

CFE CANDIDATE NUMBER:

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**Common Final Examination
September 10, 2025 – Day 2
(Booklet #1 – Case)**

Total examination time: 5 hours.

Further details on the examination can be found on the next page.

GENERAL INSTRUCTIONS BEFORE THE EXAMINATION

1. Fill in your candidate number on the booklets. The examination booklets (or paper response, as instructed) must be submitted before leaving the examination writing centre. They must NOT BE REMOVED from the writing centre. If these items are not received, the response may not be accepted.
2. Follow the instructions provided. Instructions must not be removed from the writing centre.
3. Sign the Policy Statement and Agreement Regarding Examination Confidentiality below.

Policy Statement and Agreement Regarding Examination Confidentiality

I understand that all examination materials are the property of CPA Canada and are under the exclusive custody and control of CPA Canada. CPA Canada has the exclusive authority over examination materials to determine the content, use, retention, disposition and disclosure of this material. Candidates will not have access to their examination response, the examination marking keys or any other marking materials. The examination questions and marking guides will only be publicly available when published by CPA Canada.

I hereby agree that I will not:

- Obtain or use answers or information from, or give answers or information to, another candidate or person during the sitting of the examination;
- Refer to unauthorized material or use unauthorized equipment during the examination including but not limited to generative artificial intelligence and similar technologies (for example, ChatGPT, Grammarly, ChatBots, etc.); or
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I further agree to report to the Regional/Provincial/Territorial Body any situations where there is a material risk of compromising the integrity of the examination.

I affirm that I have had the opportunity to read the *CPA In-Person Examination Regulations*, and the *Policy on Academic Integrity and the Use of Artificial Intelligence*, and I agree to all of their terms and conditions.

In addition, I understand that failure to comply with this Policy Statement and Agreement will result in the invalidation of my results and may result in my disqualification from future examinations, expulsion from the profession, and possible legal action.

CANDIDATE NAME (Please print)

SIGNATURE

Examination Details

The examination consists of:

Booklet #1 – Case (this booklet)

Booklet #2 – Rough notes

Candidates are allowed **five (5) hours** to respond.

The case should be answered using the examination software provided, which includes a word processor and spreadsheet for inputting your response. The main body of your response should be in the word processor file. Only supporting calculations should appear in the spreadsheet file, in **Sheet 1**. All financial tables in the case with ten lines or more have been preloaded into the spreadsheets that follow Sheet 1. Those spreadsheets are in read-only mode. You must copy and paste the financial information into your Sheet 1, where you can then do all your calculations. You are responsible for clearly explaining all your calculations.

Answers or part answers will not be evaluated if they are recorded on anything other than the examination software or, in the event of computer failure, the CPA Canada writing paper provided.

Rough-note paper is available in a separate booklet. Rough notes, and any other notations made in the examination booklets, will not be evaluated.

The CPA Canada Handbooks, the *Income Tax Act* and the *Excise Tax Act* are available in the examination software throughout the entire examination. These materials provide the standards in effect and tax laws substantively enacted as at December 31, 2024.

A tax shield formula and other relevant tax information are available at the end of this booklet.

Candidates are instructed to consider and respond to the examination questions as presented even though the circumstances described in the examination questions may not be reflective of the current environment.
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Common Final Examination, 2025

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Case

Assume the pre-selected role in which you will be formulating your response. Answer all requireds as specifically directed in your role. Within the requireds for each role, candidates are directed to look at specific additional appendices, which are unique to each role. Use only the information you have been directed to refer to.

Information that is shared by all roles is presented in the “Common Information” section. Additional information, customized to each role, is presented in the “Specific Information” section.

INDEX

	<u>Page</u>
Common Information – to be read by all roles	
Background	3
Specific Requirements – read only pages specified for your pre-selected role	
Assurance Requirements	4
Finance Requirements	6
Performance Management Requirements	8
Taxation Requirements	10
Common Information – to be read by all roles	
Appendix I – Industry Background	12
Appendix II – Excerpts from Draft Financial Statements	13
Appendix III – Technician Performance	16
Appendix IV – Crash Cellular Installation	17
Appendix V – Yaletown Tower	19
Appendix VI – Service Contract with Horizon Wireless	21
Appendix VII – Future Dismantling of SCT Towers	23
Appendix VIII – Preferred Share Issuance	24
Specific Information – read only pages specified for your pre-selected role	
Appendix IX – Assurance – Additional Information	26
Appendix IX – Finance – Additional Information	34
Appendix IX – Performance Management – Additional Information	44
Appendix IX – Taxation – Additional Information	56

**BACKGROUND
COMMON INFORMATION FOR ALL ROLES**

Sky City Towers Inc. (SCT) is a telecommunications infrastructure company whose core business involves building and operating rooftop cell phone towers.

SCT owns and operates 50 towers in British Columbia (BC) and Alberta. It earns revenue by providing space on its towers to mobile network carriers. Once SCT installs the carriers' equipment on its towers, the carriers can broadcast their signals and connect customers to their networks. SCT's service contracts with its customers are for 10 years.

Paul Kim, who is both CEO and chair of the Board of Directors, started SCT four years ago. Paul owns 51% of SCT's shares. SCT prepares financial statements under IFRS as it anticipates eventually going public. SCT's year end is December 31. Today is January 15, 2025.

In the past, carriers owned towers, but in recent years they have opted to outsource the operation and maintenance of some towers to companies like SCT. Paul has many contacts at several large carriers, which helps SCT secure the highly coveted contracts. SCT currently leases, from building owners, the rooftop space where the towers are located.

Issues with towers may arise due to severe weather, inadequate maintenance, or excessive power usage. Towers may also experience vandalism or theft of parts.

Additional information, customized to your role, is presented in your role package.

REQUIREMENTS FOR YOUR ROLE
(READ ONLY THE ONE SPECIFIED FOR YOUR PRE-SELECTED ROLE)

ASSURANCE REQUIREMENTS

You, CPA, are the assistant controller at SCT, reporting to the controller, Sophie Garnier. Sophie recently took over from the previous controller, who left in December of 2024 because he disagreed with Paul's plans for SCT's growth. Sophie has asked for your help addressing requests from Paul.

Sophie asks you to discuss any issues with SCT's technician performance evaluation and incentive program, and recommend improvements. She would also like you to address the job costing regarding the Crash Cellular installation. As well, she wants you to analyze the data collected for the Yaletown tower.

Sophie wants you to discuss the financial reporting treatment for the service contract with Horizon Wireless, the future dismantling of SCT's towers, and SCT's preferred share issuance. She also asks you to discuss the financial reporting for SCT's four towers located in northern BC.

To prepare management for the first-time audit for SCT of the December 31, 2024, financial statements, Sophie asks you to discuss the auditors' expected assessment of SCT's overall financial statement risk and determination of materiality. Sophie also asks you to describe the audit procedures the auditors will likely perform as part of the 2024 audit for the financial reporting issues you were asked to address.

Since they form large balances on SCT's statement of financial position, Sophie asks you to discuss any weaknesses in the internal controls related to SCT's towers and rooftop leases, and recommend improvements.

In November, one of the human resources (HR) employees performed procedures to assess whether SCT's towers complied with provincial health and safety regulations. Sophie asks you to review the work performed and determine whether it is sufficient for SCT to confirm that it meets the requirements.

**REQUIREMENTS FOR YOUR ROLE
(READ ONLY THE ONE SPECIFIED FOR YOUR PRE-SELECTED ROLE)**

ASSURANCE REQUIREMENTS (continued)

SCT's external auditors have requested that SCT provide support for using the going concern assumption, which should include considering whether events or conditions exist that may cast significant doubt on SCT's ability to continue as a going concern. Paul has provided this support, and has asked you to determine what the auditors' assessment will likely be, as well as suggest any additional support he could provide. He also asked you if an emphasis of matter paragraph will likely be included in the auditors' report, and why.

Since SCT anticipates eventually going public and wishes to disclose greenhouse gas emissions from its operations, including direct emissions from vehicle use, Sophie would like you to describe which procedures the auditors would perform, to verify SCT's direct emissions from vehicles.

In addition to the common appendices (I to VIII), information provided in Appendix IX (Assurance) is relevant for your analysis.

REQUIREMENTS FOR YOUR ROLE
(READ ONLY THE ONE SPECIFIED FOR YOUR PRE-SELECTED ROLE)

FINANCE REQUIREMENTS

You, CPA, work as a financial analyst for Hans & Volker, an advisory firm. Your firm has been contracted to assist Paul with a series of financial matters, to support the business.

Paul asks you to discuss any issues with SCT's technician performance evaluation and incentive program, and recommend improvements. He would also like you to address the job costing regarding the Crash Cellular installation. As well, he wants you to analyze the data collected for the Yaletown tower.

