

FINDEX COM INC
Form 8-K
July 29, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Current Report on Form 8-K (Date of earliest event reported): July 23, 2014

FINDEX.COM, INC.

(Exact name of registrant as specified in its charter)

Nevada	000-29963	88-0379462
(State or other	(Commission	(IRS
jurisdiction of	File	Employer
incorporation)	Number)	Identification
		No.)

1313 South Killian Drive
Lake Park, FL 33403

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (561) 328-6488

18151 Lafayette Avenue
Elkhorn, Nebraska 68022
(402) 333-1900

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Current Report on Form 8-K (this “Current Report on Form 8-K”) contains forward-looking statements. The forward-looking statements are contained principally in the sections entitled “Description of Business,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “anticipates,” “believes,” “seeks,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects” and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. These risks and uncertainties include, but are not limited to, the factors described in the section captioned “Risk Factors” below. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Such statements may include, but are not limited to, information related to: anticipated operating results; relationships with our customers; consumer demand; financial resources and condition; changes in revenues; cost of sales; selling, general and administrative expenses; interest expense; legal proceedings and claims.

Also, forward-looking statements represent our estimates and assumptions only as of the date of this Current Report on Form 8-K. You should read this Current Report on Form 8-K, and the documents that we reference and filed as exhibits to this Current Report on Form 8-K, completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in any forward-looking statements, even if new information becomes available in the future.

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

Agreement and Plan of Merger

On July 23, 2014, we, Findex.com, Inc. (the “Company”), entered into an agreement and plan of merger (the “Merger Agreement”), with each of EcoSmart Acquisition Corp., a Delaware corporation and a wholly-owned special-purpose acquisition subsidiary of ours (“Merger-Sub”), EcoSmart Surface & Coating Technologies, Inc., a Florida Corporation (“EcoSmart”), and The Renewable Corporation, a Washington corporation and the majority-controlling stockholder of EcoSmart (“TRC”), pursuant to which Merger-Sub acquired all of the outstanding capital stock of EcoSmart in exchange for 111,193 shares of our Series MX convertible preferred stock, par value \$0.001 per share (the “Series MX Convertible Preferred Stock”), which shares of Series MX Convertible Preferred Stock will automatically convert, on a combined basis, into a total of 277,981,807 shares of our common stock, par value \$0.001 (our “Common Stock”) upon the effectiveness of any amendment to our articles of incorporation increasing the number of authorized shares of our Common Stock to 900,000,000 or more (currently fixed at 120,000,000). On July 23, 2014, we completed the filings of the corresponding certificate of merger in each of the States of Delaware and Florida, thereby consummating a statutory merger (the “Merger”). In effect, the Merger involved our issuing new shares amounting to 70% of our Common Stock in order to acquire the business of EcoSmart.

As a result of the Merger, in addition to our pre-Merger FormTool consumer software business, we are now the holding company of EcoSmart, which is an operating business centered around the development of a proprietary line of state-of-the-art specialty materials coatings that have a broad range of value-adding industrial, commercial, and residential applications.

The Merger Agreement contains certain detailed information regarding the terms of the Merger, which, in general, govern the contractual rights and relationships, and allocate certain risks, between and among the parties in relation to

the Merger. The Merger Agreement additionally sets out the legal effects and procedural mechanics surrounding the conversion and exchange of the EcoSmart common stock and other securities into FIND securities, including how and when the EcoSmart securityholders will receive new certificates reflecting the FIND securities to which they became entitled as a result of the Merger.

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The Merger Agreement provides that, as of the consummation of the Merger (the “Closing”), which occurred on July 23, 2014 contemporaneously with the signing of the Merger Agreement, EcoSmart merged with and into Merger-Sub, a wholly-owned subsidiary of FIND recently formed under the laws of the State of Delaware for the specific purpose of effecting the Merger, and as a result, the entity that was EcoSmart prior to the Merger has now been merged out of existence while the business of EcoSmart has, as a result of the Merger, effectively become a wholly-owned subsidiary of FIND, albeit now held in the form of the recently-formed Delaware corporation.

Also as a result of the Merger:

our existing articles of incorporation and bylaws, and the certificate of incorporation and bylaws of Merger-Sub, remain unaffected by the Merger, but the certificate of incorporation and bylaws of Merger-Sub have become the certificate of incorporation and bylaws of EcoSmart, as our wholly-owned subsidiary;

in addition to the existing members of our board of directors, Steven Malone and John Kuehne, one new director, Donald Schoenfeld, has been added, and, collectively, these three individuals now also serve as the members of the board of directors of Merger-Sub;

Steven Malone, as both president and chief executive officer, remains our only incumbent officer of each of FIND and Merger-Sub, though he now serves pursuant to an employment agreement;

the liabilities and obligations of EcoSmart became the liabilities and obligations of Merger-Sub;

each share of issued and outstanding FIND common stock and other securities issued and outstanding immediately prior to the Closing remain unaffected; and

all of the issued and outstanding shares of common stock of EcoSmart were converted into a number of shares of FIND common stock such that all EcoSmart securityholders immediately prior to the Merger owned, in the aggregate immediately following the Merger, approximately 70% of our Common Stock on a fully-diluted basis, and all other issued and outstanding securities of EcoSmart convertible into or exchangeable for shares of EcoSmart common stock prior to the Merger, including any debentures, purchase warrants and stock options, were converted into equivalent securities of FIND convertible into shares of FIND common stock on a pro-rata basis.

The Merger Agreement contains certain representations and warranties of FIND and Merger-Sub, on the one hand, and TRC, on the other, most but not necessarily all of which are customarily found in similar agreements between comparable, similarly situated entities. These representations and warranties were negotiated between the parties with the principal purpose of setting forth their respective rights with respect to the representations and warranties they have made regarding their respective operational, financial, and other business characteristics, which in many cases are subject to material limitations and/or qualifications as specifically set forth in the corresponding provisions of the Merger Agreement.

Any right to pursue claims for breach of any of the representations, warranties, and/or other agreements arising under the Merger Agreement exist until July 23, 2015, which will be the one year anniversary of the consummation of the Merger. Any breaching party shall, jointly and severally, indemnify, defend and hold harmless the non-breaching party for and against all damages and liabilities or amounts that are incurred or paid in settlement of or in connection with any such qualifying claim or proceeding arising out of any such breach.

The foregoing description of the Merger Agreement is merely a brief summary of certain of the agreement’s key terms and is qualified in its entirety by reference to the specific provisions of the Merger Agreement itself which is filed as

Exhibit 2.1 to this Current Report on Form 8-K and incorporated by reference herein.

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Malone Employment Agreement

Contemporaneous with consummation of the Merger on July 23, 2014, and viewed by the parties as a related aspect thereof, FIND and Merger-Sub entered into an employment agreement with Steven Malone to serve as our president and chief executive officer. Since April 2010, when the last employment agreement between Mr. Malone and the Company expired, Mr. Malone, who has served in these positions for the past 14 years in total, has been doing so on an employment-at-will basis. Among other terms and provisions, the employment agreement entered into as of Closing of the Merger provides that Mr. Malone will be employed by FIND and Merger-Sub with specific executive-level responsibilities for a term of 3 years, unless the term is either extended or the agreement is terminated at some time prior to the duration of the term by either party, either for cause, without cause, due to disability or death, or voluntarily. During the term of the employment agreement, and in addition to certain benefits, expense coverage and severance compensation, Mr. Malone is entitled to a base annual salary of not less than \$150,000, as well as an annual cash bonus equal to 1% of FIND free cash flow, as such term is specifically defined therein.

The foregoing description of Mr. Malone's employment agreement is merely a brief summary of certain of its key terms and is qualified in its entirety by reference to the specific provisions of such agreement, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated by reference herein.

ITEM 1.02 TERMINATION OF A MATERIAL DEFINITIVE AGREEMENT

As disclosed in a current report on Form 8-K filed by us on January 29, 2014, we entered into a definitive Agreement and Plan of Merger on January 23, 2014 with Merger-Sub, TRC, and EcoSmart, as well as certain of our affiliated stockholders (the "Original Merger Agreement"). Pursuant to the Original Merger Agreement, we had agreed to enter into a series of transactions centered around a statutory merger, pursuant to which we would issue what would have amounted to approximately 70% of our Common Stock in exchange for all of the issued and outstanding capital stock of EcoSmart. The basic economic and other terms of the Original Merger Agreement were very similar to the Merger Agreement, but, among other differences, the Original Merger Agreement contemplated a period between its execution and its closing, something not contemplated by the Merger Agreement. For a variety of reasons centered around transactional mechanics for the most part, a restructuring of the Original Merger Agreement resulted in what became the Merger Agreement.

Pursuant to Section 6.10 of the Merger Agreement, the Original Merger Agreement was terminated as of July 23, 2014, effectively superseded by the Merger Agreement, and is of no further force or effect.

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

As disclosed above under Item 1.01, as of the Closing, and pursuant to the Merger Agreement, the shareholders of EcoSmart effectively exchanged all of their shares of EcoSmart common stock for 111,193 newly issued shares Series MX Convertible Preferred Stock which, upon issuance at Closing and as of the date hereof, represents 70% of our total issued and outstanding Common Stock on an as-converted, fully diluted basis.

As more fully described in Item 5.02 below, as of the Closing, we appointed one new member to our board of directors, which now consists of three members, each of whom are expected to serve until their death, incapacitation, resignation, removal, or until their successor has been duly elected by our stockholders and assumed such role.

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As disclosed elsewhere in this Current Report on Form 8-K, on July 23, 2014, the Company acquired the business of EcoSmart pursuant to the Merger Agreement. Item 2.01(f) of Form 8-K provides that if a registrant is a shell company, other than a business combination related shell company, as those terms are defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, (“Exchange Act”), immediately before a transaction such as the Merger, then, upon consummation of the transaction, such registrant must disclose the information that would be required if it were filing a general form for registration of securities on SEC Form 10 under the Exchange Act reflecting all classes of it’s securities subject to the reporting requirements of Section 13 of the Exchange Act.

Although we do not believe that we meet the definition of a shell company for purposes of the additional disclosure required by Item 2.01(f) of Form 8-K, because we recognize that the extent of our assets and operations, coupled with the relative extent of EcoSmart's assets and operations and the change in our overall strategic direction expected to result from the Merger, render the transaction one otherwise apparently contemplated by the mandate of Item 2.01(f) of Form 8-K, we have elected to voluntarily comply with the mandate of Item 2.01(f) of Form 8-K as if we did meet the definition of a shell company. In this regard, we are providing below the information that we would be required to disclose on Form 10 under the Exchange Act if we were to be filing such form. Please note that the information provided below relates to the combined enterprises of the Company and EcoSmart, after consummation of the Merger, except that information relating to periods prior to the date of the Merger relate to either FIND or EcoSmart, as applicable, depending on the particular context.

Information in response to this Item 2.01 below is based generally on the format of Form 10.

BUSINESS

Our headquarters and operations are based in Lake Park, Florida. Our business is comprised of two distinct operating divisions. One of these divisions, EcoSmart, which we acquired as a result of the Merger, centers around the development of a proprietary line of specialty materials coatings that have a broad range of value-adding industrial, commercial, and residential applications. The other division, FormTool, which we acquired in February 2008, is focused upon the production, marketing and distribution of a line of consumer software products that offer quality, professionally designed forms for business, accounting, construction, sales, real estate, human resources and personal organization needs.

History and Background

Prior to the Merger, and since 1999, our business had been developing, publishing, marketing, distributing and direct-selling off-the-shelf consumer and organizational software products for the Windows platform. Following divestitures of two software titles which had consistently accounted for the overwhelming majority of our revenues while owned by us, including our Membership Plus product line, which we sold in late 2007, and our flagship QuickVerse product line, which we sold during 2011, and title acquisitions during the same period that, in the aggregate, have been relatively insignificant in offsetting the loss of revenues associated with those divestitures, our continuing operations, while not nominal, have been very limited and insubstantial in terms of revenue, both relative to what they had been prior thereto and by any appropriate standalone measure. Specifically, our operations immediately prior to the Merger consisted exclusively of those relating to the FormTool line of products which we acquired in February 2008, as well as two language tutorial products, which were retained after the sale of the QuickVerse product line. Due to a continuing lack of capital over a number of years, we were unable to meaningfully grow the FormTool line and develop related products, and our business and financial prospects became increasingly challenged.

