

FINDEX COM INC  
Form 10-K  
April 17, 2017

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

**OR**

**[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period for \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-29963

**FINDEX.COM, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: FINDEX COM INC - Form 10-K

Nevada  
(State or other jurisdiction of  
incorporation or organization)

88-0379462  
(I.R.S. Employer  
Identification No.)

1313 South Killian Drive, Lake Park, Florida  
(Address of principal executive offices)

33403  
(Zip Code)

(561) 328-6488

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
**Yes**  **No**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. **Yes**  **No**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes**  **No**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes**  **No**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). **Yes**  **No**

As of June 30, 2016, the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average of the closing bid and asked prices on such date was approximately \$2,120,000.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. **Yes**  **No**

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date:

At April 17, 2017, the registrant had outstanding 504,905,633 shares of common stock, of which there is only a single class.

**TABLE OF CONTENTS**

	<b>Page Number</b>
<b><u>PART I</u></b>	
<u>Item 1. Business.</u>	1
<u>Item 1A. Risk Factors.</u>	19
<u>Item 1B. Unresolved Staff Comments.</u>	38
<u>Item 2. Properties.</u>	38
<u>Item 3. Legal Proceedings.</u>	38
<u>Item 4. Mine Safety Disclosures.</u>	38
<b><u>PART II</u></b>	
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	39
<u>Item 6. Selected Financial Data.</u>	40
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	41
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk.</u>	51
<u>Item 8. Consolidated Financial Statements and Supplementary Data.</u>	F-1
<u>Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.</u>	52
<u>Item 9A(T). Controls and Procedures.</u>	52
<u>Item 9B. Other Information.</u>	52
<b><u>PART III</u></b>	
<u>Item 10. Directors, Executive Officers and Corporate Governance.</u>	53
<u>Item 11. Executive Compensation.</u>	55
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	57
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence.</u>	58
<u>Item 14. Principal Accounting Fees and Services.</u>	59
<b><u>PART IV</u></b>	
<u>Item 15. Exhibits, Financial Statement Schedules.</u>	59

Table of Contents

## **PART I**

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This annual report on Form 10-K, press releases and certain information provided periodically in writing or verbally by our officers or our agents contain statements which constitute forward-looking statements. The words “may”, “would”, “could”, “will”, “expect”, “estimate”, “anticipate”, “believe”, “intend”, “plan”, “goal”, and similar expressions and variations thereof are intended to specifically identify forward-looking statements. These statements appear in a number of places in this Form 10-K and include all statements that are not statements of historical fact regarding the intent, belief or current expectations of us, our directors or our officers, with respect to, among other things: (i) our liquidity and capital resources, (ii) our financing opportunities and plans, (iii) our ability to attract customers to generate revenues, (iv) competition in our business segment, (v) market and other trends affecting our future financial condition or results of operations, (vi) our growth strategy and operating strategy, and (vii) the declaration and/or payment of dividends.

Investors and prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Factors that might cause such differences include, among others, those set forth in Part II, Item 7 of this annual report on Form 10-K, entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, and including without limitation the “Risk Factors” section contained in Part I, Item 1A. Except as required by law, we undertake no obligation to update any of the forward-looking statements in this annual report on Form 10-K after the date hereof.

Readers of this annual report on Form 10-K should note that, in order to provide materially relevant disclosure regarding certain of Findex’s historical, operational expenses not otherwise appropriately accounted for in our consolidated financial statements given the applied accounting treatment described elsewhere in this annual report on Form 10-K, certain disclosure is contained in the text of this report relating to such expenses, including *e.g.* executive compensation, director compensation, and audit fees, that does not numerically align with the corresponding figures contained in our consolidated financial statements.