Paul wants you to discuss the financial reporting treatment for the service contract with Horizon Wireless, the future dismantling of SCT's towers, and SCT's preferred share issuance.

Paul is concerned about interest rate increases on SCT's long-term debt. He asks you to quantitatively assess the potential for SCT to swap its current variable interest payments for fixed payments, and discuss the benefits and drawbacks of this decision.

Paul has decided to purchase a property, to add coverage in Kamloops, BC. He wants to know how much his offer should be, any risks involved, and ways to mitigate those risks.

An acquaintance of Paul's is looking to sell his telecommunications company, Sunny Cellular (Sunny). Paul would like to know what price he should offer to purchase the company.

Paul also asks you to explain the additional value creation for SCT's shareholders, and any risks to SCT's financial health arising from the potential purchase of Sunny.

You have been presented with forecasted financial information for the next few years. Paul asks you to evaluate how much time SCT has until it runs out of cash and needs to raise additional funding, ignoring the impact of the potential projects mentioned above.

Additionally, Paul asks you to discuss the advantages and disadvantages of the different financing opportunities, and provide a recommendation.

**REQUIREMENTS FOR YOUR ROLE
(READ ONLY THE ONE SPECIFIED FOR YOUR PRE-SELECTED ROLE)**

FINANCE REQUIREMENTS (continued)

Paul wants you to benchmark SCT's key ratios against industry averages, and provide recommendations for improving these ratios.

SCT uses a hurdle rate of 10% for investment decision-making.

In addition to the common appendices (I to VIII), information provided in Appendix IX (Finance) is relevant for your analysis.

**REQUIREMENTS FOR YOUR ROLE
(READ ONLY THE ONE SPECIFIED FOR YOUR PRE-SELECTED ROLE)**

PERFORMANCE MANAGEMENT REQUIREMENTS

You, CPA, work at SCT as the associate director of finance and operations, reporting to Aditi Johal, who is the director. Aditi has asked for your help addressing requests from herself and Paul.

Paul asks you to discuss any issues with SCT's technician performance evaluation and incentive program, and recommend improvements. He would also like you to address the job costing regarding the Crash Cellular installation. As well, he wants you to analyze the data collected for the Yaletown tower.

Paul wants you to discuss the financial reporting treatment for the service contract with Horizon Wireless, the future dismantling of SCT's towers, and SCT's preferred share issuance.

In order for SCT to be consistent with competitors for financial statement comparison purposes, you've been asked to appropriately allocate salaries and wages for 2024 between two categories: direct costs; and selling, general, and administration costs. Historically, the salaries and wages were a separate line item on the statement of earnings (loss). Aditi also wants you to prepare a forecasted statement of operating income for 2025.

SCT has identified two potential sites for building a new tower. Aditi wants you to compare the two sites and recommend the most suitable one. She would also like you to perform a variance analysis to explain why the Northgate Mall project didn't cover SCT's energy costs as expected.

SCT recently committed in writing to meet five of the United Nations Sustainable Development Goals. Paul asks you to identify the 5 of the 17 goals most relevant to SCT, and describe the actions it is currently taking toward meeting these goals, without discussing the goals you have not selected.

REQUIREMENTS FOR YOUR ROLE
(READ ONLY THE ONE SPECIFIED FOR YOUR PRE-SELECTED ROLE)

PERFORMANCE MANAGEMENT REQUIREMENTS (continued)

SCT is exploring deploying 5G small cells throughout Vancouver. Paul wants to know what monthly price to charge per cell based on the expected demand.

Given that SCT wishes to go public, Paul asks if SCT's current board would comply with public company requirements, and which nominees to endorse if any directors need to be replaced.

In addition to the common appendices (I to VIII), information provided in Appendix IX (Performance Management) is relevant for your analysis.

**REQUIREMENTS FOR YOUR ROLE
(READ ONLY THE ONE SPECIFIED FOR YOUR PRE-SELECTED ROLE)**

TAXATION REQUIREMENTS

You, CPA, work as a senior tax analyst at Lowe & Sheffield LLP, reporting to Mary Sheffield, the tax partner. Mary recently met with Paul, and they have asked you to address their requests.

Paul asks you to discuss any issues with SCT's technician performance evaluation and incentive program, and recommend improvements. He would also like you to address the job costing regarding the Crash Cellular installation. As well, he wants you to analyze the data collected for the Yaletown tower.

Paul wants you to discuss the financial reporting treatment for the service contract with Horizon Wireless, the future dismantling of SCT's towers, and SCT's preferred share issuance.

Mary asks you to determine SCT's net income (loss) for income tax purposes for 2024. SCT would like to maximize its CCA claim for the year, even though it is incurring losses.

Paul has identified a site for SCT to build a new tower and a service building in Kelowna, BC. He would like to understand the income tax consequences associated with the project's expected outlays, particularly regarding the tax treatment of the costs related to each milestone.

Beginning in 2024, SCT provided company-owned vehicles to the supervisor and one technician. Paul would like to understand the personal income tax consequences for the individuals, and the corporate income tax and GST/HST consequences for SCT.

SCT is behind on certain tax matters, and Lowe & Sheffield has begun work on these unfiled returns. Mary asks you to explain to Paul the consequences of these returns not being filed, and explain why SCT should ensure it files returns on time. Paul also wonders if SCT's directors could face any liability associated with those tax filings.

REQUIREMENTS FOR YOUR ROLE
(READ ONLY THE ONE SPECIFIED FOR YOUR PRE-SELECTED ROLE)

TAXATION REQUIREMENTS (continued)

Paul is considering remuneration options for himself for 2025. Mary asks you to prepare a calculation of Paul's income taxes for the year based on each of two options: \$75,000 in salary, or \$75,000 in eligible dividends. She also asks you to determine the impact to SCT of both options.

If Paul is paid dividends, SCT might also have to pay dividends to the other common shareholders. Mary wants you to evaluate whether the tax on split income (TOSI) would apply on dividends paid to the other shareholders.

Lastly, Paul mentioned that some of the other common shareholders have begun new business ventures. Mary has asked you to assess whether SCT is related to, or associated with, these new businesses, and to describe any related impacts on SCT.

In addition to the common appendices (I to VIII), information provided in Appendix IX (Taxation) is relevant for your analysis.

APPENDIX I – COMMON INDUSTRY BACKGROUND

Driven by population growth and data usage, the number of cell phone towers in Canada is expected to increase by 10% annually over the next five years.

Most major carriers compete on network quality. New entrants need access to towers to build their networks, while existing carriers seek access to additional tower locations to strengthen and expand their networks.

Equipment from multiple carriers can be installed on each tower. Costs are mostly fixed, so attracting additional carriers is critical to generating higher margins.

The vast majority of contracts with carriers are renewed. If contracts are not renewed, the tower space can be used for other carriers, or the towers can be sold or moved to another location.

Network reliability is reflected in the rate of dropped calls and signal strength, and is critical to success in the industry. Carriers expect cell towers to be operational 24 hours a day. Downtime can result in lost contracts or even litigation. For cell towers to remain compliant with contractual operating procedures, maintenance must be performed quickly and correctly. Signal strength is influenced by the power of the transmitting equipment, tower height, proximity of nearby buildings and trees, and weather conditions.

The most profitable approach for a tower provider like SCT is to identify an area of high need (high population growth, difficult zoning, etc.), build a tower, and secure carriers after the tower is ready to use.

Resistance from the community or zoning restrictions can make finding a suitable site difficult. Some residents find the structures aesthetically unpleasant, while others oppose the towers due to perceived health risks.

**APPENDIX II – COMMON
EXCERPTS FROM DRAFT FINANCIAL STATEMENTS**

Sky City Towers Inc.
Statements of Earnings (Loss) and Retained Earnings
For the years ended December 31

	2024	2023
	Draft	Unaudited
Revenue		
Revenue from contracts with carriers	\$ 2,250,000	\$ 1,454,750
Expenses		
Direct costs (Note 1)	725,382	469,013
Depreciation	291,259	175,600
Amortization of right-of-use leased assets	345,000	329,000
Salaries and wages	816,665	764,497
Selling, general, and administration (Note 2)	103,335	84,230
Total operating expenses	<u>2,281,641</u>	<u>1,822,340</u>
Operating loss	(31,641)	(367,590)
Other Income (Expenses)		
Interest income	6,629	4,428
Interest expense	(605,250)	(406,278)
Interest expense on lease obligations	(101,200)	(122,000)
Income before taxes	<u>(731,462)</u>	<u>(891,440)</u>
Income taxes	0	0
Net loss	<u>\$ (731,462)</u>	<u>\$ (891,440)</u>
Retained Earnings (Accumulated Deficit)		
Balance – beginning of year	\$ (811,705)	\$ 79,735
Net loss	(731,462)	(891,440)
Dividends paid	0	0
Balance – end of year	<u>\$ (1,543,167)</u>	<u>\$ (811,705)</u>

APPENDIX II – COMMON (CONTINUED)
EXCERPTS FROM DRAFT FINANCIAL STATEMENTS

Notes:

1. Direct costs include utility costs, materials, non-capitalizable project development costs, and insurance related to sites.
2. Selling, general, and administration costs include any costs that are not directly related to the operating of towers, such as sales, human resources (HR), and compliance activities. These costs do not include any salaries and wages.