As a result of the Merger, and although it is our current intention to continue to operate and further develop our FormTool product line and business, it is expected that our primary focus will shift going forward in the direction of the business of EcoSmart, where we believe the opportunities for our future growth are greater and have significantly more to offer economically.

Corporate Formation and Legacy

We were incorporated in the State of Nevada on November 7, 1997 as EJH Entertainment, Inc. On December 4, 1997, a predecessor corporation with the same name as our own but domiciled in Idaho was merged with and into us. Although the predecessor Idaho corporation was without material assets or operations as of the time of the merger, since being organized in 1968, it had historically been involved in mining and entertainment businesses unrelated to our current business.

Beginning in 1997, and although we were not then a reporting company under the Securities Exchange Act, our common stock was quoted on the OTC Bulletin Board (originally under the symbol "TIXX", which was later changed to "TIXXD"). On May 13, 1999, we changed our name to FINdex.com, Inc. On March 7, 2000, in an effort to satisfy a newly imposed NASD Rule eligibility requirement that companies quoted on the OTC Bulletin Board be fully reporting under the Securities Exchange Act (thereby requiring recently audited financial statements) and current in their filing obligations, we acquired, as part of a share exchange in which we issued 150,000 shares of our common stock, all of the outstanding capital stock of Reagan Holdings, Inc., a Delaware corporation. At the time of this transaction, Reagan Holdings was subject to the requirements of having to file reports pursuant to Section 13 of the Securities Exchange Act, had recently audited financial statements and was current in its reporting obligations. Having no operations, employees, revenues or other business plan at the time, however, it was a public shell company. As a result of this transaction, Reagan Holdings, Inc. became our wholly owned subsidiary and we became the successor issuer to Reagan Holdings for reporting purposes pursuant to Rule 12g-3 of the Securities Exchange Act. Shortly thereafter, we changed our stock symbol to "FIND". Though it does not currently have any operations, employees, or revenues, Reagan Holdings remains our wholly owned subsidiary.

In addition to Reagan Holdings, we also have one other wholly owned subsidiary, Findex.com, Inc. (i.e. the same name as our own), a Delaware corporation. Like Reagan Holdings, this entity, too, does not currently have any operations, employees, or revenues. This subsidiary resulted from an acquisition on April 30, 1999 pursuant to which we acquired all of the issued and outstanding capital stock of FINdex Acquisition Corp., a Delaware corporation, from its then stockholders in exchange for 4,700,000 shares of our common stock, which, immediately following the transaction, represented 55% of our total outstanding common stock. Our purpose for this acquisition was to broaden our then-existing stockholder base, an important factor in our effort to develop a strong market for our common stock. On May 12, 1999, in exchange for the issuance of 457,625 shares of FINdex Acquisition Corp. common stock, FINdex.com, Inc., another Delaware corporation (originally incorporated in December 1995 as FinSource, Ltd.), was merged with and into FINdex Acquisition Corp., with FINdex Acquisition Corp. remaining as the surviving entity. Our purpose for this merger was to acquire a proprietary financial information search engine for the Internet which was to serve as the cornerstone for a Web-based development-stage business, but which has since been abandoned. As part of the certificate of merger relating to this transaction, FINdex Acquisition Corp. changed its name to FINdex.com, Inc. We currently own 4,700,000 shares of FINdex.com, Inc. (the Delaware corporation), representing 100% of its total outstanding common stock.

EcoSmart

In its most recent corporate form, EcoSmart was organized in 2012. The patents and other intellectual property forming the foundation of the EcoSmart business were originally developed during a preceding period dating back to 2003 in which it was operated by the developers of the Company's technologies as Surface Modification Technologies, Inc. ("SMT"), a Florida corporation, and EcoSmart, LLC, a Florida limited liability company, which were sold together to TRC in 2012. On January 20, 2012, EcoSmart Coating Technologies, Inc., a Florida corporation, was organized as a wholly-owned subsidiary of TRC. Simultaneously, EcoSmart Surface Technologies, Inc., also a Florida corporation, was formed as a wholly-owned subsidiary of TRC. With common ownership by TRC, the assets of each of SMT and EcoSmart, LLC were thereafter transferred in part to EcoSmart Coating Technologies, Inc. with the

remainder to EcoSmart Surface Technologies, Inc. On September 18, 2012, EcoSmart Surface Technologies, Inc. changed its name to EcoSmart Surface & Coating Technologies, Inc. On October 19, 2012, EcoSmart Coating Technologies, Inc. was merged with and into EcoSmart Surface & Coating Technologies, Inc., leaving EcoSmart Surface & Coating Technologies, Inc. (“EcoSmart”) as the surviving corporation.

EcoSmart is divided into two basic product areas. One product area is currently centered around a line of specialty industrial glass-based “smart surface” coatings that have a wide range of uses across each of the industrial, commercial, and household market segments and that are centered around a U.S. patented technology that, either on its own or when coupled with any of an array of available proprietary formula additives, offers a unique combination of beneficial surface properties that allow for a broad array of multi-surface and end-product applications. The other product area involves a proprietary surfacing process – for which a U.S. patent is currently pending – to treat and cover existing floors, walls, counter-tops and table-tops, that offers property owners and occupants of all types a cost-effective means of enjoying a virtually limitless array of very lightweight, aesthetically desirable and high-demand decorative options, coupled with a variety of meaningfully beneficial surface-layer properties, without the necessity for having to remove and dispose of the floors, walls, counter-tops and table-tops already in place, and which process affords a uniquely attractive solution to those property owners and occupants otherwise facing the very costly, time-consuming and administratively burdensome challenges of having to remove and dispose of existing legacy-laden, chemically contaminated and/or vinyl asbestos tile (so-called “VAT”).

Over time, EcoSmart intends to develop itself in the strategic direction of becoming a leading research-oriented high-tech specialty “smart-surface” materials development and licensing company centered around a highly qualified research team and state-of-the-art research lab and applying a combination of organic and inorganic chemistries, materials science engineering, and nanotechnology. EcoSmart currently has expertise and capabilities in each of these areas.

Organic chemistry is a chemistry sub-discipline involving the scientific study of the structure, properties, and reactions of organic compounds and organic materials (i.e., matter in its various forms that contain carbon atoms). Inorganic chemistry, by contrast, refers to the chemistry sub-discipline aimed at understanding the synthesis and behavior of inorganic and organometallic compounds, generally focused on the silicon atom. Nanotechnology is the creation of functional materials, devices and systems through control of matter (atoms and molecules) on the nanometer length scale (1-100 nanometers), and exploitation of novel phenomena and properties (physical, chemical, biological, mechanical, electrical) at that length scale. Materials science engineering has as its focus the development of new products based on materials whose properties and behavior are controlled at the micrometer and nanometer scales, and through microfabrication technologies.

Currently, and as is expected to remain true in the near term, EcoSmart consists solely of the specialty coatings business and the specialty surfacing businesses, which, while possessing certain overlap in terms of underlying technology and product development, are operated by EcoSmart as separate divisions, chiefly because of certain differences in their respective business models and marketing strategies.

During the year ended December 31, 2013, EcoSmart revenues were approximately 70% attributable to sales within the specialty coatings division and approximately 30% attributable to sales within the specialty surfacing division. For the year ended December 31, 2012, these revenue percentages were approximately 63% and 37%, respectively.

Specialty Coatings Division

The surface is an integral aspect of virtually every physical object and often plays a fundamental role in many of the processes, beyond mere connectivity and structural support, that govern chemical and biological interactions involving the product. In some instances, the surface serves to protect the internal elements of the object that it surrounds; in others, it provides an entry point into those chemical or biological systems. In most, combinations of these attributes are present, and the potential variations are both vast in number and complex in structure.

The EcoSmart specialty coatings division produces, markets, and distributes a line of effectively invisible glass-based specialty coatings – “smart surfaces” – that have a wide range of industrial, commercial, and household applications that add a competitive advantage to a given product or surface through a variety of protective and other features. With an addition of only 50 millionths to 2 thousandths of an inch in surface thickness (depending on which product is used), no loss of either hardness, on the one hand, or pliability, on the other, and no reduction in photon (light) penetration, the patented platform technology, either on its own or when coupled with any of an array of available proprietary formula additives, offers the following unique combination of beneficial protective, maintenance-reducing, performance-enhancing and cosmetically-enhancing properties to most surfaces, including metals, plastics, paints, fabrics, vinyl, wood, masonry, or concrete, in each case without regard to temperature, climate or most other environmental conditions, without hazard to either human, animal or plant health/life, and for a period of up to as many as approximately 15-20 years:

Protective Benefits

Against Physical Surface Damage

- Resistant to Abrasion / Scratching
- Resistance to Corrosion
- Resistant to Oxidation
- Resistant to (Effects of) Weather / Elements
- Resistant to (Effects of) UV
- Resistant to (Effects of) All But Most Extreme Alkaline or Acidic Chemicals
- Resistance to (Effects of) Acid Rain
- Resistance to (Effects of) Guano (excrement of birds, bats, seals, etc.)
- Resistance to Termite Infestation

Against Surface Appearance / Cosmetic Degradation

- Resistant to Dust / Dirt / Grime
- Resistant to Staining
- Resistant to Color Fading
- Resistant to Fingerprints
- Resistant to Marking / Graffiti
- O l e o p h o b i c (Oil-Repellent)

Against Human Health Risks / Contagion

- Resistant to Bacterial Growth / Germs (sometimes referred to as “Self-Sterilizing”)

Against Human Physical / Safety Risks

- Slip-Resistant When Wet

Resistant to Mold /
Fungal Spore Growth
Resistant to Small and
Large Viruses

Maintenance-Reducing Benefits (sometimes referred to as “Self-Cleaning” attributes)

Hydrophobic (Water-Repellent)
Oleophobic (Oil-Repellent)
Resistant to Dust / Dirt / Grime
Rinses Cleans with Only Water and/or Mild Detergent

Performance-Enhancing Benefits

Improved Hydrodynamics / Drag Reduction / Fuel Efficiency
Improved Aerodynamics / Drag Reduction / Fuel Efficiency
Energy Efficiency

Cosmetically-Enhancing Benefits

Enhanced Color Clarity
 Enhanced Gloss / Sheen
 Enhanced Reflection

With the extraordinary array of beneficial properties identified above, certain but not all of which have been independently lab-tested and verified, the range of potential applications of EcoSmart's specialty coatings is notably far-reaching, spanning across numerous industrial, commercial, and household segments. While the Company is currently focusing its pursuit on only several of these potential applications, and there can be no assurance that it will ever pursue any one or more of the others, it has identified the following as potential markets, among others, to be explored and possibly pursued over time:

residential, commercial, and industrial building / construction	automotive / auto body
interior and exterior flooring and tiling / pavers	motorcycles and ATVs
sewage infrastructure, highways, bridges	boats, jet-skis and snowmobiles
oil & gas drilling / production equipment	windshields
solar panels, reflectors and heliostats	bathroom fixtures
wind turbines	kitchen countertops and cabinetry
H V A C / commercial refrigeration systems	swimming pools and hot-tubs / jacuzzis
desalination and potable water systems	outdoor home decking
aircraft / drones	patio furnishings
military equipment and weapons systems	outdoor cooking hardware
spacecraft / satellites / space-stations	outdoor lighting systems
passenger cruise ships	kitchen and other household appliances
railroad / monorail	telescopic equipment
medical equipment, operating environments and implant devices	sunglasses
biometric and other security devices	water/snow skis, surf boards, and other sporting goods
industrial machinery and robotics	protective helmets and sporting gear
telecommunications hardware	playground equipment / apparatus
textiles	camping equipment
smart-phones and tablets	

home furnishings, picture
frames and decorative items

To date, the Company has not commissioned or otherwise undertaken or obtained any comprehensive market study in respect of any one or more of the above-listed potential product applications. The immediate-term focus of the Company is on the following five, unrelated applications, each of which has been selected based on management's combined assessment of (i) the relative size, age and projected growth trend of the subject market, (ii) experience, observational/anecdotal intelligence, and testing results previously obtained in relation to the application, (iii) the relative strength of the value proposition to prospective customers, (iv) the comparative time-to-market, (v) the comparative cost-to-market coupled with existing industry relationships and available resources, (vi) the relative geographic accessibility of the market, (vii) the seasonality of the market, if any, (viii) the relative barriers-to-entry within the market, (ix) the relative, projected length of the particular sales cycle, (x) the projected gross profit margins, (xi) both the presence within the subject market, together with the relative quality, of competitive products, and (xii) the relative size and strength of the individual competitors:

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Hardscape. This is the market segment defined by EcoSmart to include applications involving surfaces consisting of pavers, poured and stamped concrete, natural stone, brick, and ceramic tile. It has been targeted based on a combination of all of the factors identified above, with a particular emphasis on (i) geographic accessibility to the regional market of South Florida, in which the Company maintains its executive offices and principal operations, and (ii) relative ease of installation. At a competitive price point, the Company's products offer this market a high-grade, functional alternative to comparatively under-performing water-based hardscape sealants, and one with numerous unique, secondary benefits. The marketing and sales strategy being applied by EcoSmart is a dual-pronged approach aimed at manufacturers of primary materials, on the one hand, and contractor-installers, on the other. Able to rely for showcasing purposes on a recent major installation involving 310,000 square feet of pavers at the newly-opened Palm Beach Outlet Mall in West Palm Beach, Florida, the Company believes it is poised for an aggressive roll-out in the hardscape arena.

