

Capitalization Policy for BioBAT, Inc.

This document defines and outlines the criteria used for capitalizing various assets owned by BioBAT, Inc. (BioBAT)

I. Capital Expenditure – Definition

Capital Expenditure means the cost of placing any property, plant, or equipment in service. Such costs will include planning, shipping, and related installation expenses.

II. Statement of Policy

BioBAT will capitalize any asset that has a useful life of more than one year (in accordance with the Office of Management and Budget requirements), and a cost of \$1,000 or greater. In addition, BioBAT will capitalize all building development costs.

Currently, the assets capitalized by BioBAT are categorized as follows:

- Building;
- Furniture and Equipment; and
- Leasehold Improvements

II-A. Building

Capitalization Costs include, but are not limited to, the following:

- Original contract price;
- Commissions incurred in acquiring the property;
- Legal fees incurred in negotiating, preparing and reviewing the acquisition documents;
- Survey costs;
- Building development costs; and
- Other costs necessary to prepare the property for its intended use.

II-B. Furniture and Equipment

Capitalization costs for Furniture and Equipment include, but are not limited to, the following:

- Original contract or invoice cost;
- Freight, import duties, handling and storage costs;
- Specific in-transit insurance charges;
- Costs of preparing foundations and other costs connected to making a proper site for the asset;
- Installation charges; and
- Costs for reconditioning used equipment to make it usable for the purpose for which it was purchased.

II-C. Leasehold Improvements

Leasehold improvements are significant alterations, renovations, or structural changes that increase the usefulness of the asset, enhance its efficiency, or prolong its useful life by at least one year.

Document Revision History

Revision: 0

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