APPENDIX II – COMMON (CONTINUED)
EXCERPTS FROM DRAFT FINANCIAL STATEMENTS

Sky City Towers Inc.
Statements of Financial Position
As at December 31

	2024	2023
	Draft	Unaudited
Assets		
Current assets:		
Cash and cash equivalents	\$ 221,055	\$ 147,600
Accounts receivable, net	76,500	102,000
Prepaid and other current assets	19,400	26,065
Total current assets	316,955	275,665
Property, plant, and equipment (PP&E), net	7,281,473	4,390,000
Right-of-use leased assets	3,500,000	2,600,000
Total assets	\$ 11,098,428	\$ 7,265,665
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 285,020	\$ 174,170
Current portion – lease obligations	325,000	255,000
Current portion – long-term debt	226,300	179,000
Total current liabilities	836,320	608,170
Lease obligations	3,180,275	2,305,000
Long-term debt	6,725,000	4,514,200
Total liabilities	10,741,595	7,427,370
Shareholders' equity		
Common shares	1,200,000	650,000
Preferred shares	700,000	0
Retained earnings (accumulated deficit)	(1,543,167)	(811,705)
Total shareholders' equity	356,833	(161,705)
Total liabilities and shareholders' equity	\$ 11,098,428	\$ 7,265,665

APPENDIX III – COMMON TECHNICIAN PERFORMANCE

SCT employs five full-time technicians who perform installations and maintenance on SCT's towers. Some jobs require them to work overtime on evenings and weekends. Alexandra, the supervisor, manages the technicians, who all report to her. Recently, it has been noted that motivation is low among the technicians.

SCT's technicians receive feedback once per year during their annual review. The annual review is based on a survey completed by Alexandra that scores the technicians on their performance and attitude on a scale of 1 to 10. While experience and skill vary among the individual technicians, promotions are given based on seniority. As a result, the performance reviews are a low priority. Most technicians receive near-perfect scores.

For scheduling purposes, Alexandra estimates the number of hours a job will take before a technician begins the job. Technicians' actual hours on each job are tracked for scheduling and internal costing purposes.

Due to issues noted with wiring on installations, Alexandra implements a test for the technicians at the beginning of each week to make sure they can demonstrate the correct wiring. Alexandra does not track the results, and is therefore not sure which of the technicians improved.

Alexandra also requires technicians to send pictures of each completed wiring to ensure it is done correctly, and will perform site visits if there are any issues.

Bonuses are allocated among technicians based on hours worked.

**APPENDIX IV – COMMON
CRASH CELLULAR INSTALLATION**

In November, SCT added a second mobile carrier, Crash Cellular, at the Vancouver #10 tower site. Paul would like to use the costs of the Crash installation to determine a budget for future installations that use the same technology.

SCT provided you with the following list of selected costs incurred during November:

Type of Cost	Amount (\$)
For the Crash installation:	
Wiring materials	35,000
Delivery of materials to site	1,800
Lumber and steel	12,000
For Vancouver #10:	
Rooftop rent	900
Utilities	450
Depreciation on tower	500
Miscellaneous:	
Hardware (bolts, screws, fasteners, sensors, etc.)	1,250
Vehicle expense	4,000
Administrative labour (including HR, accounting, and CEO salaries)	35,000

The miscellaneous costs included above are SCT's total costs for the entire company for the month of November, and are not tracked for individual jobs.

APPENDIX IV – COMMON (CONTINUED)
CRASH CELLULAR INSTALLATION

Additional notes:

- Vancouver #10 had one existing carrier prior to the Crash installation.
- The Crash installation was estimated to take 120 hours of technician work to complete. The actual installation took three technicians 55 regular hours each.
- SCT had to return to the installation site to fix faulty wiring, which required 10 hours of overtime each from Alexandra and one technician.
- Crash also requested some additional modifications to the tower after the initial installation, which resulted in a further 15 hours of overtime from Alexandra. Future contracts are expected to require similar modifications, which SCT expects technicians to perform.
- SCT employees work a 35-hour work week and technicians earn \$1,250 per week on average, not including overtime. Alexandra earns \$2,000 per week, not including overtime. Overtime is paid at an hourly rate of \$55 to technicians and \$90 to Alexandra.
- Overhead is allocated to jobs based on technician hours required for each job.

**APPENDIX V – COMMON
YALETOWN TOWER**

From: Paul Kim
To: CPA
Re: Analysis of sensor data collected

Hi CPA,

I just received some data from sensors installed on our Yaletown tower. We collected the data over a four-day period, during which time the tower experienced two system failures. The carrier also provided us with its data for the tower over the same period.

I would like to understand if the data in the following table indicates any relationships between the tower's performance and internal or external factors, and when system failures are most likely to occur.

Day	Time	Data Collected from SCT Sensors				Data Provided by Carrier			
		Weather	Power Usage (watts)	Equipment Temperature (degrees Celsius)	System Failures	Total Calls	Data Transferred (gigabytes)	Signal Strength	Calls Dropped
Fri.	00:00 to 04:00	Smoke	1,635	39	0	149	120	High	6
Fri.	04:00 to 08:00	Light fog	1,992	40	0	254	230	Medium	14
Fri.	08:00 to 12:00	Light fog	2,241	41	0	501	480	Medium	27
Fri.	12:00 to 16:00	Partly cloudy	2,382	42	0	714	550	Medium	37
Fri.	16:00 to 20:00	Fog	2,663	43	1	555	770	Low	55
Fri.	20:00 to 24:00	Partly cloudy	2,323	41	0	387	759	Medium	28

**APPENDIX V – COMMON (CONTINUED)
YALETOWN TOWER**

Day	Time	Data Collected from SCT Sensors				Data Provided by Carrier			
		Weather	Power Usage (watts)	Equipment Temperature (degrees Celsius)	System Failures	Total Calls	Data Transferred (gigabytes)	Signal Strength	Calls Dropped
Sat.	00:00 to 04:00	Partly cloudy	1,747	39	0	299	195	High	18
Sat.	04:00 to 08:00	Clear	1,693	39	0	236	150	High	6
Sat.	08:00 to 12:00	Sunny	1,826	39	0	401	250	High	4
Sat.	12:00 to 16:00	Partly cloudy	2,279	41	0	378	680	Medium	17
Sat.	16:00 to 20:00	Fog	2,554	42	0	327	780	Low	37
Sat.	20:00 to 24:00	Fog	2,455	42	0	345	564	Low	25
Sun.	00:00 to 04:00	Light fog	1,968	40	0	256	180	Medium	15
Sun.	04:00 to 08:00	Light fog	1,887	40	0	199	75	Medium	14
Sun.	08:00 to 12:00	Sunny	1,791	39	0	326	256	High	12
Sun.	12:00 to 16:00	Mostly cloudy	2,496	42	0	402	590	Low	24
Sun.	16:00 to 20:00	Mostly cloudy	2,668	43	1	456	880	Low	34
Sun.	20:00 to 24:00	Light fog	2,028	40	0	106	450	Medium	9
Mon.	00:00 to 04:00	Partly cloudy	1,828	39	0	99	56	Medium	9
Mon.	04:00 to 08:00	Rain	2,230	41	0	315	145	Low	32
Mon.	08:00 to 12:00	Mostly cloudy	2,610	42	0	659	560	Low	65
Mon.	12:00 to 16:00	Rain	2,510	42	0	589	430	Low	67
Mon.	16:00 to 20:00	Partly cloudy	2,392	42	0	567	717	Medium	33

**APPENDIX VI – COMMON
SERVICE CONTRACT WITH HORIZON WIRELESS**

On February 28, 2024, SCT signed a new type of service contract with the cellular provider Horizon Wireless (Horizon). The service contract allows Horizon to broadcast its signal from five of SCT's towers using SCT's equipment, rather than having its own equipment on SCT's towers. SCT may continue to use its towers to broadcast other signals as Horizon would only use a small portion of the broadcast capacity of the towers. The service contract includes installation, broadcast, and maintenance, with the following terms:

Horizon will pay a non-refundable fee of \$310,000 on March 1, 2024, when the contract commences.