Solar Panels, Reflectors and Heliostats. This is the alternative energy production and related hardware application market segment consisting of photovoltaic (PV) solar panel modules, reflectors, and heliostats (computer-controlled, curved mirrors which concentrate the sun's rays and keep them reflected on a target as the sun moves across the sky) in relation to which the value-proposition associated with EcoSmart's product offerings arise out of the "self-cleaning" attributes they afford. Because of the economic importance in maximizing the capture of incoming photons for energy conversion output, insuring the consistent cleanliness of solar panels has become an increasingly high priority and a continuing challenge throughout the industry, and the worldwide demand for coatings with efficiently "self-cleaning" properties – such as those produced by EcoSmart, which do not come at the expense of the optical properties of high transmission (in the PV modules) or high reflectance (in the heliostats) – is growing rapidly. In its earliest stages of market entrance, but driving the forefront, EcoSmart is currently targeting both domestic and foreign PV panel manufacturers as well as operators of distributed solar energy farms. In respect of both groups, and though there can be no assurance, the Company seeks to build its business through the securing of long-term, ongoing supply contracts. EcoSmart is aggressively targeting this application based on a combination of all of the factors identified above, including most notably the relative newness and projected growth rate of the developing market. Recently conducted initial field tests utilizing EcoSmart product, moreover, have been promising, showing in excess of a 30% increase in efficiency over uncoated PV array panels due primarily to increased cleanliness.

Oil & Gas Drilling / Production Equipment. This is the market segment application surrounding the opportunity to sell certain EcoSmart coatings to be used as protective pipe linings for use in the oil-drilling and fracking industries, and as a protective coating on micro-turbines, hydraulic systems, and related heavy equipment used in the industry. According to recent industry reports, and with industrial coatings generally comprising more than approximately a third of the worldwide aggregate coatings market, the oil and gas segment is one seen as holding the greatest growth potential. Based on the preliminary results of early-stage field and lab tests being conducted by prospective customers, and though there can be no assurance, management believes the effectiveness of its products for this purpose is already higher than many competing products with the potential for material refinement in the near-term with only minor modification, and that the market and demand for these products is potentially very significant. EcoSmart is aggressively targeting this application based on a combination of all of the factors identified above, and, to date, it has been pursuing potential distribution opportunities through select industry operators.

HVAC / Commercial Refrigeration Systems. This is the market segment application consisting of coatings for HVAC and commercial refrigeration systems intended to serve as protection from corrosion, including in salt water, acid, alkaline and chemical environments, and from clogging by particles of mold, pollen, dust, and soot. Testing in this area has shown that there is a significant efficiency loss factor on HVAC units due to natural oxidation and the restricted airflow caused by dirt that collects on the condenser coils. With a product that repels moisture and contaminants, offers increased operating/energy efficiency of 12-15% over the life of a

subject condensing unit, and substantially reduced cleaning requirements generally, management believes a significant opportunity exists for the Company within this market. Accordingly, EcoSmart has targeted this application based on a combination of all of the factors identified above and is currently in the process of developing a strategic marketing plan aimed at this segment.

Potable Water Systems. This is the market segment application for coatings to be applied in the manufacture of drinkable water systems used in remote workplaces where the environmental conditions are unusually harsh, and potable water is otherwise unavailable, including, for example, offshore and desert oil rigs, and naval ships. Based on the preliminary results of prospective customer field and lab tests, and though there can be no assurance, management believes the quality of its products for this purpose is better than many alternatives already widely available, and that the market and demand for these products is potentially material. EcoSmart is targeting this application based on a combination of all of the factors identified above, though, to date, it has not determined the distribution strategy it intends to pursue. It is expected, however, that such strategy will be built principally on a licensing model.

In general, though not necessarily across all segments, EcoSmart intends to pursue a strategic approach to identified market opportunities that relies on master distribution arrangements within individual product/application industry verticals. An emphasis is being made in the immediate-term on the establishment of such master distribution relationships holding what management believes to be an industrial customer-base with the greatest potential likelihood of benefitting without a significant lag-time by incorporating the specialty smart coatings as a product upgrade to their respective current offerings.

For purposes of development, competitive analysis, and prioritizing sales initiatives and resource deployment, EcoSmart views its specialty coatings business in terms of numerous individual markets identified in each case by reference to the particular combination of Company product, on the one hand, and targeted surface and application, on the other. While the Company's complete line of individual specialty coatings products includes more than fifteen separate formulations, the following list identifies the Company's principal five products, by name, together with their respective primary targeted surfaces and application categories, as well certain information in each case relating to their unique benefits in relation to the target application:

Product Name:	ECT-1 General Purpose Surface Treatment
Primary Targeted Surfaces:	tile, masonry, paint, cement, stucco, metals, plastics, fabric, flame-exposed, cryogenic
Primary Target Application:	interior and exterior flooring and tiling / pavers
Categories:	
Featured Properties For Target Application:	hydrophobic (water-repellent) and oleophobic (oil-repellent); slip-resistant when wet; protective barrier at all temperatures resistant to abrasion/scratching, corrosion, oxidation, microbials, (effects of) weather/elements, UV, guano, acid rain, staining, color fading, mold/fungal spore growth

* * *

Product Name:	ECT-2 General Purpose Polyurethane Coating
Primary Targeted Surfaces:	ceramic floor tile, terrazzo, granite
Primary Target Application:	interior and exterior flooring and tiling / pavers
Categories:	
Featured Properties For Target Application:	water-based low VOC (volatile organic compound); extreme chemical-resistance; available with anti-slip additives; single coat potentially equivalent to three coats of competitive product in terms of physical performance.

* * *

Product Name: ECT-5 HVAC Corrosion Energy Coating
 Primary Targeted Surfaces: all surfaces of condensing unit, including coils, copper lines, compressor and cabinet
 Primary Target Application: HVAC and refrigeration condensing units, micro turbines and other equipment on oil rigs
 Categories: r
 Featured Properties For Target Application: “glassifying surface treatment”; condensing unit protection from corrosion, including in salt water, acid, alkaline and chemical environments; protection from clogging by particles of mold, pollen, dust, and soot; increased operating/energy efficiency of 12-15% over life of condensing unit; reduced cleaning requirements generally, and condensing units easily cleaned with only water and/or mild soap eliminating need for caustic coil cleaners; reduced maintenance for cooling towers and chiller barrels

* * *

Product Name: ECT-10 Universal Micro-Coating
 Primary Targeted Surfaces: glass, mirrors, fiberglass, paints, plastics, metals, fabrics, granites
 Primary Target Application: automotive/motorcycle/marine interior and exteriors, countertops, sunglasses, surfboards, water and snow skis
 Categories: r
 Featured Properties For Target Application: ultra-thin (50 millionths of an inch) gasified glass layer version of ECT-1 that be easily applied directly by consumers and last for 6-8 months; hydrophobic (water-repellent) and oleophobic (oil-repellent); repels dirt and dust, including brake dust; exceptional clarity on glass and mirrors by filling in microscopic voids in the surface (tests conducted by the Ford Motor Company showed improvement in the “Distinction of Image” measurement (clarity of a glossy surface) of 10% on new, and 20% on old, automotive paint); protective barrier at all temperatures resistant to abrasion/scratching, corrosion, oxidation, microbials, (effects of) weather/elements, UV, guano, acid rain, acid damage from insects, staining, color fading, mold/fungal spore growth

* * *

Product Name: ECT-775
Primary Targeted Surfaces: pavers, concrete, roofing tile, ceramic tile, and other porous surfaces
Primary Target Application: floors, walls, decorative panels, swimming pools, solar panels, reflectors
Categories:
Featured Properties For Target Application: able to be applied in heavy coats; protective against staining, chemicals, UV fading, slipping; “self-cleaning”

The most unique feature shared by the EcoSmart coatings, and the specific focal point of a patent held by the Company considered by it to be the centerpiece of its smart surface technology, is the positive surface charge they possess once applied. It is this positive surface charge that is responsible for their most unique and valuable properties identified above, including the hydrophobicity, oleophobicity, microbial and fungal resistance, dust-repellance, and the enhanced aerodynamics and hydrodynamics.

Hydrophobicity is a term largely unfamiliar to many outside scientific circles, but that describes a quality with which most everybody has a basic familiarity. Surfaces may be characterized as either hydrophilic or hydrophobic depending on whether or not they attract or repel water or other water-based liquids. Hydrophilic and hydrophobic surfaces are abundant in both nature as well as in synthetic materials, and they exist both organically and inorganically in terms of chemical composition. A hydrophilic surface can be wet and may adsorb water; a hydrophobic surface cannot and will not – it is compositionally incapable of becoming wet. An example of a hydrophilic surface encountered routinely in daily life are sponges, which, of course, readily soak up whatever water with which they come into contact, at least to the point of saturation. Hydrophobic materials and coatings, by contrast, prevent water from pooling on their surfaces. In scientific terms, hydrophobicity is caused by surfaces that disrupt the hydrogen bonding in water; so as to minimize the disruption in its molecular makeup, the water droplet pushes itself away from the surface to minimize its contact area, thus becoming very tightly bound. Hydrophobic materials are generally easy to identify because water forms into droplets upon contact with them after which they tend to roll around freely, like marbles on a flat Formica countertop, as occurs commonly on the freshly waxed exterior of a car or recently cleaned windshield with new wiper blades. The more hydrophobic the material (all the way up to and including so-called “superhydrophobic” surfaces), the stronger this effect, until the water effectively floats or skims across the surface with what amounts to very low friction. Naturally occurring hydrophobic surfaces include many species of plant leaves and flower petals, as well as many types of bird feathers and the outer body parts of a variety of insects; the lotus leaf is among the most hydrophobic of naturally occurring hydrophobic surfaces. Synthetic hydrophobic surfaces include such household-name brands as Scotchgard™ treated fabric, Teflon® coated metal, or Rain-X® coated glass.

Oleophobicity is a property very comparable to hydrophobicity, but it relates to oil-repellancy, not water-repellancy. There are important technical differences, but, for practical and basic observational purposes, they are very similar.

In terms of chemistry, EcoSmart's platform smart surface, and the coating variations identified above that it serves as a basis for, are inorganic, formed as they are of chemically "grown" glass. The process by which they form upon application can be likened to the process, witnessed by many daily in science classrooms, labs, or at home with popular science kits, whereby quartz crystals are effectively "grown" in a solution. This is important because it results in the establishment of a uniquely firm chemical bond between the coating and the surface, far stronger than would exist through either a mechanical or light bonding (the traditional alternatives), fundamentally setting the coatings apart from most others. When coupled with the unusually thin layer they inhabit – approximately 50 millionths to 1-2 thousandths of an inch – the combination of properties leaves them notably flexible, permitting their use in connection with such items as fabrics, plastics, and pliable floor-boards, yet hard, durable, and resilient, particularly when refined with select additives.

