
**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 Report (Date of earliest event reported): September 2, 2014 (August 27, 2014)

PEN INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

47-1598792
(I.R.S. Employer
Identification No.)

431 Fairway Drive, Suite 200, Deerfield Beach, FL
(Address of principal executive offices)

33441
(Zip Code)

(844) 736-6266
(Registrant's telephone number, including area code)

Former name or former address, if changed since last report:
APPLIED NANOTECH HOLDINGS, INC.
3006 Longhorn Boulevard, Suite 107, Austin, Texas 78758

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:

- 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))
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ITEM 2.01. Completion of Acquisition or Disposition of Assets.

On August 27, 2014 (the “Effective Date”), Applied Nanotech Holdings, Inc., a Texas corporation (the “Company”), together with its wholly owned direct subsidiaries, PEN Inc., a Delaware corporation (“PEN”) and NanoMerger Sub Inc., a Delaware corporation (“Merger Sub”), completed its previously announced combination (the “Combination”) with NanoHolding Inc. (“Nano”) and Carl Zeiss, Inc. (“Zeiss”), pursuant to the terms and conditions of the Agreement and Plan of Merger and Exchange dated as of March 10, 2014, as amended (the “Merger & Exchange Agreement”). In connection with the Combination, we have applied for a new trading symbol to reflect our new name. PEN intends to file an application to have its common stock quoted on the OTCQB tier of the OTC Markets, Inc.

The Combination included three parts: (i) a reincorporation merger; (ii) a subsequent merger of Nano into Merger Sub, and (iii) a subsequent exchange of Zeiss’ interest in Nanofilm Ltd., Nano’s wholly owned subsidiary (“Nanofilm”), for stock in PEN.

Completion of Redomestication into Delaware

As of the Effective Date, the Company consummated its redomestication into the State of Delaware through a merger of the Company into PEN (the “Redomestication Merger”). As a result of the Redomestication Merger, the Company’s separate existence ceased and PEN continued as the surviving corporation and became Merger Sub’s parent.

Completion of Merger of Nano into Merger Sub and Zeiss Exchange

Immediately after the completion of the Redomestication Merger, Nano merged into Merger Sub, with Merger Sub surviving the merger (the “Nano Merger”), and changed its name to Nanofilm Holding Inc. Upon the consummation of the Nano Merger, the separate existence of Nano ceased and Nanofilm Holding Inc. remains a subsidiary of PEN. Following that merger, Zeiss exchanged its units of ownership in Nanofilm Ltd. for stock in PEN (the Exchange”).

Share exchanges and issuances

(i) In the Redomestication Merger each former share of the Company’s common stock, par value \$0.001 per share, issued and outstanding immediately prior to the Effective Date of the Combination (other than shares owned by shareholders who properly exercised and perfected their rights of dissent and appraisal under Texas law) were converted into the right to receive one share of PEN Class A common stock, par value \$.0001 per share

(ii) In the Nano Merger, each share of Nano Class A common stock issued and outstanding immediately prior to the Effective Date of the Combination was converted into the right to receive 141.294 shares of PEN Class A common stock, and each share of Nano Class B common stock issued and outstanding immediately prior to the Effective Date of the Combination was converted into the right to receive 141.294 shares of PEN Class B common stock (in each case, rounded up for fractional shares); and

(iii) each unit of Class Z membership interest in Nanofilm, Ltd. held by Zeiss was converted to 141.294 shares of PEN Class Z common stock (rounded up for any fractional share).

The Merger & Exchange Agreement is described in the Company’s current report on Form 8-K filed March 11, 2014. Amendments to the Merger & Exchange Agreement are described in the Company’s current reports on Form 8-K filed May 30, 2014 and July 7, 2014. Such descriptions are incorporated herein by reference. In addition, such descriptions are qualified in their entirety by reference to the full text of the Merger & Exchange Agreement and the subsequent amendments thereto, copies of which were filed as Exhibit 2.1 to the Company’s current report on Form 8-K filed on March 11, 2014, Exhibit 10.1 to the Company’s current report on Form 8-K filed on May 30, 2014 and Exhibit 10.1 to the Company’s current report on Form 8-K filed on July 7, 2014, respectively, and which are incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities

The information set forth in Item 2.01, above, of this Current Report on Form 8-K is incorporated by reference into this Item 3.02.