For this particular agreement, the cellular equipment on the towers is installed at locations determined by SCT, and can be moved by SCT to another site at any time. During the installation phase, SCT will install SCT's equipment and test the sites over six months for suitability. SCT will earn no monthly fees for this six-month period; however, broadcasting will occur and SCT will be responsible for any maintenance required.

For the next 10 years, commencing on September 1, 2024, SCT will broadcast Horizon's signal from five of SCT's towers in exchange for \$3,000 per month, per tower. SCT must perform regular maintenance to ensure the equipment functions properly. The fee will be adjusted for inflation by 3% on September 1 each year, with payments as follows:

Year	Monthly Fees (\$)	Monthly Fees × 12 = Annual Fees (\$)
1	15,000	180,000
2	15,450	185,400
3	15,914	190,968
4	16,391	196,692
5	16,883	202,596
6	17,389	208,668
7	17,911	214,932
8	18,448	221,376
9	19,002	228,024
10	19,572	234,864

APPENDIX VI – COMMON (CONTINUED)
SERVICE CONTRACT WITH HORIZON WIRELESS

SCT installed and started testing the equipment in March. Hiring a third party to install and test the equipment on all five towers would have cost Horizon \$250,000 in total.

On September 1, 2024, SCT began to broadcast Horizon's signal. On December 31, 2024, SCT recorded revenue of \$60,000 related to the amounts Horizon paid for four months of service, plus the initial fee, for total revenue of \$370,000.

**APPENDIX VII – COMMON
FUTURE DISMANTLING OF SCT TOWERS**

Starting in 2024, some new agreements with building owners required SCT to dismantle its towers and restore the rooftops to their original condition at the end of the agreement.

At present, SCT has recorded no amount related to the dismantlement requirements because Paul believes the agreements with building owners will be continually renewed. There is no legal obligation for SCT related to the dismantlement beyond what is stated in the agreements, so SCT can move the towers to a different location, sell them, or discard them.

SCT's installation team estimated the following total costs (if they were incurred today) related to the dismantling:

- | | |
|--------------------------------------|-----------|
| • Cost of dismantling towers | \$540,000 |
| • Remedial work to restore buildings | \$210,000 |
| • Disposal costs of the towers | \$140,000 |

The company's incremental borrowing rate is 9%. Building agreement terms are for 10 years, and the useful life of the towers is 25 years.

**APPENDIX VIII – COMMON
PREFERRED SHARE ISSUANCE**

SCT issued mandatorily redeemable preferred shares to a private equity firm, Lions Share Investments (LSI), which have a fixed 7% annual dividend that is cumulative monthly, for a 10-year period. The shares are retractable by SCT or redeemable by LSI on or before the maturity date, at par.

The first round of investment raised \$700,000 and closed on November 30, 2024. From the proceeds, brokerage fees of 1.5% were paid immediately and included in interest expense.

The dividend for December 2024 was declared on December 31, 2024, to be paid in early 2025. There have been no significant changes in market conditions since the shares were issued.

The \$700,000 is currently recorded as preferred shares in shareholders' equity.

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***ASSURANCE ROLE
ADDITIONAL INFORMATION***

APPENDIX IX – ASSURANCE ADDITIONAL INFORMATION

SCT Operations

While Paul sees strong potential for SCT and wishes to take on more debt to finance additional growth, some lenders are concerned the organization is overly leveraged and may not be able to repay its debt. As a result, Paul is considering issuing additional shares to LSI, which intends to use the upcoming audited financial statements to determine its offer amount. Typically, such offers are based on a multiplier of earnings.

Towers in Northern BC

In January 2021, SCT built four cell towers in northern BC, which is considered to be a separate geographical area for the company, to support the development of a public infrastructure project. Due to the distance from its other towers and travel time involved with maintaining these towers, SCT decided to sell them to finance growth in other areas of the province. Paul approved this decision in December 2024.

The four towers are listed for sale as a group at \$540,000, and the terms in the listing are typical of such sales. Based on experience, cell towers typically take approximately three months to sell. SCT obtained a recent third-party fair value estimate of \$500,000 for the towers. Selling fees are estimated to be \$23,000. SCT has received no bids to date.

The towers are recorded as PP&E and are depreciated on a straight-line basis. As of December 31, 2024, the net book value of the four towers was \$530,000 in total.

APPENDIX IX – ASSURANCE (CONTINUED)
ADDITIONAL INFORMATION

SCT Towers

Of the 50 towers SCT owns, it constructed approximately half of them. The remaining towers were purchased from other tower companies. For SCT-constructed towers, SCT starts tracking tower construction costs when construction materials are delivered to the project site. Once the towers are operational, any purchases required for repairs, spare parts, and maintenance are sent to the accounts payable clerk for procurement and payment. These purchases are expensed as incurred.

SCT's technicians perform regular site visits to verify the condition of the towers and perform routine maintenance. If there are issues with the towers, they notify Alexandra (the supervisor) and then perform the necessary repairs. Recently, one of the towers was damaged in a windstorm and may need to be replaced. Alexandra notified Paul due to the significance of the issue. Alexandra did not notify the finance department of this operational issue.

Rooftop Leases

SCT currently has 36 leases to rent the rooftops where their towers are installed. Lease agreements may be signed by SCT's lease manager or by Paul. This process allows SCT to close deals efficiently, since Paul and the lease manager have many contacts who are building owners.

After a lease is signed, the lease manager manually enters the details into a master spreadsheet. If any subsequent modifications are made to a lease, the accounts payable clerk manually updates this spreadsheet. Once per year, the lease manager compares information in SCT's accounting system to lease details in the master spreadsheet, to ensure the terms, commencement date, payments, and renewal dates are accurately recorded in the accounting system.

APPENDIX IX – ASSURANCE (CONTINUED)
ADDITIONAL INFORMATION

Health and Safety Requirements

SCT must adhere to the following health and safety requirements for cell phone towers:

1. Regular safety meetings must be held with all technicians, and minutes of these meetings must be prepared and distributed.
2. All SCT owned towers must have a construction plan that is signed and stamped by a professional engineer.
3. Towers must be inaccessible to the general public, and warning signs must be installed at the base of the towers.
4. Each cell phone tower shall not emit radiofrequency (RF) levels greater than the limits set by Health Canada. The levels should be tested with a measuring device approved by the CSA Group, a standard-setting organization.
5. RF measurements must be taken twice annually. SCT must maintain records of the date the measurements were taken, the locations of measurements in relation to the locations of the RF emitting towers, and the name of the technician who conducted the measurements.

APPENDIX IX – ASSURANCE (CONTINUED)
ADDITIONAL INFORMATION

Procedures Performed by HR Employee

Excerpt from a report submitted by Oliver, the HR employee who performed the health and safety compliance procedures:

“To ensure compliance with the health and safety protocols, I interviewed Alexandra. During our meeting, Alexandra confirmed she holds regular safety meetings with technicians. She also mentioned that SCT always contracts professional engineers to sign and stamp construction plans for the towers, so that requirement is met. To be safe, I checked the construction plans of all towers constructed by SCT and noted professional engineers’ signatures and stamps on each.

“I also visited one of SCT’s towers. There was a “Keep Out” sign at the bottom of the tower, as well as a four-foot fence surrounding its base. Alexandra noted that the rooftop where the tower is located is secured by key card access. Since the tower is inaccessible and has signage, I documented this requirement as met.

“I inquired about the RF measurements, and Alexandra mentioned that the technicians are supposed to take these measurements each time they visit the sites, which is twice a year. If the sites meet the requirements, no further work is performed. Alexandra noted no issues, so I documented this and moved on.”

APPENDIX IX – ASSURANCE (CONTINUED)
ADDITIONAL INFORMATION

Paul’s Support for the Going Concern Assumption

“I strongly believe that SCT is a going concern despite the financial performance of the company. From my point of view, SCT continues to meet its obligations with payroll and creditors, no key employees have left the company, and all leases with building owners and contracts with carriers are in good standing. SCT’s administration costs are relatively fixed, so I expect margins will increase dramatically as additional carriers are added to SCT’s towers. If SCT can increase the number of carriers per tower, which is expected to occur based on the towers’ strategic locations, cash flow forecasts indicate the company will be profitable in two years. LSI recently signed a letter of interest in purchasing an additional stake in SCT. In addition, demand for a second investment round of preferred shares by individual investors appears to be high, as SCT continues to need financing.

“Until additional carriers can be added to SCT towers, and since most of SCT’s assets are fully collateralized for existing loans, I have agreed to provide a guarantee from my personal assets, to secure a term loan to fund operations. Other financing options include selling towers to provide cash flow in the near term.”