The additives used in the various EcoSmart coating formulations available to customers fall into three basic categories. In the first category are color tints, which, in recent years, have seen major technology advancements in terms of durability, variety and depth of color, reflectivity, and fade-resistance. Through developing strategic relationships, EcoSmart has available to it a wide range of the most advanced offerings in this regard. In the second category are additives intended to provide increased hardness and wear-resistance. Here, too, EcoSmart has access to what it believes are some of the most superior materials available. In the third category is a single additive, ConShield™, an EPA approved "on-contact" mechanical microbial germ and virus so-called "quat" (industrial and commercial quaternary ammonium) killer – that works in such a way as to prohibit the mutation of microbials which can otherwise become resistant over time to chemical kill mechanisms, such as antibiotics – capable of fortifying any EcoSmart coating with additional protection against bacteria and relatively large viruses/microbials, including, for example, Methicillin-resistant Staphylococcus Aureus (more commonly known as "MRSA), Clostridium difficile bacterial infection (more commonly known as "C-diff"), and Influenza A virus subtype H1N1 (more commonly known as "H1N1" or "Swine Flu"). By combining the EcoSmart coatings – which, based on their positive surface charge, already powerfully discourage the growth of many of the smaller, more common viruses which can exist between active elements of existing "on-contact" killers (such as the Norovirus, for example, a concern long plaguing the vacation cruise ship industry) – with ConShield™, available to EcoSmart through an informal, strategic joint-marketing arrangement with its manufacturer, a unique, broader spectrum of microbial protection is afforded, un-matched, in the belief of EcoSmart management, by any other product in anti-microbial effectiveness.

Competition

Product performance, technology, cost effectiveness, quality and technical and customer service are major competitive factors in the industrial coatings businesses. EcoSmart management is unaware of any one or more products possessing the same combination of physical properties, and that, on the whole, offers the same array of benefits, as its proprietary line of specialty smart surface coatings. There can be no assurance, however, that there not products under development or already in existence and in the early stages of market introduction of which management is not yet aware. The market for industrial and product performance coatings is extremely large, broad in scope, and consists of many different segments and sub-segments, each of which involves a range of product applications. It is also increasingly characterized by rapidly evolving technology. Precisely because of the wide array of beneficial properties they possess, and notwithstanding the U.S. patent held by us on our platform smart surface technology, the specialty coatings produced and distributed by EcoSmart should be viewed as competing with other coatings products across a wide variety of the various existing market segments and sub-segments. Hydrophobic and antimicrobial coatings, for example, are each segments in which numerous companies are aggressively competing with one another worldwide, both in terms of technology and market share, but that, combined, represent only a minor portion of the

aggregate competition that EcoSmart should be viewed as meaningfully confronting.

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The competition faced by EcoSmart in relation to its proprietary line of specialty smart surface coatings includes both public and private organizations and collaborations among academic institutions and large companies, both domestic and foreign, most of which have significantly greater experience and financial resources than EcoSmart. Management expects that EcoSmart's most significant competitors in its specialty coatings business will tend to be larger, more established companies, including many major multinational corporations such as Akzo Nobel N.V., PPG Industries, Inc., Axalta Coating Systems, BASF Corporation, and Valspar Corporation. In general, these companies are all developing products that, at some level or in one or more ways, compete with those of EcoSmart and, in addition to many existing issued and pending patents, they have significantly greater capital and other resources available to them for research and development, testing, seeking and obtaining any required regulatory approvals, marketing and distribution. In addition, many smaller coatings and related nanotechnology companies have formed strategic alliances or collaborative arrangements, partnerships, and other types of joint ventures with larger, well-established industry competitors that afford these companies' potential research and development and commercialization advantages, and may be aided in becoming significant competitors through rapid evolution of new technologies. Academic institutions, governmental agencies, and other public and private dedicated research organizations are also financing and conducting research and development activities that could result in the introduction of products directly competitive to those of EcoSmart.

Specialty Surfacing Division

The EcoSmart specialty surfacing division produces, markets, and installs, directly and through third-party contractors, a proprietary system to treat and cover existing floors, walls, counter-tops and table-tops, providing property owners and occupants of all types with a cost-effective solution that affords a virtually limitless array of very lightweight, aesthetically desirable and high-demand decorative choices, coupled with a variety of meaningfully beneficial surface-layer properties. Through a combination of advancements in applied chemical engineering, enhanced digital imaging and printing technologies, as well as EcoSmart's own specialty coatings, the system, marketed under the brand name EcoSmart Digital Flooring™, is able to generate a safe, rugged, durable, maintenance-friendly, and monolithic flooring alternative containing the sharp, color-rich visual imagery of virtually any desired pattern, design, photo, graphic, logo, or inlaid artwork, on the one hand, or, alternatively, carrying the textured, virtually indistinguishable appearance of natural, solid materials traditionally associated with both classic and contemporary flooring applications, such as hardwood, marbles, and granites, but at a fraction of the weight, on the other.

Developed over recent years in cooperation with Bayer Material Sciences, one of the largest resin suppliers worldwide, EcoSmart Digital Flooring system centers around a unique compound – for which a U.S. patent is currently pending – which chemically activates any unclean surface (including a floor), allowing a clear resin/polymer base floor-coating to be integrally – chemically – bonded to it. The process further encompasses the integral high-definition digital printing component, effected vis-a-vis a porous media embedded in the clear resin base floor-coating, as well as a surface preparatory agent and a topcoat drawn from products belonging to EcoSmart's family of specialty coating formulations, all of which combine to deliver not only a visually appealing, premium quality end-product reasonably expected to meet and exceed the most demanding commercial grade standards for any indoor and/or outdoor application, but one that also features enhanced protection, stability, durability and slip-resistance.

Taken as a whole, and depending in each case on the particular starting surface involved, on the one hand, and desired end-product, on the other, the system involves either a two, three, or five step procedure, with each step corresponding to an additional layer/coating of a particular proprietary EcoSmart formulation:

Two-Step(1) ECT 110 –
Procedure: Surface
Preparatory
Agent
(2) ECT 210 –
Encapsulating
Base Coat

Three-Step(1) ECT 110 –
Procedure: Surface
Preparatory
Agent
(2) ECT 210 –
Encapsulating
Base Coat
(3) ECT 310 –
Color
Polyaspartic
Top Coat

Five-Step(1) ECT 110 –
Procedure: Surface
Preparatory
Agent
(2) ECT 210 –
Encapsulating
Base Coat
(3) ECT
Surfaces
Digital
Design/Image
(4) ECT 310 –
Color
Polyaspartic
Mid Coat
(5) ECT 775 –
Top Coat

A notably unique aspect of the EcoSmart Digital Flooring system is that, because of the end-result both enabled and facilitated by the underlying chemical technology, the necessity for having to remove and dispose of existing flooring and baseboards, or wall tiling, and, in many cases, to purchase replacement flooring or surfacing, is entirely eliminated. This feature is attributable to the fundamental nature of the final product made possible by the system, which, as applied, resides directly over an existing floor – be it wood, wood laminate, engineered wood flooring, ceramic tile, concrete slabs, and including formerly carpeted areas – with as little as 1/16th of an inch in additional, even surface thickness, devoid of irregularities. The resultant negation of any need for demolition and clean-up afforded by the system, and the avoidance this leads to in associated dust-up and diminution in air-quality that would otherwise follow, is not insignificant, particularly when occurring in homes or small business; it is not uncommon for such clean-up to otherwise have to include the air-handling system, and for the subject premises to have to be vacated in the meantime. A complete install utilizing the EcoSmart Digital Flooring system, by contrast, requires only minor

preparation and typically takes – for a residential floor, for example – approximately two days, during which occupants can remain on the premises because there is neither dust nor other particulates, nor anything more than a minor odor, released into the immediately surrounding environment.

While an attractive option both aesthetically and economically for most any application, EcoSmart Digital Flooring presents EcoSmart with one of its most compelling, immediate-term to long-term market opportunities because it has proven particularly well-suited for those faced – increasingly through federal and state level regulatory mandates coupled with substantial monetary fines for non-compliance – with the unique and daunting challenges of having to work with legacy-laden, chemically contaminated (with, for example, asbestos, fossil fuel residues, or other potentially hazardous substances), and/or, most notably, vinyl asbestos tile (so-called “VAT”), floors and walls. This is because of the heightened importance in such situations of having to undertake the intensely regulated, administratively burdensome, highly dangerous, and very costly processes of specialized demolition, removal, and disposal of the contaminated substrates, which are inherently hazardous to human health in most cases, and often lethally carcinogenic, and the comparatively low-cost avoidance of all that made possible through use of the EcoSmart Digital Flooring system rather than abatement or other officially EPA sanctioned forms of remediation. Applying the technology, old asbestos-based tile, for example, can be chemically bonded and very effectively encapsulated for all purposes – including those arising under applicable EPA guidelines – without the need for any of the machine abrasion and otherwise highly-intensive cleaning processes traditionally associated with the handling of friable, asbestos-fibre-laden materials, and without the need for specialized and expensive hazmat materials treatment and disposal. Consisting of a highly durable coating with resultant flexibility properties such that it can tolerate elongation of up to approximately 100% once installed, the containment provided by this encapsulation is not jeopardized by potential cracking and future instability in the composition of the asbestos materials, thereby effectively eliminating the risk of future liberation and exposure of the hazardous substances.

Although there can be no assurance as to which markets will be targeted by EcoSmart over time, or in what order they may be targeted, the potential markets for the EcoSmart Digital Flooring system include owners or operators of essentially all types of premises:

- residential properties, including all single and multi-family homes, apartments, condominiums, cooperatives
- commercial properties, including retail spaces, office complexes and buildings, restaurants, and gas stations
- hospitals, medical centers and research laboratories
- private and public schools and universities
- churches, synagogues, temples and other places of worship
- federal, state and local government occupied buildings and properties
- factories, storage facilities, and related industrial buildings and complexes

To date, the EcoSmart Digital Flooring system has been used with favorable results, through installations conducted by EcoSmart, in more than twelve U.S. Veteran's Administration (VA) facilities, six Wal-Mart stores, and four Bed, Bath and Beyond retail outlets, and through installations conducted by approved distributor-contractors, an additional 150 Bed, Bath and Beyond outlets. In each of these cases, the installations principally involved restrooms, kitchens and other tiled areas.

Competition

EcoSmart management is unaware of any one or more products possessing the same combination of physical properties, and that, on the whole, offers the same array of benefits, as the EcoSmart Digital Flooring system. There can be no assurance, however, that there not products under development or already in existence and in the early stages of market introduction of which management is not yet aware. The market for comparable floor, wall, tabletop and countertop surfacing products and systems is extremely large, broad in scope, and consists of many different participants. It is also increasingly characterized by rapidly evolving technology. Notwithstanding the unique attributes of the EcoSmart Digital Flooring system, or the U.S. patent-pending on it, it should be viewed as competing with all other products in the market vying for differentiation and customers.

The competition faced by EcoSmart in relation to the EcoSmart Digital Flooring system includes both public and private organizations and collaborations among academic institutions and large companies, both domestic and foreign, most of which have significantly greater experience and financial resources than EcoSmart. Management expects that EcoSmart's most significant competitors in its specialty surfacing business will tend to be larger, more established companies, including many major multinational corporations such as Akzo Nobel N.V., PPG Industries, Inc., Axalta Coating Systems, BASF Corporation, Valspar Corporation, Dupont, and Sherwin-Williams. In general, these companies are all developing products that, at some level or in one or more ways, compete with those of EcoSmart and, in addition to many existing issued and pending patents, they have significantly greater capital and other resources available to them for research and development, testing, seeking and obtaining any required regulatory approvals, marketing and distribution. In addition, many smaller surfacing product/system companies have formed strategic alliances or collaborative arrangements, partnerships, and other types of joint ventures with larger, well-established industry competitors that afford these companies' potential research and development and commercialization advantages, and may be aided in becoming significant competitors through rapid evolution of new technologies. Academic institutions, governmental agencies, and other public and private dedicated research organizations are also financing and conducting research and development activities that could result in the introduction of products and systems directly competitive to those of EcoSmart.

