CryoGenX4® as a Capital Expense

Capital Expenditure – Expenditure made for an asset with a useful life of more than one year that increases the value of or extends the useful life of the asset. Capital expenditures either create cost basis or add to a pre-existing cost basis and cannot be deducted in the year the taxpayer pays or incurs the expenditure.

Since CryoGenX4® is designed to restore the system to "at or near" its original design efficiency, the following statement from Internal Revenue Code Treasury Regulations Guidelines to help distinguish expenses (e.g., operational expenses) from capital expenses fits the benefits of the technology:

Capital expenses are *"Improvements that prolong the life of the asset, restore asset to a "like-new" condition, or add value to the asset."*

Facts about CryoGenX4®:

1. CryoGenX4® improves the value of an asset substantially more than the cost of the product. The value of CryoGenX4® can be measured in equipment life extension, reduction of maintenance and reduced cost to operate once installed.
2. CryoGenX4® extends the useful life of a fixed asset. It has been shown to extend the useful life of a system up to 20%.
3. CryoGenX4® has a useful life of over one (1) year. The technology will continue to work as designed for the remaining life of the HVAC system. In a portfolio rollout, the average remaining life of the equipment in use is over 5 (5) years.
4. CryoGenX4® is classified as a part of a fixed asset. Its function is similar to replacing a functional part like a compressor or coil system or adding performance parts for upgrades.
5. CryoGenX4® is a permanent improvement to overcome documented capacity and efficiency loss in HVAC/R.
6. CryoGenX4® is a tangible product that becomes a permanent part of an HVAC system and cannot be removed. It will not wear out under normal operating conditions.
7. CryoGenX4® is not a service, nor does it require additional service attention once installed.
8. CryoGenX4® is not a repair. It should not be used in broken systems or to repair any unexpected, unwarranted, or non-functional condition. It is an improvement to expected operating design efficiency.