Vehicle Usage and Greenhouse Gas Emissions

SCT has four company vehicles, as follows:

Vehicle	Energy Type	Average Kilometres per Litre	Odometer – Start of Year (km)	Odometer – End of Year (km)
Truck	Regular gasoline	5.5 km/L	190,450	230,120
Van #1	Diesel	4.6 km/L	312,450	396,750
Van #2	Diesel	5.2 km/L	154,600	206,200
Sedan	Electric	N/A	45,880	61,520

APPENDIX IX – ASSURANCE (CONTINUED)
ADDITIONAL INFORMATION

Vehicle Usage and Greenhouse Gas Emissions (continued)

The two vans are used exclusively by the technicians to perform tower maintenance visits. The truck (used by Alexandra) and the sedan (used by Paul) are used for both personal and business reasons. Emissions from personal use do not count toward SCT's overall emissions.

SCT uses two methods to calculate its direct emissions from vehicles:

1. Automated method

A third-party app installed in the two vans collects real-time data about the vehicles' fuel consumption. Since each vehicle's fuel consumption varies depending on driving style and type of traffic, the app can highlight opportunities to reduce emissions and costs. The data automatically generated on trip length and fuel consumed is uploaded to a central database. At the end of the period, the app provides an overall emissions amount to SCT, based on total kilometres driven and litres of fuel consumed.

2. Manual method

For the sedan and the truck, vehicle emissions are calculated manually as follows:

Vehicle-specific emission factor × Kilometres driven for business purposes

Emission factors specific to the make and model of each vehicle are made publicly available online by the Government of Canada.

Kilometres driven are tracked in mileage logs. SCT requires that all trips, business and personal, are recorded in mileage logs for both Alexandra and Paul. If either of them forgets to record a trip, the accounts payable clerk maintaining the logs will consider the kilometres driven to be personal. A sample of log entries is shown below:

Date	Employee	Use	Trip (km)	Client	From	To
Friday, Jan. 24	Supervisor	Business	10.2	Crash	Head office	Crash tower
Saturday, Jan. 25	CEO	Personal	2.1	N/A	Home	Lunch with client

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***FINANCE ROLE
ADDITIONAL INFORMATION***

APPENDIX IX – FINANCE ADDITIONAL INFORMATION

Interest Rate Swap

SCT's debt carries a variable rate of prime plus 4%. You have identified an interest rate swap with the following terms:

1. Receives interest of prime plus 4%
2. Pays interest at a fixed rate of 7.5%
3. Matures in 60 months

This interest rate swap adjusts to match the outstanding principal balance of SCT's existing outstanding debt, and swaps the variable interest paid by SCT for fixed interest payments.

Prime rate is expected to remain at 4% for 2025. Your internal research shows the following expected prime rates for the subsequent four years:

Year	Probability of Occurrence		
	20%	55%	25%
2026	2.50%	3.00%	3.50%
2027	2.35%	2.50%	3.30%
2028	1.90%	2.00%	2.75%
2029	1.75%	2.00%	2.25%

SCT will repay all its existing debt over the next five years. The debt repayment schedule is as follows:

2025	\$ 226,300
2026	\$1,400,000
2027	\$2,100,000
2028	\$1,900,000
2029	\$1,325,000

All principal and interest payments occur monthly.

The one-time fee to enter the interest rate swap is equal to 0.25% of the current book value of the loan. Early termination fees are 0.5% of the outstanding balance, plus three months of interest.

APPENDIX IX – FINANCE (CONTINUED)
ADDITIONAL INFORMATION

Kamloops Property

SCT has received pressure from carriers to add an additional tower in Kamloops, BC, to add coverage. Rather than leasing space, Paul has found a commercial building for purchase where SCT could install a cell tower. This would be SCT's first acquired property.

The building has 30,000 square feet of rentable space. It is currently occupied at 50% capacity, at an average rent of \$25 per square foot.

Adjacent to the building and included in the sale is a run-down parking lot measuring 15,000 square feet that is not in use. A few years ago, a gasoline leak on the property caused soil contamination. Paul would like to eventually sell this land to a residential real estate developer. The land must be decontaminated before being sold, which will take three years, at an annual cost of \$25,000.

A comparable building in a similar location with no additional land sold for \$7.6 million two months ago. The building has 45,000 square feet of rentable space, is rented at 50% capacity, and has similar leasing terms to the target property.

Commercial properties have seen an occupancy decline in recent years due to many staff working from home.

Land in the area is currently selling for between \$50 and \$60 per square foot. Real estate asset prices are expected to grow indefinitely at an average annual rate of 4%. The land will be sold at the end of the year in which it reaches an acceptable level of contamination.

Paul mentioned that lenders require a 25% downpayment when purchasing a commercial property. His real estate agent expects the demand for housing to remain high over the coming years.

APPENDIX IX – FINANCE (CONTINUED)
ADDITIONAL INFORMATION

Acquisition of Sunny

Sunny is a carrier providing cellular service to thousands of customers across five remote communities in northern BC. Sunny possesses several of its own cell towers but also rents space on third-party towers, including towers from SCT.

As part of the purchase, SCT would integrate any acquired towers into its current operations, and expand into the carrier business by providing cellular service directly to cell phone customers in the north.

The following are excerpts from Sunny's financial information:

Financial Statement Item	Amount (\$)
Revenue:	
Service contracts	650,000
Expenses:	
Direct costs	200,000
Selling, general, and administration	100,000
Owner's salary (Note)	250,000
Amortization	150,000
Total expenses	700,000
Net income (loss)	(50,000)

Note: Paul is confident he can hire a manager to run the carrier service business at a salary of \$100,000.

APPENDIX IX – FINANCE (CONTINUED)
ADDITIONAL INFORMATION

Acquisition of Sunny (continued)

SCT owns two towers in the north of BC that Sunny uses. Sunny currently pays SCT \$5,000 per month to use both towers.

Sunny's towers have not been maintained properly and are nearing the end of their useful lives. They will need to be replaced in three years at a cost of \$1.1 million. The useful life for the new towers is expected to be 25 years.

The government offers a program that covers 75% of investment costs for infrastructure built in remote communities. Cash is received in the same year the expenditure occurs.

Sunny's revenues are expected to grow at 5% per year for the next five years, and to subsequently grow at 3% annually, in perpetuity. Expenses are expected to grow at 3% per year in perpetuity. Sunny's tax rate is 25%.

Notes from your meeting with SCT's controller

It takes 7 to 10 hours of travel to get to most of Sunny's towers. Travelling to them to perform repairs and maintenance is a large commitment, and staff have limited excess capacity.

SCT would be entering into the carrier service business for the first time. Although SCT has not signed any non-compete agreements with its current clients, those who have been told of this expansion project do not like the idea of SCT getting into their line of business.

Sunny is the only carrier in northern BC. However, given the trend of working from home, populations in this region have grown significantly in recent years, which may drive northern expansion for some of SCT's customers.

APPENDIX IX – FINANCE (CONTINUED)
ADDITIONAL INFORMATION

Acquisition of Sunny (continued)

Notes from your meeting with SCT's controller (continued)

SCT's business is just starting to operate efficiently, and Paul has no experience running a carrier service business. However, there are contacts in SCT's network who could act as mentors.

Paul has mentioned multiple times that he is tired and would like to spend more time with family.

There is an election scheduled in two years, and the current government is supportive of infrastructure subsidies.

SCT's towers in northern BC were acquired from a bankrupt telecommunications company a few years ago. The maintenance staff say the towers degrade much faster due to the rough weather. Also, because it's hard to obtain parts in the region, there have been instances of technicians having to travel several times for one service call. The reliability of the power supply to northern communities is also a concern, as it could result in more downtime than SCT experiences with its current towers in more populated areas.

APPENDIX IX – FINANCE (CONTINUED)
ADDITIONAL INFORMATION

Forecasted Financial Information

Revenues are expected to increase by 13% per year, which includes indexation to inflation. In 2025, SCT signed a contract with a large client representing \$1.2 million of additional recurring revenue.

It is estimated that 40% of direct costs are variable. All other expenses are fixed. Fixed direct costs, salaries and wages, and selling, general, and administration expenses are expected to increase by 3% annually in subsequent years.

No capital expenditures are planned for the next two years. In 2027, SCT expects to perform major upgrades to some towers, amounting to \$1.5 million. Expenditures for these upgrades are expected to be realized evenly throughout the year.

SCT expects lease obligation payments to increase by 3% annually.

The debt and interest will continue to be paid over the next five years.

SCT's finance department will try to match payables and receivables so the impact on cash flows is minimal going forward.

APPENDIX IX – FINANCE (CONTINUED)
ADDITIONAL INFORMATION

Financing Opportunities

Paul has identified some potential sources of funding, allowing SCT to raise \$1.3 million in early 2026:

1. Equity: LMC Holdings Ltd. (LMC), a private equity firm, wants to increase its exposure to the telecommunications industry and would like to acquire a 20% equity share in SCT in exchange for \$1.3 million. LMC would require one seat and one vote on SCT's board, and would provide SCT with complimentary advisory services in operational efficiency.
2. Debt: OuiLend Bank (OuiLend) specializes in lending to businesses in their growth phase. OuiLend is willing to lend \$1.3 million of senior, secured debt to SCT at a floating rate equal to prime plus 1%. Repayments will begin in 2027.