EcoSmart-Related Intellectual Property

Patents and Licenses

The competitive environment in which EcoSmart operates is largely driven by technology, proprietary or otherwise. In general, companies in this environment seek to develop competitive advantages – both offensive and defensive –through the obtaining and maintaining of relevant patents relating to their respective technological advancements. As a science and technology based company, EcoSmart believes that securing intellectual property is an important part of protecting its research, and that, in particular, patent, as well as related trade secret – protection, is critical for the new specialty coatings and surfacing technologies it develops, as well as any products and processes derived through them.

By way of assignment, EcoSmart currently holds one United States patent relating to our smart surface specialty coatings technology and one United States patent pending relating to our EcoSmart Digital Flooring system:

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Title	Awarded	Pending	Expiration
Method of Treating Surfaces For Self-Sterilization and Microbial Growth Resistance	X		2025
Decorative Monolithic, Functionally Bonded Composite Surface Overlayment System and Application Process		X	

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Over time, EcoSmart intends to apply for additional patents relating to advancements it achieves through its research and development initiatives. There can be no assurance however, that any of the patents currently held, or any obtained in the future, will prove adequate to protect its technologies or that it will have sufficient financial and resources to keep others from infringing the exclusive rights it possesses in relation to its technologies. The fields in which EcoSmart operates have been characterized by significant efforts by competitors to establish dominant or blocking patent rights to gain a competitive advantage, and by considerable differences of opinion as to the value and legal legitimacy of competitors' purported patent rights and the technologies they actually utilize in their businesses.

Because we may license our technology and products in foreign markets, we may also seek foreign patent protection for some specific patents. With respect to foreign patents, the patent laws of other countries may differ significantly from those of the United States as to the patentability of our products or technology.

It is possible that competitors in both the United States and foreign countries, many of which have substantially greater resources and have made substantial investments in competing technologies, may have applied for, or may in the future apply for and obtain, patents, which will have an adverse impact on our ability to make and sell our products. There can also be no assurance that competitors will not infringe on our patents or will not claim that we are infringing on their patents. Defense and prosecution of patent infringement suits, even if successful, are both costly and time consuming. An adverse outcome in the defense of a patent infringement suit could subject us to significant liabilities to third parties, require disputed rights to be licensed from third parties or potentially even require us to cease our operations.

Certain aspects of EcoSmart's know-how and technology are not patentable, or, for strategic reasons, are best protected in the determination of management by leaving them unpatented. In this regard, trade secrets play an important part in the Company's intellectual property strategy, and EcoSmart vigilantly seeks to protect them. To protect our proprietary position in trade secrets, we require all employees, consultants, advisors and collaborators with access to our technology to enter into confidentiality and invention ownership agreements with us. There can be no assurance, however, that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure. Further, in the absence of patent protection, competitors who independently develop substantially equivalent technology, or otherwise acquire it, may adversely impact our business. If and when we discover that any trade secrets have been misappropriated, it is expected that we will, unless we otherwise determine for strategic or similar reasons, report the matter to governmental authorities for investigation and potential criminal action, as appropriate. In addition, and to the extent that we have the available financial resources, we intend to take all reasonably required measures in an effort to mitigate any potential adverse economic impact, which may include civil actions seeking redress, restitution and/or damages based on loss to the Company and/or unjust enrichment.

EcoSmart owns the rights to two unique registered trademarks for its proprietary digital flooring system. One of these is for the name "EcoSmart Digital Flooring" system itself, and the other is for a name the use of which the Company has abandoned and has no present intention of using or otherwise benefitting from in the future. The Company is in the process of evaluating its options in connection with the registering of other trademarks, both for its specialty coatings business and its specialty surfacing business, and this process is expected to be ongoing. Unlike patent rights, ownership rights in trademarks do not expire if the trademarks are continued in use and properly protected.

EcoSmart Product Returns Policies and Warranties

EcoSmart's product returns policies and warranties do not differ materially as between the specialty coatings and specialty surfacing divisions. Within the divisions, however, these policies and warranties do differ materially based on the type of surface to which the product is being applied as well as the anticipated performance life of the particular product.

In general, EcoSmart maintains a consistent return policy relative to any products in relation to which there is either no associated installation or, if there is an installation involved, it is one that EcoSmart has no participation in or responsibility for (as may be the case in relation to the EcoSmart Digital Flooring system, for example, as well as the Company's paver application specialty coating products). The policy under such circumstances requires that the subject products be returned unopened within no more than 30 days of purchase, and that all shipping charges associated with the return be borne by the customer, together with a re-stocking fee equal to 10% of the corresponding purchase price unless the return is received in the form of purchase credit. For a period of up to 10 years from purchase, a warranty is extended in such cases to customers relative to both the chemical integrity (as represented upon sale) and the performance integrity of the coatings based on the specific characteristics of the subject product and application, and the corresponding representations made by the Company in relation thereto.

In general, EcoSmart does not maintain a separate return policy in relation to specialty surfacing products sold as part of the EcoSmart Digital Flooring system, distinct from the one maintained in relation to the system taken as a whole, inclusive of the installation, except as it relates to product purchased by contract installers, in relation to which the policy is consistent with the one for EcoSmart specialty coatings. In these cases, the contract installer bears exclusive responsibility for all of the preparatory site work associated with the application (including, e.g. cleaning and insuring that the surface subject to treatment has acceptable PH readings and moisture levels). Where the installation is additionally covered and the warranty extends directly to the property owner, which is only the case when EcoSmart itself, or an EcoSmart approved contract installer, performs the application, the EcoSmart warranty extends for a number of years from the date of installation, determined in each case based on a variety of case-specific situational factors and relates to the performance integrity of the surfacing product based on the characteristics claimed by EcoSmart in relation to the EcoSmart Digital Flooring system generally. The warranty in these cases guarantees coverage of not only the cost for new product but also the associated labor for re-application in the event that that is necessary.

In connection with the sale of specialty coatings products in relation to which EcoSmart is involved in the corresponding installation (e.g. pavers), the product returns policies and warranties are similar to those that apply to sales and installations of the EcoSmart Digital Flooring system.

EcoSmart's returns policies and product warranties relative to both divisions are general policies and warranties and are subject to change in relation to any particular sale. Further, the general policies and warranties themselves are subject to change from time to time and are likely to evolve as EcoSmart's operations and revenues develop.

EcoSmart Manufacturing and Fulfillment

EcoSmart currently conducts all manufacturing and fulfillment operations on its own at the Company facility in Lake Park, Florida. Though output capacity is only approximately 150 gallons per day currently, the Company intends to approximately double that in-house capacity in the near future, subject to having available to it the capital investment requirements. Management is additionally in the process of negotiating a higher volume, ISO-quality toll manufacturing arrangement with a reputable contract manufacturer which, once finalized, is expected to be relied upon by the Company for production of its higher sales volume products. In both cases, the manufacturing process is comprised largely of combining and blending raw materials and chemicals, including additives, in each case consistent with EcoSmart's proprietary formulations, and bottling of final product into labeled, quart and gallon containers. In general, on-hand inventory is kept to a minimum and built up based on forecasted near-term sales.

Backlog

In general, EcoSmart does not manufacture its products against a backlog of orders and does not consider backlog to be a significant indicator of the level of future sales activity. Production and inventory levels are based on the level of

incoming orders as well as projections of future demand. Accordingly, management does not believe that backlog information is material to an understanding of its overall business and should not be considered a reliable indicator of the Company's ability to achieve any particular level of revenue or other metric of financial performance.

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EcoSmart Significant Customers and Suppliers

During the period from January 20, 2012 (inception) through December 31, 2012, and the year ended December 31, 2013, EcoSmart generated a significant portion of its revenues from certain customers as follows:

		% of Total Revenues	
Customer	EcoSmart Division	2013	2012
Casual Creations	Surfacing	16.5%	12.1%
A6 Inc.	Coatings	13.7%	0.0%
Kevin Rockerfeller (distributor)	Coatings	13.2%	0.0%
Promiz	Coatings	10.5%	0.0%
Cold Shot Chillers	Coatings	3.8%	17.2%
Atlantic Solutions	Coatings	0.0%	34.5%
White Cap Construction Supply	Surfacing	0.0%	10.5%

For the year ended December 31, 2013, EcoSmart's revenues were approximately 70% attributable to sales within the specialty coatings division and approximately 30% attributable to sales within the specialty surfacing division. For the period from January 20, 2012 (inception) through December 31, 2012, these revenue percentages were approximately 63% and 37% respectively. In the future, we would anticipate that the majority of our revenues are derived from the specialty coatings division.

Also for the year ended December 31, 2013 and the period from January 20, 2012 (inception) through December 31, 2012, EcoSmart's significant product and chemical raw material purchases were as follows:

		% to Total Products	
		2013	2012
Univar		30.57%	7.28%
Bayer Material Science		12.95%	27.01%
Hauthaway		12.42%	2.16%
SuperGlass		0.15%	14.23%

We currently have no long-term written agreements with any of these suppliers. The payment terms are generally net 30 days, and we are not substantially dependent upon any one or more of them; all are easily replaceable with any locally available supplier.

EcoSmart-Related Research and Development

EcoSmart research and development (“R&D”) has been minimal over the past several years due to a lack of available funds. Whatever R&D activities pursued over this period have been conducted in-house at Company facilities.

More generally, EcoSmart’s R&D objective is to leverage its unique integrated science capabilities to drive revenue and profit growth. EcoSmart’s R&D initiatives are fully focused on its strategic priority of achieving leadership across the high-value, science-driven segments of the specialized coatings and surfaces markets in which it operates by developing and refining differentiated, high-value advanced industrial and related coatings and surface materials. EcoSmart management believes that its unique breadth of science and developing R&D engine are distinctive, competitive advantages that position it to pursue this priority and, in time, establish broad global reach and deep market penetration in its market verticals.

The EcoSmart R&D team is led by senior research and development personnel to ensure consistency with the business and corporate strategy and to capitalize on the application of emerging science.

The Company continues to protect its R&D investment through its intellectual property strategy. See discussion under “Intellectual Property.”

Regulation Applicable to EcoSmart

In connection with each of our EcoSmart specialty coatings business and specialty surfacing business, we are subject to an extensive variety of stringent regulations under numerous U.S. federal, state, local and foreign environmental, health and safety laws and regulations relating to the generation, storage, handling, discharge, disposition and stewardship of hazardous wastes and other harmful materials. These regulations have potential implications for us in terms of EcoSmart's manufacturing operations, product handling and use by customers and agents, as well as installation processes. In this regard, we will likely have to expend substantial amounts to comply with such laws and regulations as well as establish a policy to minimize our environmental emissions. Nevertheless, legislative, regulatory and economic uncertainties (including existing and potential laws and regulations pertaining to climate change) may make it difficult for us to project future spending for these purposes and, if there is an acceleration in new regulatory requirements, we may be required to expend substantial additional funds to remain in compliance.

FormTool

We acquired FormTool.com and the FormTool® line of products in February 2008. The product line offers quality, professionally designed forms for business, accounting, construction, sales, real estate, human resources and personal organization needs.

Since acquiring FormTool, we have re-launched the FormTool.com website as an online marketplace for purchasing the FormTool product line, as well as a "one-stop" shop for finding, purchasing and downloading customizable forms for a wide range of business and consumer needs. In addition, we released an upgrade of the FormTool product line, FormTool 7.0. FormTool.com now offers the FormTool product line in three downloadable editions that range in retail price from \$29.99 to \$199.99 as well as downloadable forms on an individual basis or in bulk groups that range in retail price from \$3.95 to \$29.95.

For the fiscal year ended December 31, 2013, approximately 98% of our revenues were derived from sales of these products.

Marketing and Advertising

We market our software through a combination of the following:

- our Website (www.formtool.com) and the Internet sites of others;
- opt-in e-mail campaigns;
- affiliate merchants; and
- product sampling through trial and limited content software versions.

