

## SOUTHERN TIER NETWORK, INC.

### Capitalization and Asset Life Policies

#### FIBER OPTIC CABLE PLANT

STN's fiber optic cable plant will consist of designated segments and laterals. These segments and laterals are arbitrarily designated based on locations within municipalities and proximity to customers. Each segment and lateral is labeled with a unique identifier.

All engineering and construction expenses assignable to a specific network segment or lateral shall be capitalized and allocated to the appropriate segments and laterals. These costs shall include:

- Design, engineering, make-ready, and construction management costs incurred after the acceptance of a sales proposal.
- Ride out costs by the utility companies.
- Ride out costs by the engineering contractor.
- Make-ready costs of utility companies.
- Make-ready costs of the engineering contractor.
- One time Right of way and easement costs.
- Construction management costs of the engineering contractor.
- Fiber Optic cable, messenger support strand and other materials required to construct aerial and/or underground fiber infrastructure.
- Construction contractor costs.

The following expenses which might be assignable to a specific segment or lateral will NOT be capitalized but will be expensed in the current year:

- All costs such as preliminary design, desktop surveys and field surveys that are required to prepare a sales proposal.
- All costs related to business planning, co-ordination between parties, and customer service issues.
- The costs to install the cable and equipment on the customers' premises.
- Recurring pole attachment fees and conduit fees.
- Preconstruction application fees related to the design and engineering of the network.

Any engineering, make ready, or other expense not directly attributable to specific segments or laterals shall be expensed in the current year.

The asset life of the fiber optic cable plant will be considered 25 years.

#### CO-LOCATION FACILITIES

All design, engineering, construction supervision, construction labor, and construction material assignable to a specific co-location facility shall be capitalized and allocated to the appropriate facility.

The asset life of the co-location facilities will be considered 25 years.

## NETWORK OPERATING EQUIPMENT

Network operating equipment such as network monitoring equipment shall be capitalized and allocated to one Network Operating Equipment account. The threshold cost for capitalizing such equipment shall be \$5,000.00. Any piece of network operating equipment costing less than \$5,000.00 shall be expensed in the current year.

The asset life of the network operating equipment will be considered 7 years.

## OFFICE COMPUTER EQUIPMENT

The cost threshold for capitalizing office computer equipment shall be \$5,000.00. Any piece of computer equipment such as computers, servers, monitors, and printers costing less than \$5,000.00 shall be expensed in the current year.

The asset life of office computer equipment costing over \$5,000.00 will be considered 3 years.

## OFFICE EQUIPMENT

The cost threshold for capitalizing office equipment shall be \$5,000.00. Any piece of office equipment, office furniture, and other electronic equipment such as copiers and facsimile machines costing less than \$5,000.00 shall be expensed in the current year.

The asset life of office equipment costing over \$5,000.00 will be considered 5 years.

## LEASED EQUIPMENT

Leased equipment will be leased on an operating lease basis (no ownership or retained value at the end of the lease) and the costs thereof expensed in the current month/year.

## FIXED ASSET DISPOSAL

Fixed Assets property that are being sold, or not being used, or are obsolete and/or beyond repair, will be reviewed by management and presented to the Finance Committee for approval to dispose.

Adopted: 12/7/2017

Reviewed and adopted 2/12/2019