As of the Effective Date, outstanding convertible notes of the Company were converted into stock, for which an aggregate of 32,379,288 shares of PEN Class A common stock were issued, and 11,164,620 shares of PEN Class A common stock were issued to directors of the Company in payment of accrued fees. PEN also issued 1,500,000 shares of Class A common stock in satisfaction of a note held by the former CFO of the Company, and issued 6,800,000 shares of Class A common stock to the former COO of the Company pursuant to a Restricted Stock Agreement entered on that date.

An aggregate of 27,670,187 shares of Class A common stock of PEN were issued to the shareholders of NanoHolding in the Nano Merger, and 250,698,105 shares of Class B common stock of PEN were issued to the Rickert Family, Limited Partnership in the Nano Merger. In the Exchange, 47,273,470 shares of Class Z common stock were issued by PEN.

The foregoing issuances of common stock by PEN were not registered under the Securities Act of 1933 in reliance upon an exemption thereunder for transactions not involving a public offering pursuant to Section 4(a)(2) of such Act.

Item 4.01. Changes in Registrant's Certifying Accountant.

(a) Prior independent registered public accounting firm

On August 22, 2014, our Board of Directors approved the dismissal of Padgett, Stratemann & Co, LLP ("Padgett") as our independent registered public accounting firm. We informed Padgett of its dismissal on August 26, 2014. The decision to dismiss Padgett was a result of the completion of the Combination, became effective as of the Effective Date. Padgett did not resign or decline to stand for re-election.

Padgett was engaged as the Company's independent registered public accounting firm to audit the Company's financial statements for the fiscal years ended December 31, 2013 and 2012. Padgett's report on the Company's balance sheet as of December 31, 2013 and 2012, and the related statements of operations, stockholders' equity and cash flows as of December 31, 2013 and 2012 (the "Financial Statements") contained no adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles, except as follows:

Padgett's report on the Company's Financial Statements contained a separate paragraph stating that "As discussed in note 1 to the consolidated financial statements, the Company has experienced recurring losses from operations and negative cash flow from operations. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plan in regard to these matters is also described in note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty."

During the period of time that Padgett served as our independent registered public accounting firm, through the date of dismissal, there were no disagreements with Padgett on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Padgett, would have caused it to make reference to the subject matter of the disagreements in its reports on the financial statements of the Company for the fiscal years ended December 31, 2013 and 2012; and (b) there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

The Company has provided Padgett with a copy of this Form 8-K prior to its filing with the Securities and Exchange Commission ("SEC") and requested Padgett to furnish the Company with a letter addressed to the SEC stating whether or not Padgett agrees with the above statements. A copy of Padgett's letter is attached hereto as Exhibit 16.1 to this Form 8-K.

(b) New independent registered public accounting firm

On August 25, 2014, the Board of Directors approved the engagement of Salberg & Company, P.A. ("Salberg") as our independent registered public accounting firm and Salberg was engaged on August 28, 2014. During the fiscal years ended December 31, 2013 and 2012 and the subsequent interim period prior to the August 28, 2014 engagement date of Salberg, neither the Company nor anyone on its behalf consulted Salberg regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and no written report or oral advice was provided to the Company that Salberg concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement or reportable event as defined in Regulation S-K, Item 304(a)(1)(iv) and Item 304(a)(1)(v), respectively.

Item 5.01 Changes in Control of Registrant.

The information set forth in Items 2.01, 3.02 and 3.03, above, and Items 5.02 and 5.03, below of this Current Report on Form 8-K is incorporated herein by reference.

