



GREEN-ZIP TECHNOLOGY

Green-Zip® is the only process that turns ordinary drywall into an tax-savings benefit helping to maximize the ROI for investors in commercial real estate.

Created by W. Frank Little, a former Gensler & Associates architect, as a viable “green” alternative to discarding used gypsum wall partitions in landfills, Green Zip technology has emerged as an effective way to increase cash flow by reducing near-term tax liabilities. The Green-Zip process is patented in the United States¹ and Canada.

FINANCIAL BENEFITS

By using Green Zip technology, non-load bearing drywall partitions may be classified as tangible personal property and depreciated over five years as opposed to 27.5-years for residential rental property or 39-years for commercial buildings. For taxpaying investors in new development or renovation projects, Green Zip demountable drywall partition technology may enhance a project’s IRR.

As an example, investors in a \$55 million commercial building classified \$12.6 million of construction costs (23%) as five-year personal property. The NPV on the accelerated depreciation is an estimated \$3.48 million over the 39-year tax life of the property. Green Zip accounted for \$6.3 million in five-year property and \$1.29 million NPV. Typically, Green Zip adds about 40% to 50% of property that depreciates over five years.

ENVIRONMENTAL BENEFITS

Green Zip is UL fire rated and eligible for LEED credit. Green Zip may reduce landfill/greenhouse gas by 70% to 90%² — a benefit achieved without adding to a project’s budget. Green Zip provides a means to comply with local landfill diversion and green building requirements. LEED credit for Innovative Design may be awarded the installation of drywall partitions using the Green Zip patented technology. Green Zip has received new product awards from the Environmental Protection Agency (EPA) and the American Institute of Architects.

RETROFITTING BENEFITS

Demolition is reputed to be the most accident and litigation-laden construction task due to the use of sledge hammers and dangerous saws. Power saws also distribute fine metal stud dust into the air and ducts. Further, the loud noise restricts most demolition to after the close of business. Alternatively, Green Zip allows simple disassembly — a relatively quiet, clean and safe process any time of the day. Construction schedules adjust accordingly. Moreover, a case study³ by Turner Construction, an international construction services

¹ Green Zip Tape is the only self-adhesive tape licensed for use with the zip tape process protected by US Patents #7197853, #7451577B2, #8191331 and #8286401; three Canadian patents and other patents pending.

² “Green-Zip Tape Used as a Source Reduction Method to Reduce Greenhouse Gases and Increase Landfill Diversion in Commercial, Interior Partitions,” case study by Christopher Conner, LEED BD+C, AIA/COTE, S.T.A.R., December 2012

³ Turner Construction Company, Henry Villarreal, Operations Manager, San Antonio, Texas, 2013

company known for embracing emerging technologies, identified a potential savings of \$110.16 per linear foot every time a wall is relocated.

HOW IT WORKS

Using Green-Zip, drywall panels are installed in an ordinary manner. No special gyp panels, studs, screws or mud are necessary. No increase in material or labor costs. Green-Zip Tape™, a unique carbon-fiber joint tape with precisely engineered horizontal and vertical threads, replaces the paper tape on non-load bearing walls. As a result, these walls now may be demounted, reused and classified as five-year personal property. The IRS guidelines allow not only the classification of the demountable drywall partitions as five-year property but also the cost of the glass, doors, frames and other hardware, wall finishes and certain HVAC components related to the demountable drywalls.

ENDORSEMENTS

“We are so satisfied . . . that we subsequently engaged Green Zip to assist (in) the construction of two branch banks (and) our operations center.” – Mark D. Ross, COO, Bank of the Ozarks.

“It’s a simple solution that everyone should take advantage of . . . it saves time, money and lends itself to the green environment that is helping our industry do its part for sustainability.” – Stan Marek, Chairman, Marek Family of Companies, a leader in the drywall industry for over 75 years.

“. . . One rarely sees innovations in tried and true systems such as drywall. The Green-Zip Tape Partition system provides several innovations which make us proud to install the Green-Zip Tape Partition system.” – Mark Kinsella, President, Intertec Construction, Inc., Houston, Texas

“. . . as a multi-family and hospitality developer/owner . . . Green Zip is not only superior drywall tape from a mechanical side, (but) the financial benefits associated with accelerated depreciation are valuable to me as an owner, and could potentially add to the building’s value in the event of a sale.” – Brandon Huffman, President, Huffman Drywall, Little Rock, Arkansas

Architect, the magazine of the American Institute of Architects, awarded Green-Zip Tape its prestigious R+D Award in 2010.

Satisfied clients include Koch Industries, International Paper, City of Houston, and others.

SUBSTANTIATION AND VALIDATION OF THE TAX TREATMENT FOR DRYWALL PARTITIONS INSTALLED WITH THE GREEN ZIP PROCESS

In 2014, the Internal Revenue Service released a Private Letter Ruling (PLR)⁴ stating that “zip type partitions are tangible personal property for depreciation purposes.” The IRS PLR allows glass, doors, frames and other hardware, wall finishes, and specialties associated with non-load bearing walls to be classified as personal property to qualify for a shorter recovery period. The IRS ruling extends not only to the interiors of office buildings but also apartments, hotels, banks, hospitals, assisted living facilities, retail stores and more. While an IRS PLR applies to the facts and circumstances of the applicant (Whiteco

⁴ IRS PLR states that “zip tape partitions in the Owned Property and Leased Property are includible in asset class 57.0 of Rev Proc. 87-56 for purposes of section 168.”

Industries⁵), Akin Gump Strauss Hauer & Feld, LLP cites numerous court cases⁶ affirming the IRS ruling where business activities require that the partition “. . . may be moved.”

PricewaterhouseCoopers (PWC) noted in its February 2014 “Accounting Methods Spotlight” that “zip-type partitions. . . must be included in asset class 57.0 of Rev. Proc.87-56 under Section 168” and considered tangible personal property for depreciation purposes.⁷

In January 2016, RSM (formerly McGladrey) the fifth largest accounting firm in the United States, provided Ver-Sus Group with an opinion letter⁸ on the tax treatment of Green Zip technology. RSM, in its opinion, noted that “. . . (Green Zip) Patented technology may allow certain property installed in commercial or residential rental buildings to be classified as personal property subject to a shorter cost recovery period in certain circumstances. Without the use of this technology, that property would not be considered personal property. Therefore, the property would be depreciable over a substantially longer period of time.”

LICENSE FEE

A license is required to install drywall partitions with the patented Green Zip technology. The license fee includes all the Green-Zip Tape™ needed to complete installation of partitions on non-load bearing walls and, once the building is in service, a cost segregation analysis and final report. An investment in Green Zip typically yields a 3x to 5x ROI.

ABOUT VER-SUS GROUP

Founded in 2011 to market the environmental and financial benefits of Green Zip technology to investors in commercial buildings and residential rental property, Ver-Sus Group has offices in Dallas, Texas and Little Rock, Arkansas.

“Ver-Sus” derives its name from “verdant” and “sustainable”— the environmental inspiration that led to the creation of Green Zip.

For more information, visit our website: www.ver-susgroup.com or contact:



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⁵ Whiteco Industries, Inc. v. Commissioner (65 TC 664 (1975))

⁶ *Bloomberg BNA Daily Tax Report*, May 15, 2014

⁷ Pricewaterhousecoopers’ Accounting Methods Spotlight, Issue 2, February 2014

⁸ Jeff Seidel, Partner, RSM, “Patented Green Zip Technology/proper classification of non-load bearing partitions”, Letter to Tim Sambrano, Ver-Sus Group, January 9, 2016