	$	**276,520**	**$**	**275,921**
Liabilities and Shareholders' Equity				
Accounts payable and accrued liabilities	$	4,160	$	1,143
Deferred network services revenue		2,713		-
Distributions payable to non-controlling interests		2,227		2,765
Income taxes payable		-		287
Lease obligations		5,550		-
Deferred compensation (Note 6)		378		265
Contingent consideration (Note 14)		155		-
Provision for performance bonus (Note 9)		2,025		2,679
Credit facilities (Note 7)		22,516		17,730
Convertible debentures - liability component (Note 8)		18,474		18,222
Non-controlling interests (Note 11)		120,164		127,938
Total Liabilities		178,362		171,029
Equity				
Share capital (Note 5)		95,977		97,615
Convertible debentures - equity component (Note 8)		483		483
Contributed surplus		973		1,397
Retained earnings		725		5,397
Total Equity		98,158		104,892
	$	**276,520**	**$**	**275,921**

Commitments and contingencies (Note 18)
Subsequent events (Note 19)

See accompanying notes to condensed consolidated interim statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (unaudited)

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

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Revenues				
Interest revenue	$ 7,545	$ 7,170	$ 21,222	$ 19,007
Fees and other income	528	208	2,910	2,043
Network services revenue	1,885	-	1,885	-
Net gain (loss) on investments				
Net realized gain (loss) from investments	(10,796)	-	(9,866)	222
Net change in unrealized gains (losses) of investments	8,806	542	(1,197)	986
	7,968	7,920	14,954	22,258
Expenses				
Salaries, management fees and benefits	1,297	535	2,897	2,053
Share-based compensation (Note 6)	163	333	419	1,329
General and administration	949	491	2,664	1,482
Cost of network services revenue	592	-	592	-
Performance bonus expense (recovery)	(5)	163	(654)	519
Provision for bad debt	(442)	-	2,576	-
Depreciation	1,242	14	1,312	19
Provision for credit losses	(21)	19	130	75
Finance costs (Notes 7 and 8)	1,074	768	2,698	1,247
	4,849	2,323	12,634	6,724
Earnings before loss on acquisition and income taxes	3,119	5,597	2,320	15,534
Loss on acquisition (Note 14)	(195)	-	(195)	-
Earnings before income taxes	2,924	5,597	2,125	15,534
Income taxes				
Current tax expense (recovery)	498	513	(220)	1,616
Deferred tax	73	100	135	350
	571	613	(85)	1,966
Net income and comprehensive income	$ 2,353	$ 4,984	$ 2,210	$ 13,568
Net income (loss) and comprehensive income (loss) attributable to:				
Shareholders of the Corporation	$ 460	$ 1,808	$ (1,275)	$ 4,679
Non-controlling interests (Note 11)	1,893	3,176	3,485	8,889
	$ 2,353	$ 4,984	$ 2,210	$ 13,568
Earnings (loss) per share attributable to shareholders:				
Basic	$ 0.05	$ 0.19	$ (0.13)	$ 0.49
Diluted	$ 0.05	$ 0.19	$ (0.13)	$ 0.48
Weighted average number of shares, basic	9,538,075	9,597,456	9,583,082	9,521,046
Weighted average number of shares, diluted	9,649,500	9,734,031	9,692,603	9,652,456

See accompanying notes to condensed consolidated interim statements.

CROWN CAPITAL PARTNERS INC.

Condensed Consolidated Interim Statements of Changes in Equity (unaudited)

For the nine months ended September 30, 2019 and 2018

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

	Number of shares	Share capital	Convertible debentures - equity component	Contributed surplus	Retained earnings	Total Equity
Balance as at January 1, 2018	9,510,017	96,570	-	2,931	4,060	103,561
Net income and comprehensive income attributable to shareholders of the Corporation	-	-	-	-	4,679	4,679
Share-based compensation (Note 6)	-	-	-	1,234	-	1,234
Cash-settled share-based compensation (Note 6)	-	-	-	(546)	(9)	(555)
Issuance of common shares (Note 5)	237,318	2,373	-	(2,373)	-	-
Shares repurchased (Note 5)	(122,480)	(1,244)	-	-	28	(1,216)
Conversion feature of Convertible Debentures					-	
issued, net of tax effect (Note 8)	-	-	483	-	-	483
Dividends declared (Note 5)	-	-	-	-	(4,290)	(4,290)
Balance as at September 30, 2018	9,624,855	$ 97,699	$ 483	$ 1,246	$ 4,468	$ 103,896
Balance as at January 1, 2019	9,616,555	$ 97,615	$ 483	$ 1,397	$ 5,397	$ 104,892
Net income (loss) and comprehensive income (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 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