As a result of the shares issued to the Rickert Family, Limited Partnership in the Nano Merger, a change in control of the Company has occurred. The PEN Class B common stock represents approximately 47% of PEN's outstanding common stock and 99% of the voting control of PEN. Scott Rickert, Ph.D., PEN's Chief Executive Officer is the sole general partner of the Rickert Family Limited Partnership and has the power to vote the PEN Class B common stock.

ITEM 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain officers.

Appointment of Directors

In accordance with the terms of the Merger & Exchange Agreement and effective as of the Effective Date, Paul F. Rocheleau, David Li, and Dr. Zvi Yaniv resigned as members of the Company's Board of Directors and Douglas Q. Holmes, Jeanne M. Rickert, Dr. Scott E. Rickert, and James Sharp, were appointed as directors of the Company along with Ronald J. Berman, Dr. Robert Ronstadt and Howard Westerman who continue as Directors.

Scott Rickert is the Chief Executive Officer of Nanofilm and of NanoHolding, and is now the Chairman and Chief Executive Officer of PEN. He founded Nanofilm in 1985, leaving a tenured position as a professor of Macromolecular Science to start his business career. He has a B.S. Chem E. from Cornell University and an M.S. and PhD. From Case Western Reserve University. He did post-doctoral work at the University of Pennsylvania. He is 61 years old.

Mr. Holmes is an investment banker and member of Holmes Hollister & Co., having offices in Cleveland and New York City. Mr. Holmes has been an investment banker since 1978. He has been an investment banker in New York and Chicago for Lazard Freres & Co., The First Boston Corporation and Kidder, Peabody & Co. before starting two private investment banks, Carleton McCreary Holmes & Co., which was merged with Key Corp., and subsequently, Holmes Hollister & Co. Mr. Holmes has been a founding partner of a private equity firm, Full Circle Investments, and a mezzanine fund, Key Mezzanine Partners, and has been a principal and board member in several companies as a financial investor. Mr. Holmes has a wide range of merger and acquisition experience, advising both domestic and international corporations on both buying and selling companies, structuring joint ventures, providing fairness opinions and starting new businesses. His corporate finance experience includes public equity and debt offerings, structuring new asset based securities with complex tax structures and privately placing all forms of capital. Industry experience includes automotive/truck, specialty materials, consumer, healthcare, and natural resources. Mr. Holmes received a B.A. from Kenyon College and an M.B.A. from Tuck at Dartmouth College. He is 56 years old.

James Sharp is the initial Zeiss designee to the PEN board. He is President and CEO of Zeiss and he is also President of Carl Zeiss Microscopy. Mr. Sharp began his career 40 years ago as a Zeiss service technician with an undergraduate degree in electrical engineering. Mr. Sharp has served Zeiss in North America as well as in Germany, supervising operations in both light and electron microscopy. Over the years he has held a number of regional and national managerial positions, becoming President of the Microscope Division in 1991. After spending four years at Carl Zeiss Jena GmbH in Germany as Senior Vice President and General Manager of the Microscopy Business Unit, Mr. Sharp returned to the U.S. as head of Carl Zeiss MicroImaging. Prior to the combination he was a board member of Nanofilm, and he is a trustee of the Marine Biological Laboratories. He also serves on the board of several Carl Zeiss companies. He is 59 years old.

Jeanne Rickert has served as the General Counsel of Nanofilm since January, 2014. Before that she was a lawyer with the Cleveland office of the international law firm of Jones Day, as Of Counsel in 2013, and as a partner of the firm for the 25 preceding years. Her practice focused on mergers and acquisitions, joint ventures and general corporate and commercial matters. Her undergraduate degree is from Cornell University and her law degree from Case Western Reserve University. She is 61.

The continuing directors, Messrs. Berman and Westerman and Dr. Ronstadt have entered a Lock-Up Agreement that prohibits them from selling shares of our stock, with certain exceptions, during the 180 day period following the Effective Date.