The enterprise value (EV) of SCT was determined to be \$8 million at the most recent round of equity financing. Paul estimates that SCT will have added \$6 million in EV by next year.

Paul would like to maintain control of the business but understands this may not be possible. Even if Paul's ownership stake goes below 50%, he is confident he will maintain control because 29% of the current outstanding common shares are owned by an investor group consisting of his friends and family, who have historically let him make decisions.

SCT's board currently has three members who split four votes. Paul has two votes. One member represents the friends-and-family group and one member represents LSI, and each has one vote.

Starting in 2025, SCT's other debt agreements require it to maintain an interest coverage ratio of at least 1:1, since it has already had a ratio lower than this in the past. The interest coverage ratio is calculated as adjusted EBITDA from the most recent year end, divided by projected interest expense on debt instruments for the upcoming year.

Adjusted EBITDA is expected to be \$1.6 million in 2025.

APPENDIX IX – FINANCE (CONTINUED)
ADDITIONAL INFORMATION

Industry Benchmarking

Benchmarks for the industry are summarized in the following table for the most recent fiscal year end:

Ratio	Industry Average
Tenancy ratio	2.40
Growth rate	8.15%
Adjusted return on assets	7.70%
Interest coverage	2.44
Accounts receivable turnover days	36 days
Accounts payable turnover days	78 days

Growth rate is calculated as current-year occupied spaces less prior-year occupied spaces, divided by prior-year occupied spaces.

SCT had 60 occupied spaces on its towers in 2023 and 100 occupied spaces in 2024. Tenancy ratio is calculated as occupied spaces divided by owned towers.

Adjusted return on assets is equal to adjusted EBITDA divided by PP&E and right-of-use leased assets. Adjusted EBITDA is defined as EBITDA after deduction of interest on leases.

Paul mentioned he has not actively solicited new customers in recent years, as growth has been organic through existing customers or word of mouth. He knows of competitors who lost customers as a result of overly rapid growth.

APPENDIX IX – FINANCE (CONTINUED)
ADDITIONAL INFORMATION

Industry Benchmarking (continued)

SCT has signed a large contract in 2025. A large carrier in Canada is looking to expand coverage and has signed a memorandum of understanding to lease space on 20 of SCT's towers. Consistent with industry practices, SCT provides favourable rates on contracts that include multiple towers.

***PERFORMANCE MANAGEMENT ROLE
ADDITIONAL INFORMATION***

**APPENDIX IX – PERFORMANCE MANAGEMENT
ADDITIONAL INFORMATION**

Conversation with Aditi

“Due to SCT’s rapid growth, many employees have multiple functions. For example, I am director of finance and operations, so my work should in theory be split evenly between the two. In truth, I spend about 25% of it on operational activities, such as site selection and project development. My finance duties include managing HR disputes and participating in sales calls with carriers.

“A third of Paul’s time is spent on project development, a third on sales, and the rest on administration. We are both busy and often don’t have time to attend board meetings. I’d like to volunteer at the university more, especially to try to attract more women to the industry. Despite efforts to recruit female technicians, all our technicians are male.

“Technicians’ salaries are considered direct costs, since they directly increase with the number of towers. The technicians’ supervisor (Alexandra) performs half her managerial duties in the field and half from the office.

“The sales manager is responsible for negotiating contracts with carriers, as well as for managing rooftop leases. These tasks require one-third of their time. Next year, I expect you, my associate, to manage leases. In the meantime, please allocate your own salary based on the tasks I have currently assigned to you, since these are representative of the tasks you generally perform in your job.

“The accounts payable clerk is responsible for bookkeeping, filing payroll, and maintaining our internal documents, such as our code of conduct and other policies. The clerk also manages the reporting hotline, where anyone can raise concerns about actual or potential non-compliance. The comments made on the hotline are directed to Paul’s office. A strong culture is important in this industry because of pressure to offer inducements to secure contracts, permits, and access to sites. Therefore, our code of conduct states that we have a zero-tolerance policy for any form of gifts to clients.”

APPENDIX IX – PERFORMANCE MANAGEMENT (CONTINUED)
ADDITIONAL INFORMATION

Conversation with Aditi (continued)

Aditi also provided the following salary information:

Paul	\$ 120,000
Aditi	\$ 108,000
Associate director (you, CPA)	\$ 75,000
Sales manager	\$ 72,000
Accounts payable clerk	\$ 45,665

Additional Company Information

SCT expects to build 10 more towers in 2025 and has already signed agreements with five building owners for suitable sites. The construction cost of each tower is expected to be \$150,000. SCT also expects to add additional carriers to its towers, which will increase the tenancy ratio for all towers from the current 1.25 carriers per tower, to a ratio of 1.40 carriers per tower.

Paul expects SCT's selling, general, and administration expenses, as well as salaries and wages, to remain at the same proportion of revenue as in 2024.

SCT's near-term objectives are to become financially stable, obtain financing to enable growth, and become publicly listed within three to five years. If the company goes public, SCT wishes to keep the same number of directors, and notes that the Toronto Stock Exchange requires that a majority of a board's directors be independent.

SCT is focused on growing by adding carriers to existing towers, rather than growing via acquisitions. In the short term, SCT wishes to maintain compliance with regulatory bodies and uphold a strong health and safety record.

SCT's board is composed of seven directors, including one representative from LSI, as stipulated in LSI's share purchase agreement.

APPENDIX IX – PERFORMANCE MANAGEMENT (CONTINUED)
ADDITIONAL INFORMATION

Tower Site Selection

New towers are often built in areas with high population density. As a result, they often “overlap” in crowded areas, providing additional capacity for carriers to handle calls. Towers are also built in locations where calls are frequently dropped, or existing cellular service is inadequate. SCT’s strategy when selecting locations for new towers is to pick up-and-coming locations with few existing towers and high potential for growth.

Once a location for a new site is selected, SCT’s sales manager contacts specific building owners to negotiate a leasing agreement. Rooftop towers should be placed on buildings that are at least 15 metres tall and must meet additional municipality zoning and permitting requirements, which can affect tower design and construction time.

APPENDIX IX – PERFORMANCE MANAGEMENT (CONTINUED)
ADDITIONAL INFORMATION

New Site Locations

Mountain Heights:

Mountain Heights is a developing residential area with low population density, but zoning has just been approved for the construction of large residential buildings. Mountains to the north, tall trees, and relatively few existing cell towers mean that current cell coverage is inadequate. There are several buildings over 15 metres in height in the area, with more expected to be built. Weather in the region is typically rainy or foggy outside of summer months. The municipality is known for having a limited supply of skilled labour and a strict regulatory process.

South Flats:

South Flats is a wide industrial area on the edge of the city, near a well-known business park. Since there are few existing cell towers in the area, business owners want greater cell coverage and have lobbied the municipality for a streamlined approval process for new towers. There are few buildings over 15 metres in the area. Weather is typically clear, and while rain events are rare, they are often accompanied by thunderstorms. Skilled labour is relatively easy to find in close proximity.

APPENDIX IX – PERFORMANCE MANAGEMENT (CONTINUED)
ADDITIONAL INFORMATION

Northgate Mall Solar Project

SCT recently installed solar panels on the rooftop of Northgate Mall, where it also operates a tower. SCT expected the panels would offset the tower's energy costs.

It is difficult to match the tower's demand for power with the intermittent nature of solar energy, so the tower is run using electricity purchased from the utility provider, BC Utility Corp. In turn, SCT sells the power generated by the solar panels to BC Utility Corp. for the same price per kilowatt-hour (kWh) SCT purchases it for, less commissions to the utility provider (7%) and the building owners (10%).

Aditi would like you to review the data for August 2024, which was foggier and cloudier than usual. The following highlights relevant data for August:

- SCT expected the solar panels to produce 15,000 kWh, but they only produced 13,800 kWh.
- SCT budgeted for a price of \$0.25 per kWh, but the actual price was \$0.17 per kWh, since the utility provider adjusts prices in real-time based on demand. Prices mentioned above are before commissions.
- SCT expected the Northgate Mall tower to consume 12,450 kWh of electricity, but it consumed 13,695 kWh.
- Rather than breaking even, SCT experienced a net loss of \$380.97 related to electricity costs at this location.