See accompanying notes to condensed consolidated interim 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,		**2019**		**2018**
Cash provided by (used in) operating activities				
Net income	$	2,210	$	13,568
Adjustments for:				
Net realized loss (gain) from investments		9,866		(222)
Net change in unrealized losses (gains) in fair value of investments		1,197		(986)
Finance fees received on loans carried at amortized cost, net of non-cash finance fees		390		2,205
Interest income		(21,222)		(19,007)
Interest income received in the period		15,614		17,096
Provision for expected credit loss		130		75
Non-cash finance costs		562		312
Depreciation		1,312		19
Current income tax (recovery)		(220)		1,616
Income taxes paid in the period		(784)		(1,870)
Deferred income tax		135		350
Share-based compensation, net of cash settlements		261		774
Provision for performance bonus, net of payments		(654)		(465)
Provision for bad debt		2,576		-
Net change in non-cash working capital (Note 12)		(452)		(451)
		10,921		13,014
Cash provided by (used in) investing activities				
Proceeds from repayment of debt securities		70,512		7,571
Addition of investments		(61,672)		(93,319)
Share purchase loan repayments, net of advances		477		(673)
Purchase of property and office equipment		(465)		(147)
Acquisition of subsidiary, net of cash acquired (Note 14)		(10)		-
Purchase of equipment under development and related deposits		(3,989)		(1,222)
Net change in non-cash working capital (Note 12)		-		(5,018)
		4,853		(92,808)
Cash provided by (used in) financing activities				
Non-controlling interests contributions to Crown Partners Fund (Note 11)		12,316		27,061
Non-controlling interests contributions to Crown Power Fund (Note 11)		13,289		-
Distributions paid by Crown Partners Fund to non-controlling interests		(37,401)		(13,001)
Lease financing		(214)		-
Credit facility advances, net of repayments (Note 7)		5,300		20,000
Issuance of convertible debentures, net of issuance costs (Note 8)		-		18,703
Shares repurchased (Note 5)		(1,366)		(1,216)
Dividends (Note 5)		(4,308)		(4,290)
Deferred financing costs		(800)		(81)
		(13,184)		47,176
Increase (decrease) in cash and cash equivalents		2,590		(32,618)
Cash and cash equivalents, beginning of period		11,307		41,106
Cash and cash equivalents, end of period	$	13,897	$	8,488
Supplemental cash flow information:				
Interest paid in the period	$	1,830	$	321

See accompanying notes to condensed consolidated interim statements.

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, acts as a principal investor and provides data network services. Its registered office is Suite 2827 150-9th Avenue S.W., Calgary, Alberta. These condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2019 and 2018 comprise the Corporation and its subsidiaries, which include:

- A 100% interest (September 30, 2018 – 100%) in Crown Capital Funding Corporation ("CCFC");
- Through CCFC, a 100% interest (September 30, 2018 – 100%) in Crown Capital Private Credit Fund, LP ("Crown Private Credit Fund");
- Through CCFC, an effective interest of 37.0% (September 30, 2018 - 37.1%) in Crown Capital Partner Funding, LP ("Crown Partners Fund"). Crown Partners Fund was formerly named Crown Capital Fund IV, LP prior to its name change, which was effective July 23, 2018;
- A 100% interest (September 30, 2018 – 100%) in Crown Capital Private Credit Management Inc. ("CCPC MI"), the general partner of Crown Private Credit Fund;
- A 100% interest (September 30, 2018 – 100%) in Crown Capital LP Partner Funding Inc. ("CCPF MI"), previously named Crown Capital Fund IV Management Inc., the general partner of Crown Partners Fund and Crown Capital Fund IV Investment, LP ("CCF IV Investment");
- A 100% interest (September 30, 2018 – 100%) in Crown Capital Fund III Management Inc. ("CCF III"), the general partner and manager of Norrep Credit Opportunities Fund, LP;
- Effective June 8, 2018 upon its incorporation, a 100% interest (September 30, 2018 – 100%) in 10824356 Canada Inc., the general partner of Crown Capital Power Limited Partnership ("Crown Power Fund");
- Through CCFC, an effective interest of 43.2% (September 30, 2018 – 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 August 20, 2019, a 100% interest in Crown Power Ops Corp., CPO I Inc., CPO II Inc. and MCS Energy 17 Inc.