Sales

Generally

Our approach to sales methodology depends in all cases on the specific products and/or product lines involved, and is dictated to a significant degree by historical results obtained. In general, we seek to adopt the lowest-cost sales methodologies that enable us to achieve satisfactory unit volume and corresponding revenue levels. We also seek to become increasingly less reliant over time on retail distribution and increasingly more reliant upon direct sales, including most notably those realized through online channels.

Direct Marketing / Online Sales

Direct sales for our continued operations accounted for approximately 36% of our 2013 fiscal year revenue and approximately 35% of our 2012 fiscal year revenue. Over the past ten years, we have devoted significant and increasing resources to the development of our direct-marketing program. Through this program, we market our products directly to consumers through a combination of opt-in e-mailings and direct-mailings of our product title catalogs and brochures. An important aspect of this initiative is our online sales. We maintain a full-service online store with many of the kinds of features and capabilities that online shoppers have come to expect from cutting-edge Internet retailers. Furthermore, we have made technological advancements to our Website in order to provide more downloadable products and/or content. We are currently marketing our products online through multiple sources including our own www.formtool.com Internet Website, other Internet Websites such as www.amazon.com, as well as several widely used search engines such as Google and Yahoo.

Retail Sales

Retail sales for our continued operations accounted for approximately 64% of our 2013 fiscal year revenue and approximately 65% of our 2012 fiscal year revenue. Our domestic retail sales involve retail stores across the United States through which our products are sold. These stores include Office Max, Office Depot and Staples. We have also partnered with Encore Software, Inc., a subsidiary of Navarre Corporation who is a large publisher and distributor of physical and digital home entertainment and multimedia products, including PC software, DVD video, video games and accessories, to distribute our products.

Returns and Price Concessions

At the time we ship our products we establish reserves, including reserves that estimate the potential for future product returns and price concessions. Management makes these estimates and assumptions based on actual historical experience regarding allowances for estimated price concessions and product returns. In determining the percentage of sales for product return reserves, management considers a number of different statistical factors. First, it reviews the rate of actual product returns (in total) for the period. Second, it reviews return rates for the same period(s) of prior years. Third, it reviews its sales by individual retail customers to assess any unusual return exposure. Fourth, it reviews actual return rates of specific title and title versions to determine if there are any unusual trends taking place. Fifth, the potential for an increase in actual returns resulting from upcoming new title or title version releases is reassessed. Sixth, management reviews the actual returns from the balance sheet date to the date of calculation to determine if anything unexpected has taken place. Seventh, and finally, management reviews outside factors such as general economic conditions that could potentially cause an increase in returns.

We give all of our distributors and retail customers a written product return policy providing for returns, upon written request, within nine months of the invoice date for credit only. If a new title or title version release falls within that nine month time span, a distributor has 60 days from the announced release date to return the old title or title version in exchange for the new title or title version only. We provide our end-user consumers with a 30 day satisfaction guarantee, allowing them to return a title or title version within that time frame if for any reason unsatisfied. Our warranty policy for defective software is to provide replacement or repair for a period of 30 days from the invoice date. We believe that these measurement dates provide a consistent period for assessment and the opportunity to adequately estimate channel inventory levels for appropriately estimating our return reserves.

We generally grant price concessions to our wholesale retail customers when we deem those concessions necessary to maintain our relationships with those retailers and maintain continued access to their retail channel customers. Further, if consumer demand for a specific title falls below expectations or significantly declines below previous rates of wholesale retail sell-through, then a price concession or credit may be requested by our retail customers to spur further retail channel sell-through.

Manufacturing and Fulfillment

We prepare a set of master program copies, documentation and packaging materials for each software title and version which is available. A small number of our software products are manufactured through third-party subcontractors while a majority is produced in-house. Orders for master program copies and documentation for our PC based titles and title versions generally take seven to ten days, and reorders take three to five days. Orders for packaging materials for similar titles and title versions generally take fourteen to twenty-one days, and reorders take seven to fourteen days. To date, we have not experienced any material returns due to product defects.

We currently fulfill all of our direct-to-consumer sales and all of our retail sales out of our corporate office located in Elkhorn, Nebraska.

Significant Customers and Suppliers

For our continued operations during the years ended December 31, 2013 and 2012, respectively, we had one customer, Encore Software, Inc., that individually accounted for 10% or more of our annual sales. In the future we expect that no more than two individual customers will exceed 10% of our annual sales.

Also for our continued operations for the fiscal years ended December 31, 2013 and 2012, significant product and material purchases were as follows:

	% to Total Product	
	2013	2012
VSA, Inc. (cd's & ink cartridges)	0%	50%
F e d E x (p r i n t materials for dvd sleeves)	0%	49%
Madonna Shop (flash cards)	0%	1%

During the year ended December 31, 2013, we did not have any purchases for materials to produce product for our operations as a whole, including those operations now classified as discontinued operations. We currently have no long-term written agreements with any of these suppliers. The payment terms are generally net 30 days, and we are not substantially dependent upon any one or more of them; all are easily replaceable with any locally available supplier.

Regulation

FormTool is not currently subject to direct regulation by any government agency, other than regulations applicable to businesses generally.

Competition

The market for our FormTool line of products is rapidly evolving and intensely competitive as new software products and platforms are regularly introduced. Competition in the software industry is based primarily upon:

- brand name recognition;
- availability of financial resources;
- the quality of titles;
- reviews received for a title from independent reviewers who publish reviews in magazines, Websites, newspapers and other industry publications;
- publisher's access to retail shelf space;
- the price of each title; and
- the number of titles then available.

In relation to our FormTool products, we currently compete with the following companies and comparable products, among many others:

FormDocs, LLC – FormDocs for Windows
Nuance Communications, Inc. – OmniPage 18

While FormDocs publishes software packages in several different variations, generally in a range that includes a basic edition, a deluxe edition, and a professional edition package, (as is true with our FormTool), in each of these respective categories we believe that FormTool offers the best value in that it is relatively inexpensive but more comprehensive in terms of the number of form templates it includes. Additionally, FormDocs does not have an “on the shelf” presence in the retail market place.

While in the general category as our FormTool, we believe that the OmniPage product line is more focused on document conversion from paper to electronic format than form creation and editing. OmniPage also sells at a considerably higher price point than the FormTool product line.

Our general approach to competition as it relates to our FormTool products is to offer competitive products at lower price points.

Intellectual Property

We rely for our FormTool business on a combination of copyrights, trademarks, and trade secrets to protect our intellectual property. Our copyrighted software content and the brand recognition associated with our related FormTool product trademarks are among the most important assets that we possess in our present ability to generate revenues and profits, and we rely very significantly on these intellectual property assets in being able to effectively compete in our market. Our FormTool intellectual property rights derive from a combination of licenses from third parties, internal development and confidentiality and non-disclosure agreements.

We cannot be certain that the precautions we have taken will provide meaningful protection from unauthorized use by others. If we must pursue litigation in the future to enforce or otherwise protect our FormTool-related intellectual property rights, or to determine the validity and scope of the proprietary rights of others, we may not prevail and will likely have to make substantial expenditures and divert valuable resources in the process. Finally, we may not have adequate remedies if our proprietary FormTool content is appropriated, our proprietary rights are violated or our trade secrets are disclosed.

Copyrights

Our copyrights, some of which have been registered and others of which remain unregistered, derive from a combination of program and source code embodied in software titles that we license from third parties, as well as program and source code embodied in software titles that we have internally developed on our own.

Trademarks

Following our acquisition of FormTool, we filed a trademark application for the FormTool® name with the United States Patent and Trademark Office. On September 30, 2008, this trademark was approved and registered.

Trade Secrets

Whenever we deem it important for purposes of maintaining competitive advantages, our policy requires parties with whom we share, or who otherwise are likely to become privy to, our trade secrets or other confidential information, including source code, to execute and deliver to us confidentiality and/or non-disclosure agreements prior to their exposure to any such information. Among others, this includes employees, consultants and other advisors, including our in-house and outsourced software developers and collaborators, each of whom we require to execute such an agreement upon commencement of their employment, consulting or advisory relationships. These agreements generally provide that all confidential information developed or made known to the individual by us during the course of the individual's relationship with us is to be kept confidential and not to be disclosed to third parties except in specific circumstances. In the case of employees and consultants, the agreements provide that all inventions conceived by the individual in the course of their employment or consulting relationship shall be our exclusive property.

Employees

As of July 23, 2014, we had six full-time employees and two part-time employees. All but two of these employees work exclusively for our EcoSmart division. One full-time employee is part of the senior-level executive team, three full-time employees and two part-time employees are part of the product research and development, marketing and sales team, one full-time employee is part of the manufacturing team, and one full-time employee is part of the financial management and administration team.

We rely heavily on our current officers and directors in operating the business. We are not subject to any collective bargaining agreements and believe that our relationships with our employees are good.

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RISK FACTORS

An investment in our Common Stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this Current Report on Form 8-K, before making an investment decision. If any of the following risks actually occur, our business, financial condition or results of operations could suffer. In that case, the trading price of our shares of Common Stock could decline, and you may lose all or part of your investment. You should read the section entitled "Special Note Regarding Forward Looking Statements" above for a discussion of what types of statements are forward-looking statements, as well as the significance of such statements in the context of this Current Report on Form 8-K.

Company Liquidity and Related Risks

We are operating at a substantial working capital deficit and our liquidity and capital resources are very limited.

For the year ended December 31, 2013, we generated only \$16,092 in total revenue while incurring \$290,456 in combined sales, marketing, general and administrative expenses. This represents a substantial working capital deficit that is severely constraining our ability to operate, both near-term and long-term. Our ability to fund working capital, as well as anticipated capital expenditures, will depend on our future performance, which is subject to general economic conditions, our customers, actions of our competitors and other factors that are beyond our control. Our ability to fund operating activities is also dependent upon (i) the extent and availability of bank and other credit facilities, (ii) our ability to access external sources of financing, and (iii) our ability to effectively manage our expenses in relation to revenues. Although we believe that our existing working capital, together with cash flow from operations, will be adequate to meet our minimum anticipated liquidity requirements over the next twelve months, given our initiative toward rapid revenue growth and due to our need to service certain long-term liabilities, it is likely to become necessary for us to raise additional capital to support growth and/or otherwise finance potential acquisitions. Furthermore, there can be no assurance that our operations or access to external sources of financing will continue to provide resources sufficient to satisfy our liabilities arising in the ordinary course of business, and while it may be possible to borrow funds as required, any such additional capital is likely to require that we sell and issue additional equity and/or convertible securities, including shares issuable upon exercise of currently outstanding warrants, any of which issuances would have a dilutive effect on holdings of existing shareholders. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

There is uncertainty as to our ability to continue as a going concern.

Our audited financial statements for the period ending December 31, 2013, including the footnotes thereto, call into question our ability to continue as a going concern. This conclusion was drawn from the fact that, as of the date of those financial statements, we had a negative current ratio and total liabilities in excess of total assets. Those factors, as well as questions surrounding our ability to secure additional financing for continued operations, have resulted in uncertainty regarding our ability to continue as a going concern. See Note 2 in the Notes to the Consolidated Financial Statements for the year ended December 31, 2013.

We owe an aggregate amount of \$58,218 to various third parties which, under state escheat laws, could subject us to substantial additional liabilities for penalties and interest.

As of June 30, 2014, we are carrying certain liabilities on our balance sheet in the aggregate amount of \$53,890 for trade payables and royalties payable in connection with services and content licenses associated with certain of our titles extending back up to thirteen years but in relation to which we have been unable to locate the parties to whom we owe such trade payables and royalties and no effort to collect such obligations by such parties or any successors-in-interest have been made. We are additionally carrying certain liabilities on our balance sheet in the

aggregate amount of \$4,328 for amounts payable to customers for product return refunds extending back up to seven years many of whom we expect, without actually knowing at this point one way or the other, to similarly be unable to locate and in connection with which no effort to date to collect such obligations has been made. Under the escheat laws of the various states in which these creditors were last known to have an address based on our records, we are or may be required to pay to such states the aggregate amounts owed for these obligations – in both categories – even though we cannot locate the actual parties to whom they are owed. Moreover, we are likely to be additionally liable for substantial penalties, both individually and in the aggregate, for not having previously reported such obligations and paid such amounts to such various states, which reporting obligations and associated penalties for non-compliance vary significantly among states, as well as interest for amounts deemed past due. It is likely that these additional liabilities, neither the individual nor collective extent of which are known at this time and as such have not been accrued, will be material in the aggregate and have a material adverse effect on our financial condition and our results of operations, including our liquidity.

