POLICY
Ageia Health Services requires written pre-approval of capital expenditures. Before a capital expenditure or repair commitment is made, the Executive Director must fill out the Capital/Repair Expenditure Request form and receive approval from the President.

DEFINITIONS
Capital Expenditure: An asset obtained by purchase, trade or capital lease with a useful life of more than three years, i.e. land, buildings, equipment, fixtures, furniture, software, etc. Improvements of additions to existing assets are also capital expenditures when they extend the useful life of an asset beyond its original life, or increase its value beyond that which it would have had with the addition or improvement when originally required.

Individual assets may be considered a capital expenditure if it is capitalized as part of a project. Assets of $500 or more are considered capital expenditures on their own.

A replacement is a capital expenditure to obtain a like asset if it is the same asset originally purchased or different but does not involve a significant increase in capacity, quality, life or cost, other than that attributable to inflation. If the replacement and original asset will both be in use, it is not a replacement.

An expansion is a capital expenditure for an asset that will not replace an existing asset but will improve an existing asset, thereby extending its useful life beyond that which the original asset had when it was acquired.

PROCEDURES
The following are examples of items that may be capitalized.

<table>
<thead>
<tr>
<th>Description of Capitalized Item</th>
<th>Definition of what can be capitalized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ground Improvements</td>
<td>Parking lots, dams and waterways, irrigation and drainage system, parking lot lighting (not light bulbs), fencing (all), landscaping, sidewalks and power supply.</td>
</tr>
<tr>
<td>Building</td>
<td>Community building, design and architectural fees and HVAC</td>
</tr>
</tbody>
</table>
Policies and Procedures  
Residential and Assisted Living Communities

Policy Title: Capitalization/Repairs Expenditure

Policy Number: AA 01.10.01  Effective Date: March 1, 2011

Approved By: Kevin Cox

Leasehold Improvements  
Cost incurred which materially add to the value of property and appreciably prolong the property’s useful life

Furniture & Fixtures  
All tables, chairs, decorative items and large indoor plants

Dishes/Glass & Flatware/Linen  
Any original purchases or complete new purchase of dishes, glassware, flatware and linen

Carpets/Draperies  
Any original purchase, or complete new purchase of carpets or drapes and wall coverings

Computer Equipment  
All computer equipment qualifying for capitalization

Computer Software  
Any software qualifying for capitalization which is purchased separately from computer hardware. Software purchased with hardware should be included with computer equipment

Equipment  
Any asset which qualifies for capitalization (Kitchen, Office and Property Maintenance)

Vehicles  
Any asset which qualifies for capitalization

The Capital/Repair Expenditure Request form is to be filled out every time and submitted to corporate for approval PRIOR to purchasing or ordering repairs; then signed form is to be attached to invoice and sent to corporate.

FORMS
Capital/Repair Expenditure Request

RETENTION GUIDELINES
Seven years