On June 30, 2015, the Corporation became a reporting issuer when it filed a prospectus with all provincial securities commissions in Canada in respect of an Initial Public Offering ("IPO").

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, 2018. 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, 2018.

These condensed consolidated interim financial statements were authorized for issue by the Corporation's Board of Directors on November 6, 2019.

(b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis, other than investments 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.

2. Basis of preparation (continued):

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

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, 2018, with the addition of those significant judgments included in the following notes:

(i) Note 3(b)(i) – identification and timing of satisfaction of performance obligations in relation to the Corporation's network services revenues;

(ii) Note 3(b)(ii) – lease identification and the estimated discount rate used in respect of network co-location arrangements;

(iii) Note 14 – fair value measurement of net identifiable assets acquired in a business combination;

(iv) Note 16 – estimated useful lives and recoverability of network services equipment and estimated allocation of capitalized labour; and

(v) Note 17 – estimated useful lives and recoverability of intangible assets with finite lives.

(e) Prior period comparatives:

Certain amounts in the prior period comparatives have been reclassified to conform to the presentation of the current period financial statements.

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, 2018, except for those detailed below.

(a) Current period changes in accounting policies:

IFRS 16 *"Leases"* ("IFRS 16"):

On January 1, 2019, the Corporation adopted IFRS 16, which replaced IAS 17 *"Leases"* ("IAS 17"). IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Corporation, as a lessee, has recognized a right-of-use asset in respect of its office lease representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

3. Significant accounting policies (continued):

The right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Corporation has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019, with no restatement of comparative information.

As a result of initially applying IFRS 16, the Corporation recognized a right-of-use asset in the amount of $503 and a lease liability in the amount of $503, with a nil difference in retained earnings.

Transition

Previously, the Corporation classified its office lease as an operating lease under IAS 17. At transition, the lease liability was measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. When measuring the lease liability, the Corporation discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 7.0%.

(b) Significant accounting policies adopted in the period:

As a result of the acquisition of WireIE on July 12, 2019, certain new accounting policies have been adopted, which are as follows:

(i) Network services revenue recognition

Network services revenues are comprised of the following types of revenue:

- Professional services revenue

  Revenue from professional services, network support, maintenance and repair services is recognized as the related service is rendered.

- Contractual network services revenue

  Contractual network services revenue relates to the access to and usage of telecommunications infrastructure. There are two types of contractual network services revenue: (i) non-recurring revenues related to the upfront installation of network elements are invoiced at the time of installation and are deferred and recognized on a straight-line basis over the term of the customer life, which is generally three to five years in duration; and (ii) monthly recurring revenues relating to the ongoing operation of network services are recognized as the service is rendered over the term of the arrangement.

3. Significant accounting policies (continued):

(b) Significant accounting policies adopted in the period (continued):

Network services revenue is recognized to the extent the performance obligations to the customer have been satisfied.

The contracts with customers do not have a significant financing component. Payments are typically due 30-60 days from the billing date and are typically rendered on a monthly basis.

Costs of contract acquisition, namely commissions expense, are capitalized and subsequently recognized as an expense over the customer life.

(ii) Network services equipment

Network services equipment is depreciated on a straight-line basis over its estimated useful life, which ranges between 5-15 years, depending on the nature of the equipment. Depreciation includes the amortization of right-of-use assets under finance leases where the Corporation is the lessee. The total cost of network equipment situated at customers' premises, associated installation costs and costs of contract acquisition are capitalized as incurred.