We will require substantial additional funding, and our failure to raise additional capital necessary to support and expand our operations could reduce our ability to compete and adversely affect our business.

At June 30, 2014, we had \$594.27 (Wells Checking) in cash and cash equivalents. As a result of the Merger, we need to raise substantial additional capital during fiscal year 2014 and beyond, through equity and debt financing, for the following:

- insuring the integrity of, and/or continuing to develop, our technologies, products, and related systems;
- commercially exploiting our technologies, products, and related systems;
- aggressively preparing, filing, prosecuting, maintaining and enforcing potential patent and/or other intellectual property claims;
- establishing manufacturing capabilities for commercial quantities of our products;
- fully developing and exploiting sales, marketing, and distribution channels for our products ;
- maintaining and meeting our general and administrative expenses at required levels, including the hiring and training of personnel, and the securing of outside technical and other consultants;
- developing and expanding our operations and business infrastructure;
- responding to competitive pressures;
- making strategic acquisitions of complementary technologies and/or product lines; or
- meeting unanticipated capital requirements.

We cannot provide any assurance that any such financing, be it through strategic collaborations, public or private equity financings or other financing sources, will be available to us as and when required, either on acceptable terms or at all. To the extent that financing is only available through the sale of equity or convertible securities, or that a determination is made by management that the sale of equity or convertible securities is otherwise in the best interests of the Company, any such financing could and likely would result in significant dilution to our existing stockholders. Further, if additional funds are obtained through arrangements with collaborative partners, these arrangements may require us to relinquish rights to some of our technologies, product candidates or products that we would otherwise seek to develop and commercialize on our own. If sufficient capital is not available, we may be required to delay, reduce the scope of or eliminate one or more of our development programs or product lines, any of which could have a material adverse effect on our financial condition or business prospects.

Our accumulated deficit makes it harder for us to borrow funds.

As of March 31, 2014, and as a result of historical losses in prior years, our accumulated deficit was \$8,957,250. The fact that we maintain an accumulated deficit, as well as the extent of our accumulated deficit relative to recent earnings, negatively affects our ability to borrow funds because lenders generally view an accumulated deficit as a negative factor in evaluating creditworthiness. Any inability on our part to borrow funds if and when required, or any reduction in the favorability of the terms upon which we are able to borrow funds if and when required, including amount, applicable interest rate and collateralization, would likely have a material adverse effect on our business, our financial condition, including liquidity and profitability, and our results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

If we are required to repay our outstanding debt as and when required, we may not be able to without either depleting our working capital or raising additional funds, and any failure on our part to repay such debt could result in legal action against us, which could require the sale of material assets, including our smart surface patent, or potentially even a liquidation of the Company.

The Merger has resulted in our assuming and carrying an aggregate of \$489,000 in principal face amount of debt on our balance sheet as of the date of this current report on Form 8-K. In accordance with its terms, \$250,000 of such principal face amount of debt is required to be serviced with quarterly interest payments (calculated on the basis of a 10% annual percentage rate), and then to be repaid in full by July 23, 2015 unless the principal is converted before then to Common Stock at the election of the holder, while another \$239,000 of such principal face amount of debt, in accordance with its stated terms, carries no interest and has no maturity date. In the event that the holder of the convertible debt does not elect to convert some or all of the principal by July 2015, and we are required to repay such amount at such time, in whole or in part, the funds available to us for this purpose would have to come from either working capital or funds on hand in excess of working capital at that time. No assurance can be provided, however, that any such required funds would be available to us for this purpose. If funds are not available to us for this purpose, we would likely need to undertake a financing transaction of some kind. No assurance can be provided, however, that we would be able to complete any such financing between the date hereof and the maturity date of the principal debt we owe, or that, if we are able, that it would be on the basis of terms that are not unfavorable to us. Among other reasons, this is true because investors in early-stage technology companies such as ours generally look unfavorably on the allocation of funds invested by them towards the repayment of debt to third parties as opposed to growing the business. In the event that we are required to repay the principal, in whole or in part, upon maturity, and we have insufficient funds to meet and satisfy the obligation, legal action is likely to be taken against us, which could lead to our having to sell material assets, including our smart surface technology patent, or potentially even a liquidation of the Company.

Risks Associated with the Business and Industry of EcoSmart

Our primary business segment is early-stage with highly speculative prospects.

Although EcoSmart has had certain operations and revenues prior to the Merger, it has been slow to develop and, taken as a whole, insubstantial, and it thus remains an early-stage enterprise insofar as (i) it is expecting to devote substantially all of its efforts to commercializing its coatings and materials technologies, products, and related systems, and (ii) its planned principal operations associated with such new business are only currently getting underway. Accordingly, as a result of the Merger, our primary business segment is now one characterized by largely unproven, new-to-the-market technologies and related systems, and subject to some or all of the attendant risks and uncertainties associated with early-stage technology companies more generally, including without limitation:

- failures in technologies and systems performance and reliability;
- unanticipated costs in getting technologies and systems commercialized;
- high costs of ongoing research and development;
- technologies and systems obsolescence;
- business model non-feasibility;
- inability to manufacture or obtain from third party manufacturers sufficient quantities of product at an acceptable quality level and at an acceptable cost to meet market demand
- inability to establish potential markets;
- unanticipated costs in establishing potential markets;
- inability to adequately protect intellectual property;
- potential infringement on the intellectual property rights of others;
- intense market competition from other technologies and systems;

competition for employee talent; and
inability to manage rapid growth.

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The market for industrial coatings and floor and wall surfacing products is highly competitive.

Product performance, technology, cost-effectiveness, quality and technical and customer service are major competitive factors in the industrial coatings business. EcoSmart management is unaware of any one or more products possessing the same combination of physical properties, and that, on the whole, offers the same array of benefits, as its proprietary line of specialty smart surface coatings. There can be no assurance, however, that there not products under development by others, or already in existence and in the early stages of market introduction, of which management is not yet aware. The market for industrial and product performance coatings is extremely large, broad in scope, and consists of many different segments and sub-segments, each of which involves a range of product applications. It is also increasingly characterized by rapidly evolving technology. Precisely because of the wide array of beneficial properties they possess, and notwithstanding the U.S. patent held by us on our platform smart surface technology, the specialty coatings produced and distributed by EcoSmart should be viewed as competing with other coatings products across a wide variety of the various existing market segments and sub-segments. Hydrophobic and antimicrobial coatings, for example, are each segments in which numerous companies are aggressively competing with one another worldwide, both in terms of technology and market share, but that, combined, represent only a minor portion of the aggregate competition that EcoSmart should be viewed as meaningfully confronting.

The competition faced by EcoSmart in relation to its proprietary line of specialty smart surface coatings includes both public and private organizations and collaborations among academic institutions and large companies, both domestic and foreign, most of which have significantly greater experience and financial resources than EcoSmart. Management expects that EcoSmart's most significant competitors in its specialty coatings business will tend to be larger, more established companies, including many major multinational corporations such as Akzo Nobel N.V., PPG Industries, Inc., Axalta Coating Systems, BASF Corporation, and Valspar Corporation. In general, these companies are all developing products that, at some level or in one or more ways, compete with those of EcoSmart and, in addition to many existing issued and pending patents, they have significantly greater capital and other resources available to them for research and development, testing, seeking and obtaining any required regulatory approvals, marketing and distribution. In addition, many smaller coatings and related nanotechnology and materials companies have formed strategic alliances or collaborative arrangements, partnerships, and other types of joint ventures with larger, well-established industry competitors that afford these companies' potential research and development and commercialization advantages, and may be aided in becoming significant competitors through rapid evolution of new technologies. Academic institutions, governmental agencies, and other public and private dedicated research organizations are also financing and conducting research and development activities that could result in the introduction of products directly competitive to those of EcoSmart.

EcoSmart management is unaware of any one or more products possessing the same combination of physical properties, and that, on the whole, offers the same array of benefits, as the EcoSmart Digital Flooring system. There can be no assurance, however, that there not products under development by others, or already in existence and in the early stages of market introduction, of which management is not yet aware. The market for comparable floor, wall, tabletop and countertop surfacing products and systems is extremely large, broad in scope, and consists of many different participants. It is also increasingly characterized by rapidly evolving technology. Notwithstanding the unique attributes of the EcoSmart Digital Flooring system, or the U.S. patent-pending on it, it should be viewed as competing with all other products in the market vying for differentiation and customers.

The competition faced by EcoSmart in relation to the EcoSmart Digital Flooring system includes both public and private organizations and collaborations among academic institutions and large companies, both domestic and foreign, most of which have significantly greater experience and financial resources than EcoSmart. Management expects that EcoSmart's most significant competitors in its specialty surfacing business will tend to be larger, more established companies, including many major multinational corporations such as Akzo Nobel N.V., PPG Industries, Inc., Axalta Coating Systems, BASF Corporation, Valspar Corporation, DuPont, and Sherwin-Williams. In general, these

companies are all developing products that, at some level or in one or more ways, compete with those of EcoSmart and, in addition to many existing issued and pending patents, they have significantly greater capital and other resources available to them for research and development, testing, seeking and obtaining any required regulatory approvals, marketing and distribution. In addition, many smaller surfacing product/system companies have formed strategic alliances or collaborative arrangements, partnerships, and other types of joint ventures with larger, well-established industry competitors that afford these companies' potential research and development and commercialization advantages, and may be aided in becoming significant competitors through rapid evolution of new technologies. Academic institutions, governmental agencies, and other public and private dedicated research organizations are also financing and conducting research and development activities that could result in the introduction of products and systems directly competitive to those of EcoSmart.

Our primary business segment is based on a technology with very limited testing, minimal independent verification, and no prior commercial history.

Although certain limited testing results conducted by independent laboratories and prospective customers in relation to some of the potential applications for EcoSmart's specialty smart surface coatings technology have provided positive indications of its reliably yielding performance results consistent with internal management expectations, to date, such technologies have not been extensively tested or independently evaluated and assessed in a comprehensive way, and have only very recently developed any prior commercial history. Although we have no reason to suspect that the technologies will not ultimately meet reliability, efficiency, or other performance targets, and that their efficacy will exceed minimally acceptable qualitative standards given benchmark economic objectives, there can be no assurance of this result. If the EcoSmart specialty smart surface coatings technology fails to consistently perform at levels that enable cost-effective solutions for customers, or fails to do so without undesirable environmental consequences, or we are unable to effectively manage the implementation of the technology despite its otherwise satisfactory performance capabilities, it would likely have a material adverse effect on our financial condition and prospects.

Our primary business segment products may not be accepted in the marketplace.

The degree of market acceptance of our EcoSmart products which, going forward, are expected to comprise our primary product lines, will depend on many factors. We cannot predict or guarantee that targeted customers will accept or utilize any of our EcoSmart products. Failure to achieve market acceptance would limit our ability to generate revenue and would have a material adverse effect on our business. In addition, if any of our products achieve market acceptance, we may not be able to maintain that market acceptance over time if competing products or technologies are introduced that are received more favorably or are more cost-effective.

New products markets take time to develop and many of the applications markets for our smart surface specialty coatings should be viewed as separate, new market opportunities.

Commercialization of new technology products often has a very long lead-time and a multiplicity of risks. The confluence of materials engineering and nanotechnology is in its very early stages and acceptance and demand for products in this developing area can often be a long evolutionary process. In general, new products markets – even those surrounding innovative, revolutionary, and so-called ‘break-through’ or ‘game-changing’ technologies – develop gradually over time; despite advancements offering meaningful benefits, they tend to be resistant to change and slow to adapt, evolve, and keep pace with the rate of those advancements. Many of the applications markets potentially served by EcoSmart’s smart surface specialty coatings are new – either brand new or recently emerging – and should thus be viewed as likely to take significant time to develop. Moreover, each should be viewed individually, separate and distinct from all others in terms of development life. If one or more of these applications markets takes longer to develop than we expect, it will likely have an adverse effect on the pace with which we are able to grow revenues, as well as on our prospects more generally, and it may be reflected in a downward adjustment at some point in our publicly quoted stock price.