APPENDIX IX – PERFORMANCE MANAGEMENT (CONTINUED)
ADDITIONAL INFORMATION

United Nations (UN) Sustainable Development Goals

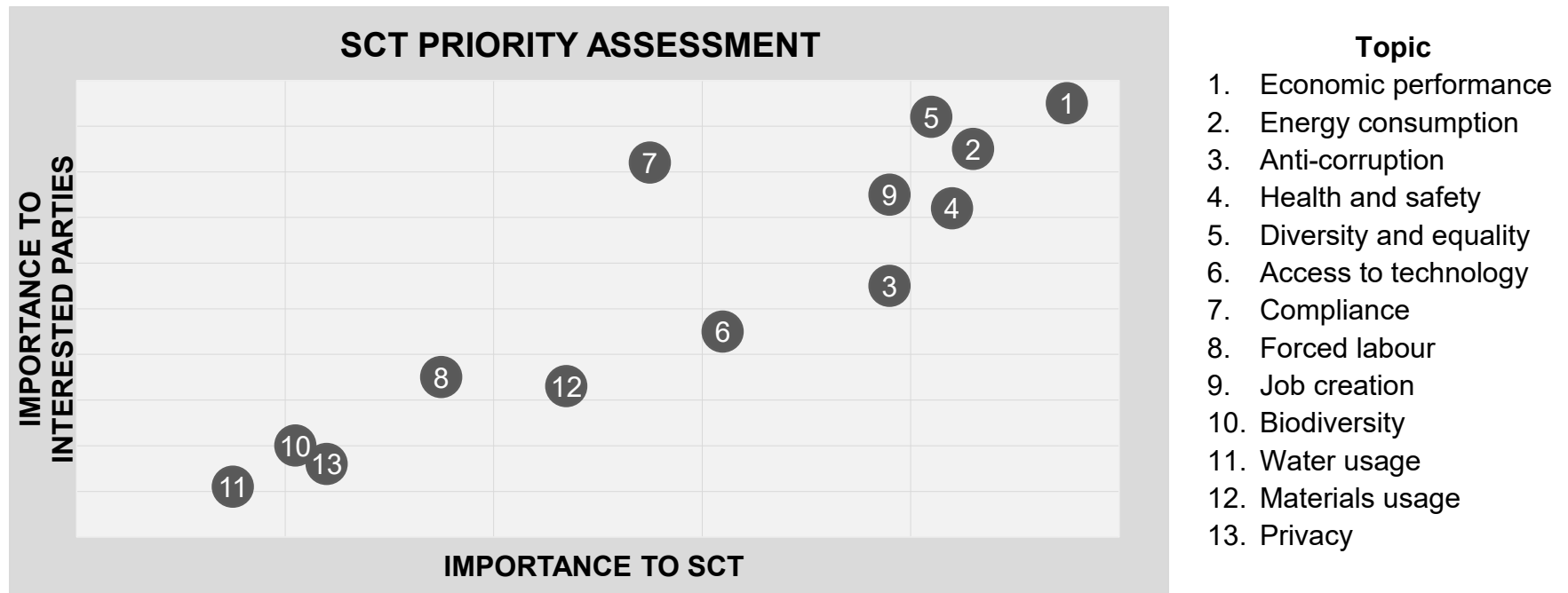
The 17 UN Sustainable Development Goals, listed below, are a global call to action to address urgent social, economic, and environmental challenges. Many organizations have committed to meeting these goals, including SCT and several of its competitors.



**APPENDIX IX – PERFORMANCE MANAGEMENT (CONTINUED)
ADDITIONAL INFORMATION**

Priority Assessment

SCT recently completed an assessment to identify the environmental, social, and governance topics most important to the organization and interested parties. It involved an analysis of peer sustainability reports and a survey of internal and external groups and SCT shareholders. The results are shown below.



APPENDIX IX – PERFORMANCE MANAGEMENT (CONTINUED)
ADDITIONAL INFORMATION

5G Small Cells

SCT is considering installing mini 5G towers (called “small cells”) to boost carrier networks in high-traffic areas. Since these small cells are roughly the size of a pizza box, they can be placed on lampposts or the sides of buildings. They have a range of 100 metres and are often used to boost the signal in hotspots such as stadiums or downtown cores.

Research indicates SCT could secure contracts with carriers for 120 small cells if the monthly rate was \$1,000 per small cell. Demand would decrease by 30% for every \$150 added to the monthly rate.

SCT would pay a 10% royalty to the building or site owners. Electricity costs for each small cell are estimated at \$105 per month, while variable general and administration costs would be \$5,000 per year for each contract. Annual fixed costs required to maintain the 5G network, including permits, regulatory fees, and other administrative overhead, are estimated at \$107,000. The cost of the mini 5G towers themselves is paid for by the customer.

Insurance coverage to protect from theft and damage costs \$65,000 per year, which covers up to 60 small cells. Additional coverage can be purchased in increments of \$30,000, covering up to 50 small cells each.

Monthly maintenance of each small cell requires two hours of a technician’s time. Since SCT’s existing technicians are fully booked, it must fill additional hours by hiring new full-time technicians. Related materials are expected to cost \$1,600 per year, per small cell.

APPENDIX IX – PERFORMANCE MANAGEMENT (CONTINUED)
ADDITIONAL INFORMATION

Current Board Membership

Member	Information
Paul Kim, chair	Prior to founding SCT, Paul worked at Telcan, a major Canadian carrier, where he advised on tower site selection and other infrastructure projects.
Janice Wong (friend of Paul)	Janice has a degree in business law and extensive board experience in public and private companies. She currently provides legal counsel to SCT.
Nancy Kim (Paul's mother)	Nancy has 30 years' experience in the telecommunications industry. She filled various senior roles before becoming the first female CEO of Telcan.
Trent Ressler (LSI)	Trent is a partner at LSI and has an MBA from Harvard.
Jo Wesser (family friend)	Jo currently works as a high school teacher. She owns 5% of SCT shares.
Brad Mullen (Paul's mentor)	An experienced entrepreneur, Brad encouraged Paul to start SCT. He recently expressed a desire to step down from the board.
Aditi Johal	Before joining SCT, she played a key role in the successful IPO of another tower company.

APPENDIX IX – PERFORMANCE MANAGEMENT (CONTINUED)
ADDITIONAL INFORMATION

List of Potential Nominees

Name	Information
Eugene Melo	Eugene has a bachelor's degree in health and safety. He previously worked in the anti-corruption branch of the governing body for telecommunications.
Ramsey Reinhart	Ramsey is a consultant at an energy consulting firm. He oversees the deployment of renewable-energy projects across a variety of sectors.
Kriss Cuthbert	Kriss is SCT's audit partner. She has provided auditing and assurance services to corporations across sectors, including telecommunications.
Sainesh Nil	Sainesh was the director of organic growth for Halos Towers. He was responsible for expanding Halos' coverage across North America.
Sally Rashford	Sally has over 30 years' experience in human resources, including talent recruitment and incentive design.
David Wassong	David was previously a director of mergers and acquisitions for a cell tower company, and is currently partner of an investment management firm.
Manjit Dhillon	Manjit is director of sales at an investment bank. He has arranged several large capital raisings in the telecommunications industry.
Flora Nguyen	Flora is a director at an energy infrastructure firm. She oversees technology upgrades and energy improvements at various businesses.

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***TAXATION ROLE
ADDITIONAL INFORMATION***

**APPENDIX IX – TAXATION
ADDITIONAL INFORMATION**

2024 Activity

The following were included in selling, general, and administration expenses:

- \$7,000 for meals Paul had with prospective customers
- \$2,000 for a holiday party for all staff members
- \$1,000 for a summer BBQ for all technicians

During the year, SCT made the following PP&E additions:

- \$3,107,000 of towers and telecommunications equipment
- \$50,000 of leasehold improvements
- \$25,732 of computer equipment, purchased in January 2024

SCT made cash payments of \$400,925 on its lease liabilities during the year.

The following are excerpts from the draft 2023 income tax return:

Class	Closing UCC (\$)
8	1,500,000
10	200,000
13	400,000
50	20,000

CCA determined for Class 13 in 2023 was \$20,000, and all leases are for 10 years. Telecommunications equipment is a Class 8 asset.

APPENDIX IX – TAXATION (CONTINUED)
ADDITIONAL INFORMATION

Kelowna Project

SCT has identified a parcel of land in Kelowna, BC, on which it would install a new cell tower, as well as a small service building.

Proposed construction project plan

Milestone	Target Date
Purchase land	July 1, 2025
Perform pre-construction activities	July – September 2025
Begin construction on cell tower and building	October 1, 2025
Cell tower becomes operational and revenue-generating	December 1, 2026
Service building becomes operational	January 31, 2027
Service building completion	February 28, 2027
Final tower construction activity completion	March 31, 2027

Project costs

Item	Timing	Estimated Cost (\$)
Purchase price of land	Pre-construction	500,000
Property tax	Ongoing (annual cost)	25,000
Interest expense (on land)	Ongoing (annual cost)	80,000
Construction permits & licences	Pre-construction	2,000
Site investigation	Pre-construction	4,000
Utilities connections	Construction	3,000
Construction of cell tower	Construction	150,000
Construction of service building	Construction	75,000
Landscaping	After service building becomes operational	1,000

The parcel of land is close to the grounds of a summer concert festival. SCT intends to make the land available as a parking lot for the festival during the pre-construction period, and estimates it will earn revenue of \$10,000 and incur related costs of \$1,000.