The Corporation leases network services equipment and properties, including the usage of third-party tower space through network co-location arrangements. As a lessee, the Corporation recognizes right-of-use assets and lease liabilities for most leases. The Corporation has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3. Significant accounting policies (continued):

(b) Significant accounting policies adopted in the period (continued):

(iii) Network services contracts

Intangible assets in respect of the WireIE acquisition relate to customer contracts acquired.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, which are reviewed at least annually and adjusted as appropriate.

Network services contracts are subject to amortization on a straight-line basis as the Corporation believes that this method reflects the consumption of resources related to the economic lifespan of these assets better than a diminishing basis and is more representative of the economic substance of the underlying use of the assets. The estimated useful life for a network services contract ranges between 3-5 years and the intangible assets related to such contracts are depreciated on a straight-line basis over 3-5 years, with consideration for the average remaining useful life of the contracts. Indicators of impairment such as competitive pressures and technological obsolescence are considered when determining whether the carrying value of an asset is recoverable. An impairment loss would be recorded to the extent the carrying value of an asset was not considered to be recoverable.

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

4. Financial instruments:

(a) Investments

As at	September 30, 2019	December 31, 2018
Investments at FVTPL:		
Canadian debt securities at FVTPL	$ 55,361	$ 69,006
Canadian equity securities	5,194	8,016
Other investments	5,893	4,494
Total Investments at FVTPL	66,448	81,516
Canadian debt securities at amortized cost	156,087	165,567
Allowance for credit losses	(351)	(221)
Total Investments at amortized cost, net of allowance for credit losses	155,736	165,346
Total Investments	$ 222,184	$ 246,862

(b) Canadian debt securities

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

Contractual maturity	September 30, 2019	December 31, 2018
On demand	$ 17,414	$ 17,414
0 – 12 months	15,225	4,660
1 – 3 years	56,259	60,072
3 – 5 years	89,213	112,400
5 years or more	33,337	40,027
Total debt securities	$ 211,448	$ 234,573

As at September 30, 2019, investments held in the form of Canadian debt securities had coupon interest rates ranging from 8.0% to 14.0% (December 31, 2018 – 8.0% to 14.0%) per annum.

Interest revenue calculated using the effective interest rate method for debt securities carried at amortized cost totaled $4,520 and $14,254 for the three and nine months ended September 30, 2019 (for the three and nine months ended September 30, 2018 - $5,224 and $13,679). The effective interest rates as at September 30, 2019 ranged from 10.0% to 15.1%.

4. Financial instruments (continued):

(b) Canadian debt securities (continued)

Finance fees recognized in revenue in relation to the repayment of debt securities carried at amortized cost totaled $nil and $900 for the three and nine months ended September 30, 2019 (for the three and nine months ended September 30, 2018 - $988).

(c) Canadian equities

As at September 30, 2019, investments in equity securities included common shares in Canadian public companies, warrants in Canadian public companies, common shares of a Canadian private company and warrants in a Canadian private company.

(d) Cash and cash equivalents

Cash and cash equivalents comprises deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Corporation in the management of short-term commitments.

(e) 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 $2,576, representing the gross amount of the receivable, and is based on the Corporation's current assessment of the recoverability of this amount.

(f) Receivables from network services

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

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

4. Financial instruments (continued):

(h) 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, 2019 and September 30, 2018, are shown in the following table.

Allowance for credit losses	2019	2018
Opening balance, January 1	$ 221	$ 103
Repayment of debt securities	(14)	-
Addition of new debt securities	20	75
Net remeasurement of loss allowance	129	-
Transfer to lifetime expected credit losses – not credit impaired	86	-
Settlement of debt security upon acquisition	(91)	-
Ending balance, September 30	$ 351	$ 178

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, 2019 and December 31, 2018, are shown in the following tables:

September 30, 2019	Stage One	Stage Two	Stage Three	Total
Debt securities at amortized cost	$ 86,950	$ 69,137	$ -	$ 156,087
Allowance for credit losses	(97)	(254)	-	(351)
Debt securities at amortized cost, net of allowance for credit losses	$ 86,853	$ 68,883	$ -	$ 155,736

December 31, 2018	Stage One	Stage Two	Stage Three	Total
Debt securities at amortized cost	$ 122,244	$ 43,323	$ -	$ 165,567
Allowance for credit losses	(87)	(134)	-	(221)
Debt securities at amortized cost, net of allowance for credit losses	$ 122,157	$ 43,189	$ -	$ 165,346

4. Financial instruments (continued):

(g) 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

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:

- Inputs that are quoted prices (unadjusted) in active markets for identical instruments (Level 1);
- 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) (Level 2). 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
- Inputs for the instruments that are not based on observable market data (unobservable inputs) (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.