We may make strategic determinations to allocate capital towards the pursuit of particular applications markets that turn out to be less receptive to our products, or more difficult to penetrate, than expected.

We perceive our smart surface technology as having a wide array of potential product applications, spanning across numerous industrial, consumer, and household segments. As we grow our EcoSmart business, we will thus be faced with the challenges – as we are currently – of having to select certain of these potential product applications markets over others for purposes of focusing our human and financial resources because those resources are necessarily limited and would be less apt to bring about meaningfully positive results if allocated across too many separate market initiatives concurrently. The considerations involved in making these determinations are complex and involve many factors, including the following:

the relative size, age and projected growth trend of the subject market, experience, observational/anecdotal intelligence, and lab and field testing results previously obtained in relation to the application;

the relative strength of the value proposition to prospective customers;

the comparative time-to-market;

the comparative cost-to-market coupled with existing industry relationships and available resources;

the relative geographic accessibility of the market;

the seasonality of the market, if any;

the relative barriers-to-entry within the market;

the relative, projected length of the particular sales cycle;

the projected gross profit margins;

both the presence within the subject market, together with the relative quality, of competitive products; and

the relative size and strength of the individual competitors.

While management will exercise its best judgment in making these determinations, there can be no assurance that the determinations it makes in this regard will turn out to have been the most productive or otherwise best ones for the Company all things considered. Some of the potential applications markets will inevitably be more receptive to our products than others due to the inherent vagaries of product markets generally, and it may turn out that strategic determinations we make along the way to forego the pursuit of certain applications markets in the immediate- and near-term in favor of pursuing others that our management expects to be comparatively more promising or susceptible to penetration by us in that timeframe are proven incorrect. If this should occur, it would be an indication that, despite our intentions and prudence in assessing future demand, we had not allocated our capital as effectively as we might otherwise had done, and this could have a material adverse effect on our returns on capital and/or be reflected in a downward adjustment in our publicly quoted stock price.

For strategic reasons, we may pursue more applications markets for our smart surface specialty coatings products in the near-term and concurrently than we can most effectively penetrate given our available resources.

As noted in the risk factor immediately above, given the notably wide array of industrial and consumer products that we perceive our smart surface specialty coatings technology as potentially benefitting, we are faced with important decisions as to which of these applications markets to pursue in each of the immediate-, near- and long-term. As also noted in the risk factor immediately above, the considerations involved in making these determinations are complex and involve many factors. While management seeks to exercise sound judgment in making these determinations, there can be no assurance that, in hindsight, the determinations it makes in this regard will turn out to have been the most productive or otherwise best ones for the Company. For purposes of achieving a degree of so-called 'first-mover advantage,' for example, we may pursue some markets in the immediate- or near-term that we might otherwise wait to pursue until sometime in the future when we are better equipped to do so effectively. Further, some applications markets may be targeted by management to be pursued in the immediate- or near-term because of their perceived likelihood, whether accurate or inaccurate, to generate revenues sooner than others, even though such others are expected to be larger in the aggregate and/or to offer higher gross margin opportunities. If the strategic determinations that management makes in this regard prove after the fact not to have been the most productive or otherwise best ones for the Company, it will have an adverse effect on our ability to grow revenues relative to the forecasts and expectations developed in the meantime by some, as well as on our prospects more generally, and it may be reflected in a downward adjustment at some point in our stock price.

Our smart surface technology may turn out to be less effective for one or more applications than we expect.

Our current view of the potential applications markets for our smart surface specialty coatings is intentionally broad and far-reaching, spanning numerous potential industrial, consumer, and household segments in relation to which we

believe our technology may provide a range of meaningful benefits. To date, however, we have not commissioned or otherwise undertaken or obtained any comprehensive market study in respect of any one or more of these applications markets. Whether before or after we undertake any such market study, it may turn out to be the case that our coatings are not as effective for any one or more of these applications as we have preliminarily concluded and pursued accordingly, and that we may make a subsequent determination at some point to abandon any continued pursuit of the corresponding markets for this reason. If this should occur, it will have an adverse effect on our ability to grow revenues relative to the forecasts and expectations developed in the meantime by some, as well as on our prospects more generally, and it may be reflected in a downward adjustment at some point in our stock price.

It is conceivable that the coatings products of others – including those having fewer attributes than ours that could reasonably be expected to make them attractive to manufacturers and customers – will be adopted more broadly than ours within one or more applications markets.

Most of the applications markets potentially served by EcoSmart’s smart surface specialty coatings are perceived by our management to present substantial, attractive economic opportunities for us because of the unique array of benefits the coatings are expected to be able to provide. With many different companies in the industrial coatings market all vying for market share, ranging from small and specialized, on the one hand, to large and diversified, on the other, and each selling products with coatings that offer many of the same benefits as ours, however, there can be no assurance that the coatings products marketed by others will not become the preferred choice among manufacturers of end products and/or customers over time with respect to any one or more individual applications markets category. For many different reasons the particular combination of which is not consistent in each case, category leaders are not always necessarily the most effective products in a given market segment. Well-established brand recognition, industry ‘marketing muscle,’ and credibility, for example, and especially when coupled with relative financial strength, can often be more important than technological superiority in a head-to-head market competition. If it turns out that one or more other companies are able to achieve a dominant market position in any one or more applications markets potentially served by EcoSmart’s smart surface specialty coatings, and whether on the basis of broad market strength or otherwise, it will have an adverse effect on our ability to grow revenues, as well as on our prospects more generally, and it may be reflected in a downward adjustment at some point in our publicly quoted stock price.

Either individually or collectively, and without infringing on our smart surface patent or other proprietary rights, one or more technologies owned by others may be able to effect the same or similar results as our own.

We believe that our smart surface proprietary technology affords us a competitive advantage in a wide variety of product applications markets that we are either currently pursuing or intend to fully evaluate as potential targets in the future. There can be no assurance, however, that other technologies, whether existing or developed in the future, and whether individually or combined with others, will not be able to effect the same or similar results as our own, thereby potentially neutralizing whatever unique market advantage we had theretofore believed we possessed. This could potentially occur, moreover, without any infringement on the part of others as it relates to our smart surface technology patent or our other, related proprietary intellectual property rights. It is not at all uncommon for meaningfully different technologies – each protectable in their own right – to produce the same or a very similar result, albeit through an alternate means. If any such other technologies are determined to exist, or are developed in the future, that effect the same or a similar result as our own, and particularly if they can do so at a reduced cost, it would likely have a material adverse effect on our financial condition, results of operation, and prospects.

Our smart surface coatings technology is, or will become, a component within end-products marketed and sold by others for the most part, and the success of our coatings products is, accordingly, dependent on the success of such end-products.

The need for effective solutions-based coatings such as those featuring our smart surface technology will depend upon industrial and commercial needs going forward and the related demand for such products as components. The success of our smart surface specialty coatings products will thus depend largely upon the continuing need for the end-user products into which they become incorporated, and the market demand this engenders. If a significant percentage of the products into which our smart surface specialty coatings products are incorporated are not embraced by end-users, it would likely have a material adverse effect on our financial condition, results of operation, and prospects.

We depend on strategic relationships with commercial and industrial collaborators to help us develop and test our products, and our ability to develop and commercialize products may be impaired or delayed if collaborations are unsuccessful.

Our strategy for the development, testing and commercialization of our proposed products requires that we enter into collaborations with actual and potential corporate partners, licensors, licensees and others. Wherever possible, and in order to benefit from their resources and abilities, we are seeking collaborators in this regard with established lines of business and greater financial resources than our own. We are dependent upon the subsequent success of these other parties in performing their respective responsibilities as well as the continued cooperation and interest. Under agreements with collaborators, we may rely significantly on such collaborators to, among other things, (i) fund research, development and testing activities either with or for us, and (ii) market with us any commercial products that result from our collaborations. Our collaborators, however, may not cooperate with us or perform their obligations under our agreements with them. Moreover, we cannot control the amount and timing of our collaborators' resources that will be devoted to our research, development and testing activities related to our collaborative agreements with them. Such collaborators may not place the same degree of relative importance that we do on product lines that rely on our products to meet benchmark performance standards because the success or failure of such product lines is not as material to their business, taken as a whole, as it is to ours. If our collaborators fail to cooperate with us as desired, devote the requisite resources to our joint initiatives, or meet their obligations under agreements we establish, or if they choose for any reason to pursue existing or alternative technologies in preference to those being developed in collaboration with us, it would likely have a material adverse effect on our financial condition, results of operations and prospects.

Our reliance on the activities of our non-employee consultants, research institutions, and scientific contractors, whose activities are not wholly within our control, may lead to delays in development of our proposed products.

We rely extensively upon and have relationships with outside consultants and contract research organizations having specialized skills to conduct research and to help develop and test EcoSmart products. The consultants and contract research organizations we engage provide us critical skills and resources that we do not have internally. These consultants are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. We have limited control over the activities of these consultants and, except as otherwise required by our collaboration and consulting agreements to the extent they exist, can expect only limited amounts of their time to be dedicated to our activities. These research facilities may have commitments to other commercial and non-commercial entities. We have limited control over the operations of these collaborators and can expect only limited amounts of time to be dedicated to our research and product development goals.

We have limited resources to manage development activities, and because of the numerous risks and uncertainties associated with our product development and commercialization efforts, we are unable to predict the extent of our future losses or when or if we will become profitable.

Our limited resources in conducting and managing development activities might prevent us from successfully developing or exploiting potential markets for our existing products. If we do not succeed in conducting and managing our development activities, we may not be able to commercialize our products, or may encounter significant delays in doing so, either of which is likely to materially harm our business. Our ability to generate revenues from any of our EcoSmart products, moreover, will depend on a number of factors, including our ability to successfully complete and implement our commercialization strategy. Our failure to successfully commercialize our products or to become and remain profitable would likely depress the market price of our Common Stock and impair our ability to raise capital, expand our business, diversify our product offerings and continue our operations.

Our ability to commercially develop our EcoSmart technologies will be dictated in, large part, by forces outside our control which cannot be predicted, including, but not limited to, general economic conditions. Other such forces include the success of our research and field testing, the availability of collaborative partners to finance our work in pursuing applications markets for our smart surface technologies or other developments in the field which, due to efficiencies or technological breakthroughs may render one or more areas of commercialization more attractive, obsolete or competitively unattractive. It is possible that one or more areas of commercialization will not be pursued at all if a collaborative partner or entity willing to fund research and development cannot be located. Our decisions regarding the ultimate products we pursue could have a significant adverse effect on our ability to earn revenue if we misinterpret trends, underestimate development costs and/or pursue technologies, products, or applications markets that turn out to have lesser market appeal and demand than expected. Any of these factors either alone or in concert could materially harm our ability to earn revenues or could result in a loss of any investment in us.

If we are unable to keep up with rapid technological changes in our primary business segment field, we will be unable to effectively compete.

Our primary business segment is engaged in activities in the organic and inorganic chemistry, materials engineering, and nanotechnology fields, which are generally characterized by extensive research efforts and rapid technological progress. Materials engineering and the manipulation of materials of nano sizes and dimensions is a very new science and the creation of new products is dependent upon new and different properties of such materials created that will result in many uncertain applications and rapid change. The evolution of nanotechnology as a new science adds greater uncertainty to new applications and new and improved product introductions is unpredictable. If we fail to anticipate or respond adequately to scientific or technological advancements developments, our ability to operate profitably could suffer. We cannot assure you that research and discoveries by other companies will not render our technologies or potential products or services uneconomical or result in products superior to those we develop or that any technologies, applications, or products we develop will be preferred to any existing or newly-developed technologies, applications, or products.

EcoSmart has historically depended on a disproportionate percentage of its revenues being attributable to only a few customers.

Although its marketing and sales focus has been evolving rapidly, and aggregate revenues have been insubstantial, during the period from January 20, 2012 (inception) through December 31, 2012, and the year ended December 31, 2013, and as reflected in the table below, EcoSmart generated a significant portion of its revenues from a select few customers.

EcoSmart Customer Division	% of Total Revenues	
	2013	2012