## **ITEM 1. BUSINESS.**

### **OVERVIEW**

Findex.com, Inc. is headquartered in Lake Park, Florida with its base of business operations co-located in the same facility. The Company is currently comprised of EcoSmart and a consolidated variable interest entity, Advanced Nanofibers, LLC. EcoSmart has historically been the driver of both operating overhead and revenue. EcoSmart, was acquired by us in a merger in 2014 and centers around a proprietary line of specialty materials coatings that have a broad range of value-adding industrial, commercial, residential and consumer applications. Advanced Nanofibers, LLC is a variable interest entity. During the fourth quarter of 2016 management determined the Company was the primary beneficiary of Advanced, and consolidated those operations in accordance with U.S. GAAP. The Company currently owns a minority 23.88% interest in Advanced, which is a Florida-based, nano-technology firm founded in mid-2016 by the Company and two other technology firms. This collaborative joint venture is focused on globally broadening the industrial utilization of nanoparticle-enhanced nanofibers across a diverse range of mass-market industrial and consumer applications. Despite our lack of corporate control over Advanced Nanofibers, and its lack of revenue to date, it is a venture that our management has been and continues to be very actively involved in developing, and that is increasingly consuming a greater percentage of our financial and human resources, a trend management expects to continue into the foreseeable future.

Table of Contents - 1 -

## **ECOSMART**

Our core business is 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. Among others, such applications include:

Heavy Construction Equipment/Vehicles  
Oil and Gas Drilling and Related Heavy Equipment  
Industrial and Residential HVAC Equipment, Commercial Refrigeration Systems, and Power Generators  
Interior and Exterior Flooring and Tiling, Pavers and Hardscapes

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.

### ***Products***

Broadly viewed, 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.

Our specialty coatings business 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. Conventional coatings, which are bonded by mechanical means to whatever surface they are applied to, tend to fail, ultimately, in the bonding to the substrate, typically due to poor surface preparation or variation of temperature exposures. Uniquely, EcoSmart’s products consist of inorganic and organic combinatorial chemistry that causes them to bond chemically with the substrate, whether metal, cement-based, or organic (e.g. plastics). By utilizing covalent bonding that penetrates into the substrate and reacts directly with the free ion within, the otherwise resulting disbondment is

avoided. The result is a much longer lasting and stronger coating, and, in turn, a longer life for the substrate that has been treated.

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:

Table of Contents - 2 -



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  
Oleophobic (Oil-Repellent)

*Against Human Health Risks / Contagion*

Resistant to Bacterial Growth / Germs (sometimes referred to as “Self-Sterilizing”)  
Resistant to Mold / Fungal Spore Growth  
Resistant to Small and Large Viruses

*Against Human Physical / Safety  
Risks*

Slip-Resistant When Wet

Maintenance-Reducing (So-Called “Self-Cleaning”) Benefits

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

*Applications and Markets*

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 our specialty coatings is notably far-reaching, spanning across numerous industrial, commercial, and household segments. While we are currently focusing our pursuit on only several of these potential applications, and there can be no assurance that we will ever pursue any one or more of the others, we have identified the following as potential markets, among others, to be explored and possibly pursued over time:

Table of Contents - 3 -

Heavy Construction Equipment/Vehicles  
Oil and Gas Drilling and Related Heavy Equipment  
Marine Vessels and Fixtures/Infrastructure  
Industrial and Residential HVAC Equipment, Commercial Refrigeration Systems and Power Generators  
Interior and Exterior Flooring and Tiling, Pavers and Hardscapes  
Residential, Commercial, and Industrial Building/Construction  
Sewage and Highway Infrastructure, Bridges  
Solar Panels, Reflectors and Heliostats  
Wind Turbines  
Desalination and Potable Water Systems

To date, we have 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. Our immediate- and near-term focus is on the following four, 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:

Heavy Construction Equipment/Vehicles  
Oil and Gas Drilling and Related Heavy Equipment  
Industrial and Residential HVAC Equipment, Commercial Refrigeration Systems and Power Generators  
Interior and Exterior Flooring and Tiling, Pavers and Hardscapes

*Heavy Construction Equipment/Vehicles.*

This is the market segment application involving foundational heavy terrain construction equipment fleets and individual units. It comprises a wide range of vehicles including gators, bulldozers, excavators, dump trucks, cement mixers, and other, similar types of equipment. This is the market segment application surrounding a vast array of opportunities to sell certain of our coatings to prevent rust, oxidation, corrosion and abrasion breakdown in the heavy construction industry. We believe that our coatings could result in notably significant savings in maintenance costs as well as extended life for these types of equipment/vehicles used in these highly corrosive environments.