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

4. Financial instruments (continued):

(g) Fair values (continued):

The tables below analyze the fair value of investments at September 30, 2019 and December 31, 2018 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, 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	$ -	$ -	$ 55,361	$ 55,361	$ 55,361
Canadian equity securities	530	1,122	3,542	5,194	5,914
Other investments	-	-	5,893	5,893	5,893
Total Investments at FVTPL	530	1,122	64,796	66,448	66,448
Canadian debt securities at amortized cost	-	-	157,513	157,513	155,736
Total Investments	$ 530	$ 1,122	$ 222,309	$ 223,961	$ 222,184

December 31, 2018	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	$ -	$ -	$ 69,006	$ 69,006	$ 69,006
Canadian equity securities	1,416	3,058	3,542	8,016	8,016
Other investments	-	-	4,494	4,494	4,494
Total Investments at FVTPL	1,416	3,058	77,042	81,516	81,516
Canadian debt securities at amortized cost	-	-	168,607	168,607	165,346
Total Investments	$ 1,416	$ 3,058	$ 245,649	$ 250,123	$ 246,862

4. Financial instruments (continued):

(g) 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.

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, 2019, discount rates used range from 11.0% to 20.1% (December 31, 2018 – 10.4% to 21.5%).

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 (decreased) by 100 bps, the fair value of Level 3 investments at September 30, 2019 would decrease by $4,446 or increase by $4,647, respectively.

The Canadian equity securities at September 30, 2019 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 valued using the discounted present value of expected cash flows arising from these investments.

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

4. Financial instruments (continued):

(g) 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:

For the nine months ended	September 30, 2019	September 30, 2018
Level 3 securities at FVTPL		
Beginning balance, January 1	77,042	62,077
Purchases	38,573	10,895
Repayment	(41,080)	-
Net change in unrealized gains (losses)	(9,739)	1,871
Ending balance	$ 64,796	$ 74,843

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and distributions payable to non-controlling interests approximate their fair values due to their short term to maturity. The carrying values of the credit facilities 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, 2019 due to the market interest rate at September 30, 2019 which was consistent with that used to record the convertible debentures – liability component upon initial recognition at fair value on June 13, 2018. 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.

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, 2018, the Corporation renewed its normal course issuer bid ("NCIB") to purchase up to 300,000 common shares, representing approximately 3.2% of its issued and outstanding common shares as at April 5, 2018, 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 NCIB prior to its expiry on April 9, 2019 was 102,583.

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 the current NCIB up to September 30, 2019 was 151,510.

During the three and nine months ended September 30, 2019, the Corporation purchased and cancelled a total of 134,119 and 173,771 shares (September 30, 2018 – 59,422 and 122,480 shares, respectively) for total consideration of $986 and $1,366, respectively (September 30, 2018 - $603 and $1,216, respectively).

During the three and nine months ended September 30, 2019, the Corporation issued nil and 13,059 shares, respectively, as vested share-based compensation. During the three and nine months ended September 30, 2018, the Corporation issued 222,905 and 237,318 shares, respectively, as vested share-based compensation (see Note 6).

During the nine months ended September 30, 2019, the Corporation declared and paid dividends of $0.45 per share (September 30, 2018 - $0.45 per share) for a total payment of $4,308 (2018 - $4,290).

6. **Share-based compensation:**

The Corporation issues performance share units (“PSUs”) and restricted share units (“RSUs”) to employees. On July 9, 2015, the Corporation issued a one-time grant of transition restricted share units (“TRSUs”) to certain employees which vested in July 2018. Prior to May 8, 2018, the Corporation issued RSUs and retainer restricted share units (“RRSUs”) to directors. PSUs, RSUs, TRSUs and RRSUs 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, 2020 and 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. RRSUs vested immediately upon grant.

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 367 days 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, 2019, the deferred compensation liability was $378 (December 31, 2018 - $265).