APPENDIX IX – TAXATION (CONTINUED)
ADDITIONAL INFORMATION

Company-Owned Vehicles

	Sport Utility Vehicle (SUV)	Pickup Truck
Driver	Supervisor	Technician
Seating	6 seats	3 seats
Cost	\$60,000 + GST	\$45,000 + GST
Expected personal kilometres driven	40,000 km	10,000 km
Expected business kilometres driven	25,000 km	40,000 km

Both vehicles were purchased in Alberta, and will be used solely in that province. Alberta does not have a provincial sales tax, so only GST applies.

The technician will be expected to reimburse SCT \$500 for operating expenses, paid by the following January 31st of each year.

Late Returns

SCT has been in a loss position each year and has never filed an income tax return. In addition, SCT files GST/HST monthly but has not made payments or filed a GST/HST return for October and November 2024. It has filed all other returns on time.

Lowe & Sheffield have reviewed the transaction history and determined the following regarding GST/HST for the unfiled periods:

Item	October 2024 (\$)	November 2024 (\$)
GST/HST collected	7,192	6,061
Input tax credits	4,320	9,847
Net GST/HST payable (refundable)	2,872	(3,786)

APPENDIX IX – TAXATION (CONTINUED)
ADDITIONAL INFORMATION

From: Paul Kim
To: Mary Sheffield
Re: Tax matters

Hi Mary,

Further to our meeting last week, I have provided the additional information you requested.

My sister Jennifer and her husband, Vince, live in Calgary. My sister Laura has lived in the United Kingdom for the last ten years.

During 2023, my father passed away and left a significant inheritance to all members of our family. In 2024, Jennifer was kind enough to invest some of her portion in SCT. Likewise, I invested in her new business venture, Thompson Events Ltd. (TEL).

My wife, Tiffany, has returned to university, and began a four-year degree this month. For the next few years, she will not work so she can focus on her studies. Therefore, she will attend university full-time for 36 weeks each year.

Our kids are turning 5, 10, 16, and 25 this year, and we expect to spend \$20,000 on childcare expenses. A few years ago, our oldest, Joanna, started a winery business, Kim Wine Corporation (KWC), with Vince.

I've attached details of SCT's share structure, as well as details of some of my family members' business ventures.

Thanks,

Paul

APPENDIX IX – TAXATION (CONTINUED)
ADDITIONAL INFORMATION

Share Capital of SCT as at December 31, 2024

Shareholder	Relation to Paul	Class	Number of Shares	Book Value (\$)
Paul Kim	N/A	A common	180	180
Paul Kim	N/A	B common	30	649,785
Paul Kim	N/A	C common	10	55,000
Jennifer Thompson	Sister	A common	20	20
Jennifer Thompson	Sister	C common	90	495,000
Vince Thompson	Brother-in-law	A common	5	5
Laura Kim	Sister	A common	5	5
Richard Kim	Son	A common	5	5
Lions Share Investments	N/A	D preferred	85	700,000
Total			430	1,900,000

The Class A, Class B, and Class C common shares all have voting rights, with each share entitled to one vote.

The Class D preferred shares are non-voting.

Ownership of TEL

Founded by Jennifer in 2023, TEL provides event planning services for weddings, bridal showers, and graduations.

To help TEL get off the ground, Paul invested in the business using some of his inheritance, and owns 30% of the common shares of TEL. Jennifer and Vince each own 35%.

Ownership of KWC

Founded in 2020, KWC operates a small vineyard and winery.

Vince and Joanna each own 50% of the common shares. In each year, KWC has had taxable capital employed in Canada of over \$20 million.

End of Examination

**CPA COMMON FINAL EXAMINATION
REFERENCE SCHEDULE**

Present Value of Tax Shield for Amortizable Assets

Present value of total tax shield from CCA for a new asset acquired on or after January 1, 2024, and before January 1, 2028, other than those eligible for immediate expensing, which would normally be subject to the half-year rule.

$$= \frac{CdT}{(d+k)}$$

Present value of total tax shield from CCA for a new asset acquired after November 20, 2018, and before January 1, 2024, or, under proposed legislation, on or after January 1, 2025, and before January 1, 2030, other than those eligible for immediate expensing.

$$= \frac{CdT}{(d+k)} \left(\frac{1+1.5k}{1+k} \right)$$

Notation for above formula:

C = net initial investment

T = corporate tax rate

k = discount rate or time value of money

d = maximum rate of capital cost allowance

Selected Prescribed Automobile Amounts

Item	2024	2025
Maximum depreciable cost — Class 10.1	\$37,000 + sales tax	\$38,000 + sales tax
Maximum depreciable cost — Class 54	\$61,000 + sales tax	\$61,000 + sales tax
Maximum monthly deductible lease cost	\$1,050 + sales tax	\$1,100 + sales tax
Maximum monthly deductible interest cost	\$350	\$350
Operating cost benefit — employee	33¢ per km of personal use	34¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	70¢ per km	72¢ per km
— balance	64¢ per km	66¢ per km

Individual Federal Income Tax Rates

For 2024:

If taxable income is between	Tax on base amount	Tax on excess
\$0 and \$55,867	\$0	15%
\$55,868 and \$111,733	\$8,380	20.5%
\$111,734 and \$173,205	\$19,833	26%
\$173,206 and \$246,752	\$35,815	29%
\$246,753 and any amount	\$57,144	33%

For 2025:

If taxable income is between	Tax on base amount	Tax on excess
\$0 and \$57,375	\$0	15%
\$57,376 and \$114,750	\$8,606	20.5%
\$114,751 and \$177,882	\$20,368	26%
\$177,883 and \$253,414	\$36,782	29%
\$253,415 and any amount	\$58,687	33%

Selected indexed amounts for purposes of computing income tax

Personal tax credits are a maximum of 15% of the following amounts:

Item	2024	2025
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is greater than or equal to the amount at which the 33% tax bracket begins	\$14,156	\$14,538
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins	15,705	16,129
Age amount if 65 or over in the year	8,790	9,028
Net income threshold for age amount	44,325	45,522
Canada employment amount	1,433	1,471
Disability amount	9,872	10,138
Canada caregiver amount for children under age 18, and addition to spouse, common-law partner, or eligible dependant amount with respect to the Canada caregiver amount	2,616	2,687
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	8,375	8,601
Net income threshold for Canada caregiver amount	19,666	20,197
Adoption expense credit limit	19,066	19,580

Other indexed amounts are as follows:

Item	2024	2025
Medical expense tax credit — 3% of net income ceiling	\$2,759	\$2,834
Old age security repayment threshold	90,997	93,454
Annual TFSA dollar limit	7,000	7,000
RRSP dollar limit	31,560	32,490
Lifetime capital gains exemption		1,250,000
Lifetime capital gains exemption for dispositions before June 25	1,016,836	
Lifetime capital gains exemption for dispositions after June 24	1,250,000	

Prescribed interest rates (base rates)

Year	Jan. 1 – Mar. 31	Apr. 1 – June 30	July 1 – Sep. 30	Oct. 1 – Dec. 31
2025	4	4	3	
2024	6	6	5	5
2023	4	5	5	5

This is the rate used for taxable benefits for employees and shareholders from interest-free and low-interest loans. The rate is 4 percentage points higher for overdue income taxes payments and unremitted withholdings. The rate is 2 percentage points higher for tax refunds to taxpayers, with the exception of corporations, for which the base rate is used.

Maximum capital cost allowance rates for selected classes

Class	Rate	Additional information
Class 1	4%	For all buildings except those below
Class 1	6%	For buildings acquired for first use after March 18, 2007, and \geq 90% of the square footage is used for non-residential activities
Class 1	10%	For buildings acquired for first use after March 18, 2007, and \geq 90% of the square footage is used for manufacturing and processing activities
Class 8	20%	
Class 10	30%	
Class 10.1	30%	
Class 12	100%	
Class 13	N/A	Straight line over original lease period plus one renewal period (minimum 5 years and maximum 40 years)
Class 14	N/A	Straight line over length of life of property
Class 14.1	5%	For property acquired after December 31, 2016
Class 17	8%	
Class 29	50%	Straight-line
Class 43	30%	
Class 44	25%	
Class 45	45%	
Class 50	55%	
Class 53	50%	
Class 54	30%	

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