Table of Contents - 4 -

*Oil and Gas Drilling, Mining and Related Heavy Equipment.*

This is the market segment application surrounding a vast array of opportunities to sell certain of our coatings to prevent rust, oxidation, corrosion and abrasion breakdown in the oil, gas and mining industries. We believe that our coatings could result in notably significant savings in maintenance costs as well as extended life for equipment, tools, and infrastructure used in these highly corrosive environments. In this market segment, our coatings could be used as protective pipe linings and as protective coating on storage tanks, micro-turbines, hydraulic systems, fleet vehicles, rail cars and shipping containers. 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 viewed by us 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, and that the market and demand for these products is potentially very significant. We are aggressively targeting this application based on a combination of all of the factors identified above, and, to date, we have been pursuing potential distribution opportunities through select industry operators.

*Industrial and Residential HVAC Equipment, Commercial Refrigeration Systems, and Power Generators.*

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. Substantial testing in this area by a variety of industry participants has shown that there is a significant efficiency loss factor on HVAC units due to natural oxidation and the restricted airflow resulting from dirt build-up 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, we have targeted this application based on a combination of all of the factors identified above and are currently in the process of pursuing a strategic marketing plan aimed at this segment.

Table of Contents - 5 -

*Interior and Exterior Flooring and Tiling, Pavers and Hardscapes.*

This is the market segment defined by us 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 us is a dual-pronged approach aimed at manufacturers of primary materials, on the one hand, and contractor installers, on the other. Our latest entrant into this market is a competitively priced, single-part application paver coating that features greater ease-of-use than many comparable and competing products.

In general, though not necessarily across all segments, we intend to pursue a strategic approach to identify market opportunities that rely 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 with prospective sellers that already have in place an industrial customer-base with the greatest likelihood of benefitting from our product(s) and, ideally, without there being an appreciable lag-time in customer adoption of our product because of it effectively serving as an available upgrade to their existing offerings.

For purposes of development, competitive analysis, and prioritizing sales initiatives and resource deployment, we view our specialty coatings business in terms of numerous individual markets identified in each case by reference to the particular combination of our product, on the one hand, and targeted surface and application, on the other. While our complete line of individual specialty coatings products includes more than fifteen separate formulations, the following list identifies some of our largest selling 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:	<i>ECT-1090 Metal Coating</i>
Primary Targeted Surfaces:	Steel and other metal substrates
Primary Target Application Categories:	industrial equipment
Featured Properties For Target Application:	extreme protection against oxidation, microbial intrusion, chemical corrosion, and ultra violet degradation; friction across the coated surface decreases on average of 18-20%, resulting in an increased durability and longevity of the coated surface; demonstrates an increased flow rate of both liquid and gaseous substances across its surface versus a metal surface that is not coated, resulting, among other things, in making the coated surface very easy to keep clean

\* \* \*

Table of Contents - 6 -

Product Name: *ECT-1110 Interior Coating*  
Primary Targeted Surfaces: indoor tile, masonry, paint, cement, plastics, fabric, flame-exposed, cryogenic  
Primary Target Application: interior flooring and tiling  
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-1390 HVAC Anti-Corrosion Energy Coating*  
Primary Targeted Surfaces: all surfaces of condensing unit, including coils, copper lines, compressor and cabinet  
Primary Target Application: HVAC, refrigeration condensing units, cooling towers, and other HVAC equipment  
Categories:  
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-1000 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:  
Featured Properties For Target Application: ultra-thin (50 millionths of an inch) gasified glass layer version of ECT-1000 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-1470 Hardscape Coating*  
Primary Targeted Surfaces: pavers, concrete, roofing tile, ceramic tile, and other porous surfaces  
Primary Target Application: floors, walls, decorative panels, swimming pools  
Categories:  
Featured Properties For Target Application: able to be applied in heavy coats; 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

Table of Contents - 7 -



*Certain of the Science Behind Our Technology*

The most unique feature shared by our coatings, and the specific focal point of a patent held by us and considered by management to be the centerpiece of our 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, our platform smart surface, and the coating variations identified above for which it serves as a basis, 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.

Table of Contents - 8 -

The additives used in our various 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. We have available to us 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, we have access to what we believe are some of the most superior materials available. In the third category are EPA-approved, “on-contact” mechanical microbial germ and virus (so-called “quat” (industrial and commercial quaternary ammonium) killers. These additives work 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 and are capable of fortifying any of our coatings 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 our 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 a quat and certain other additives available to us, a unique, broader spectrum of microbial protection is afforded, un-matched, in the belief of the Company’s management, by any other product in anti-microbial effectiveness.