The Corporation issues additional DDSUs to directors in lieu of dividends on outstanding DDSUs. These DDSUs also vest immediately upon grant and are redeemable on the same terms as the respective DDSUs for which they were awarded. The number of DDSUs issued in lieu of dividends is based on the weighted average trading price of the common shares for the 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 a five-year term and an exercise price of $11.00. 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. As at September 30, 2019, nil (December 31, 2018 – 450,182) stock options had vested but had not been exercised, and an additional 31,818 (December 31, 2018 – 21,212) stock options which had not vested were outstanding.

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

6. Share-based compensation (continued):

The tables below detail the share-based compensation expense recognized in the nine months ended September 30, 2019 and 2018. Share-based compensation expense is recognized over the expected vesting period of each award.

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
DDSUs [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 DDSUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

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

6. Share-based compensation (continued):

For the nine months ended September 30, 2018						
	Number outstanding at January 1, 2018	Issued in the period	Vested or exercised	Forfeited	Number outstanding at September 30, 2018	Expensed in the period
TRSUs [1]	200,725	6,289	(207,014)	-	-	$ 390
PSUs [2]	38,426	64,219	(48,619)	-	54,026	440
RSUs [2]	80,210	34,645	(31,080)	-	83,775	312
RRSUs	-	5,726	(5,726)	-	-	55
DDSUs	-	25,062	-	-	25,062	95
Total Share Units	319,361	135,941	(292,439)	-	162,863	1,292
Stock options	471,394	-	-	-	471,394	37
Total	790,755	135,941	(292,439)	-	634,257	$ 1,329

[1] The TRSUs issued in the period were units issued in lieu of dividends on the underlying securities.
[2] The PSUs, RSUs and DDSUs issued in the period were new awards and units issued in lieu of dividends on the underlying securities.

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. 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. As of September 30, 2019, $7,300 (December 31, 2018 - $18,000) 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, 2019 was $110,083.

During the three and nine months ended September 30, 2019, $233 and $844 (September 30, 2018 - $385 and $794) was expensed as finance costs relating to the Crown Credit Facility including amortization of deferred financing costs of $75 and $239, interest of $99 and $445 and standby fees of $59 and $160, respectively (2018 - $73 and $217, $274 and $425 and $38 and $152, respectively). The balance of unamortized deferred financing costs relating to the Crown Credit Facility as at September 30, 2019 was $498 (December 31, 2018 - $270).

7. Credit facilities (continued):

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. 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, 2022 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, 2019, $16,000 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, 2019 was $186,995.

During the three and nine months ended September 30, 2019, $334 and $571 was expensed as finance costs relating to the CCPF Credit Facility including amortization of deferred financing costs of $28 and $72, interest of $298 and $464 and standby fees of $8 and $35, respectively (2018 - $nil, $nil and $nil, respectively). The balance of unamortized deferred financing costs relating to the CCPF Credit Facility as at September 30, 2019 was $286 (December 31, 2018 - $nil).

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.

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

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.

	Liability Component	Equity Component
Balance, December 31, 2018	$ 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, 2019, $389 and $1,149 (September 30, 2018 - $382 and $453, respectively) was expensed as finance costs relating to the Convertible Debentures including amortization of deferred financing costs of $87 and $252 (2018 - $80 and $95, respectively) and interest of $302 and $897, respectively (2018 - $302 and $358).

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 2024, subject to annual one-year extensions, with 50% of performance fees recognized by Crown Partners Fund allocated to employees.

As at September 30, 2019, no amounts have been accrued and no units have been allocated in relation to the APBP of Crown Power Fund.

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, 2019, the Corporation had accrued a provision for performance bonus payable of $2,025 relating to the APBP of Crown Partners Fund (December 31, 2018 - $2,679).

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, 2019, the Corporation advanced $119 and $359 of new loans under the Share Purchase Plan and $73 and $840 of principal was repaid. During the three and nine months ended September 30, 2018, the Corporation advanced $nil and $1,054 of new loans and $30 and $383 of principal was repaid, respectively. As at September 30, 2019, $161 of loans to the Corporation were outstanding (December 31, 2018 - $638), including accrued interest of $nil (2018 - $8). Loans to the Corporation under the Share Purchase Plan bear interest at prime (3.95% as at September 30, 2019), 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 $3,205 as at September 30, 2019, and which are secured by common shares of the Corporation owned by Participants with a value of $3,561 as at September 30, 2019.

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

11. Non-controlling interests (NCI):

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
Net income (loss) and comprehensive 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.

As at	September 30, 2018	
	Crown Partners Fund	Total
NCI percentage	62.9%[1]	
Beginning balance, January 1, 2018	$ 118,394	$ 118,394
Impact of adoption of IFRS 9	(896)	(896)
Adjusted balance, January 1, 2018	117,498	117,498
Net income and comprehensive income	8,889	8,889
Contributions	27,061	27,061
Distributions	(13,759)	(13,759)
Balance, June 30, 2018	$ 139,689	$ 139,689

1. NCI percentage in Crown Partners Fund decreased from 63.5% to 62.9% effective July 1, 2018.

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

12. Net change in non-cash working capital:

Nine months ended September 30,		2019		2018
Accounts receivable	$	(759)	$	(260)
Prepaid expenses		121		(5,065)
Accounts payable and accrued liabilities		176		(144)
Deferred network services revenue		10		-
Total	$	(452)	$	(5,469)
Net change attributable to operating activities		(452)		(451)
Net change attributable to investing activities		-		(5,018)

13. Equipment under development and related deposits:

The Corporation, through Crown Power Fund, holds equipment under development and related deposits that are measured at cost. Costs incurred to date totaled $13,443, of which $4,431 was incurred in the nine months ended September 30, 2019 (for the nine months ended September 30, 2018 - $1,222). These assets are not currently available for use and are therefore not depreciated.

14. Acquisition of subsidiary:

(a) Consideration transferred:

On July 12, 2019, the Corporation acquired 100% of the common shares, voting interests and debt in WireIE, an Ontario-based broadband network operator specializing in the deployment and management of carrier-grade data networks across Canada and internationally to underserved communities. Prior to the acquisition, the Corporation and WireIE were parties to a long-term debt security contract under which the Corporation invested $7,591 in accordance with an income-streaming funding structure. The Corporation expects to achieve revenue growth and diversification from this acquisition and intends to provide additional capital as required.

For the period from July 12, 2019 to September 30, 2019, WireIE contributed revenue of $1,885 and earnings before loss on acquisition and income taxes of $(578) to the Corporation's results. If the acquisition had occurred on January 1, 2019, management estimates that consolidated revenue and consolidated net income (loss) for the nine months ended September 30, 2019 would have been $19,674 and $(670), 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, 2019.

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

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

14. Acquisition of subsidiary (continued):

(a) Consideration transferred (continued):

		July 12, 2019
Cash	$	165
Contingent consideration		155
Fair value of pre-existing WireIE debt		7,591
Total consideration transferred	$	7,911

As partial consideration for the debt acquired from the previous debtholders, the Corporation has agreed to pay the selling debtholders additional consideration on an annual basis at a predefined percentage of cumulative EBITDA in relation to WireIE, in accordance with prescribed dollar thresholds starting in 2020 for a five-year period, and not to exceed a $5,000 aggregate amount. The Corporation has included $155 as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. At September 30, 2019, the contingent consideration has been recorded as a liability and is held at $155.

(b) Acquisition-related costs:

The Corporation incurred legal fees of $143 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.

		July 12, 2019
Cash and cash equivalents	$	155
Accounts receivable		1,654
Network services contracts		3,937
Prepaid expenses and deposits		192
Property, office equipment and network services equipment		12,819
Accounts payable and accrued liabilities		(3,084)
Lease obligations		(5,261)
Deferred network services revenue		(2,696)
Total identifiable net assets acquired	$	7,716

14. 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	*Income technique:* 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	*Multi-period excess earnings method:* 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).
Property, office equipment and network services equipment	*Cost technique:* 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.

Accounts receivable comprise gross contractual amounts due of $1,604, of which $38 was expected to be uncollectable as at the date of acquisition.

The fair values of accounts receivable, network service contracts, and property, office equipment and network services equipment acquired 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.