### ***Long-Term Strategic Direction***

Although there can be no assurance, over time, we intend to progress 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. We currently have developing 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 (1-500 nanometers), and exploitation of novel phenomena and properties (physical, chemical, biological, mechanical, electrical) at that length scale. Materials science engineering has as its focus, among others, the development of new products based on materials whose properties and behavior are controlled at the micrometer and nanometer scales, and through microfabrication technologies.

### ***Manufacturing and Fulfillment***

We currently conduct all manufacturing and fulfillment operations on our own at our facility in Lake Park, FL. Though output capacity is currently limited, we intend to expand in-house capacity in the near future, subject to our having available to us the requisite capital investment. The manufacturing process is comprised largely of combining and blending raw materials and chemicals, including additives, in each case consistent with our proprietary formulations, and bottling of final product into labeled, quart, gallon and larger containers. In general, on-hand inventory is kept to a minimum and built up based on forecasted near-term sales.

Table of Contents - 9 -

## **Backlog**

In general, we do not manufacture our products against a backlog of orders and do 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, we do not believe that backlog information is material to an understanding of our overall business and should not be considered a reliable indicator of our ability to achieve any particular level of revenue or other metric of financial performance.

## **Product Returns Policies and Warranties**

Our product returns policies and warranties differ materially based on the type of surface to which our products are being applied as well as the anticipated performance life of the particular product.

In general, we maintain 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 in which we have no participation or for which we have any responsibility (as may be the case in relation to our 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. For a period of up to five 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.

Our returns policies and product warranties 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 our operations and revenues develop.

## ***Significant Customers and Vendors***

During the years ended December 31, 2016 and 2015, we generated a significant portion of our revenues from certain customers as follows:

% of Total  
Revenues

Edgar Filing: FINDEX COM INC - Form 10-K

Customer	2016	2015
Dekko Concrete	15.46%	4.23%
Infiniti Coatings, LLC.	14.80%	5.32%
Ready Mix USA, LLC.	13.38%	—

During the years ended December 31, 2016 and 2015, our significant product and chemical raw material purchases were as follows:

	% to Total Products	
	2016	2015
Vendor A	54.73%	46.40%
Vendor B	10.05%	—
Vendor C	—	16.94%

We currently have no long-term written agreements with any of these vendors. 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 or nationally available supplier.

Table of Contents - 10 -

### ***Research and Development***

Though a substantial and growing percentage of our operating expense, our research and development (“R&D”) has been very modest in recent years, in real dollar terms, due to a lack of allocable funds. The limited R&D activities that have been pursued over this period have been conducted exclusively in-house.

Our R&D objective is to leverage our unique, integrated, emerging science capabilities to drive revenue and margin growth. Our R&D initiatives are principally focused on our strategic priority of achieving a leadership position across the relatively higher margin, science-driven segments of the specialized coatings and surfaces markets in which it operates by developing and refining differentiated, advanced industrial and related coatings and surface materials. We believe that our specialized scientific expertise, together with our developing R&D program, combine to provide us with distinctive, competitive advantages that position us to establish broad global reach over time and deep market penetration in our market verticals.

Our EcoSmart R&D team consists of two full-time personnel and two part-time personnel.

We continue to protect our R&D investments and assets through pursuit of a comprehensive intellectual property strategy. See discussion under “Intellectual Property.”

### ***Regulation***

We are subject to an extensive array of stringent regulations arising under a broad range of U.S. federal, state, local and foreign environmental, health and safety laws 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 our 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 and maintain an evolving set of policies to minimize and control our environmental discharge and 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.

### ***Competition***

Product performance, technology, cost effectiveness, quality and technical and customer service are major competitive factors in the industrial coatings businesses. We are 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 us should be viewed as competing with other coatings products across a wide variety of the various existing market segments and sub-segments. Hydrophobic, anti-corrosion 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 we should be viewed as meaningfully confronting.

Table of Contents - 11 -



The competition faced by us in relation to our 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 us. We expect that our most significant competitors 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, and Valspar Corporation. In general, these companies are all developing products that, at some level or in one or more ways, compete with ours 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 our own.

### *Intellectual Property*

### **Patents and Licenses**