(ii) Settlement of pre-existing relationship

The Corporation and WireIE were parties to a long-term debt security contract under which the Corporation advanced amounts in accordance with an income-streaming funding structure. This pre-existing relationship was effectively terminated when the Corporation acquired WireIE. The fair value of the loan at the date of acquisition was $7,591. As the long-term debt security contract was previously carried at amortized cost, the settlement of the pre-existing relationship of the long-term debt security contract at the date of acquisition resulted in a realized gain on investment of $265 and a recovery of expected credit loss of $91.

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

14. Acquisition of subsidiary (continued):

(d) Loss on acquisition

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

	July 12, 2019
Consideration transferred	$ 7,911
Fair value of identifiable net assets	(7,716)
Loss on acquisition	$ 195

15. 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.

Information presented in respect of reportable segments became applicable following the acquisition of WireIE on July 12, 2019. Considering that the acquisition occurred in the three months ended September 30, 2019, segment information is not provided for the nine-month period ended September 30, 2019, and a reconciliation of amounts presented in the statement of financial position for the comparative period is not presented.

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

15. Segment information (continued):

For the three months ended		**September 30, 2019**	
Reportable segments	**Specialty finance**	**Network services**	**Total**
External revenues[1]	$ 8,073	$ 1,885	$ 9,958
Net realized gain (loss) on investment	(10,796)	-	(10,796)
Net change in unrealized gains (losses) of investments	8,806	-	8,806
Consolidated revenues[2]	**6,083**	**1,885**	**7,968**
Inter-segment revenues[3]	222	-	222
Segment revenues	**6,305**	**1,885**	**8,190**
Cost of network services	-	592	592
Segment net income (loss) before tax[4]	**3,502**	**(578)**	**2,924**
Financing costs	963	111	1,074
Depreciation and amortization	35	1,207	1,242
Income taxes – current	498	-	498
Income taxes – deferred	73	-	73
Other material non-cash items:			
Provision (recovery) for bad debt	(442)	-	(442)
Performance bonus expense (recovery)	(5)	-	(5)
Additions to property, office equipment and network services equipment	-	560	560

[1] External revenues of the "specialty finance" segment include interest revenue of $7,545 and fees and other income of $528. Revenues from one customer of the Corporation's "network services" segment represented approximately $1,184 million 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.

[4] Total segment income before tax represents the Corporation's consolidated income before tax.

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

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

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

16. Property, office equipment and network services equipment:

As at	**September 30, 2019**			
	Network Co-location	Network Service Equipment	Office & Other 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**

As at	**September 30, 2019**			
	Network Co-location	Network Service Equipment	Office & Other Equipment	**Total**
Accumulated depreciation				
Beginning balance, January 1, 2019	$ -	$ -	$ (259)	$ (259)
Additions	(301)	(720)	(115)	(1,136)
Balance, September 30, 2019	**$ (301)**	**$ (720)**	**$ (374)**	**$ (1,395)**
Carrying value				
As at September 30, 2019	**$ 4,420**	**$ 7,481**	**$ 969**	**$ 12,870**

17. Network services contracts

The Corporation has recognized an intangible asset in the amount of $3,937 relating to the acquisition of network services contracts acquired by the Corporation on July 12, 2019 that have finite useful lives, of which $271 has been amortized as of September 30, 2019 and is included in depreciation expense.

18. Commitments and contingencies:

The following is a summary of the Corporation's financial commitments as at September 30, 2019:

The Corporation, through Crown Partners Fund, had unfunded commitments to provide loan advances of $6,065 as at September 30, 2019, of which $3,820 was attributable to non-controlling interests.

As at September 30, 2019 the Corporation, through Crown Power Fund, had committed to contracts valued at $7,274 in relation to the construction of power generation assets, of which $4,327 was funded, included in equipment under development and related deposits, and $2,947 was unfunded, of which $1,675 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 $46,334 as at September 30, 2019.

The Corporation, through CCFC, has an aggregate commitment to provide funding to Crown Power Fund of $14,909 as at September 30, 2019.

The Corporation, through WireIE, has an aggregate commitment with respect to its use of broadband network infrastructure of $2,669 as at September 30, 2019.

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 condensed consolidated interim statement of financial position or condensed consolidated interim statement of comprehensive income (loss).

19. Subsequent events:

On November 6, 2019, Crown announced a quarterly dividend of $0.15 per Common Share payable on November 29, 2019 to Shareholders of record on November 15, 2019.