Appointment of Officers

In addition, in accordance with the terms of the Merger & Exchange Agreement, Dr Rickert now serves as our Chief Executive Officer, President and Chairman, Bruce Vereecken as Chief Financial Officer and Treasurer, and Jeanne M. Rickert is now Chief Legal Officer, General Counsel and Secretary.

Bruce V. Vereecken is Chief Financial Officer at Nanofilm. He joined the Company in January 2000 as CFO and assumed responsibility for MIS, Production and Purchasing in January 2001. In 2002 he became Chief Operating Officer of the Company. Previously he worked with Ernst & Young on the audit and consulting staffs and with the BFGoodrich Company in a variety of financial and operating positions. He has a BS and an MBA from the State University of New York at Buffalo. He is 71 years old and is a CPA.

Dr. Rickert's annual compensation is \$205,000 and will not change as a result of the Combination. Similarly compensation for Jeanne Rickert of \$75,000 per year and Mr. Vereecken of \$200,000 per year will continue. Compensation for board members has not been determined.

The former officers of the Company resigned effective on the Effective Date. In connection with the resignation of Dr. Yaniv, the former Chief Operating Officer and President, his employment agreement was terminated and there was a mutual release of claims through the closing date. We also entered into a Restricted Stock Agreement granting him 6,800,000 shares of Class A common stock, subject to forfeiture. All these shares become vested and not subject to forfeiture on the earlier of a change of control of us, Dr. Yaniv's death, or if more than 180 days after closing the average trading price of the shares during a measurement period of ten consecutive trading days reaches certain price thresholds. At a \$0.10 price, one million of the shares vest, with additional tranches of one million shares vesting if the price reaches \$0.15, \$0.20, \$0.25 and \$0.30. The last 1.8 million shares vest at a \$0.35 price threshold. Any shares that have not vested five years after the Effective Date will be forfeited. We also entered into a Piggyback Registration Rights Agreement that will allow Dr. Yaniv, subject to other customary terms and conditions, to register shares that are no longer subject to forfeiture if we are registering our shares.

ITEM 5.03. Amendments to Articles of Incorporation or Bylaws.

On the Effective Date, the amended and restated certificate of incorporation of PEN became our certificate of incorporation. Moreover, the rights of the registrant's stockholders, which prior to the Reincorporation Merger were governed by Texas law, are now governed by Delaware law. Certain differences in the rights of stockholders arise from distinctions between Texas and Delaware law, as well as from differences between the charter instruments of the Company and those of PEN. These differences are more fully described in the section entitled "The Combination—Proposal 1, Comparison of Shareholders' Rights" beginning on page 77 of the Company's proxy statement filed with the SEC on July 3, 2014, which section is incorporated herein by reference.

We continue to have authorized shares of preferred stock for which the board can establish by resolution the terms of different series, including their dividends rights, liquidation rights and preferences and voting rights, among other terms. The rights of common stockholders would be junior to the rights of any preferred stock that the board would decide to issue.

While the Company had only one class of common stock, PEN has three classes of common stock. All shares of PEN common stock have the same rights to dividends and the same liquidation rights. The economic rights of the holders of Class A common stock, Class B common stock and Class Z common stock are the same.

Different classes of PEN common stock have different voting rights. Holders of Class A common stock are entitled to one vote per share. Holders of Class B common stock are entitled to 100 votes per share. Shares of Class B common stock have only been issued to Rickert Family, Limited Partnership which is controlled by Scott Rickert, our Chairman and Chief Executive Officer. If Class B common stock is no longer controlled by the Rickert family, it automatically converts to Class A common stock. Each share of Class B common stock is also convertible into one share of Class A common stock at any time at the option of the holder.

The Class Z common stock has only been issued to Zeiss in the Exchange. Class Z shares have no voting rights in the election of directors, however the holder of the Class Z common stock will be entitled to nominate one person to serve on our board of directors. James Sharp is the Zeiss designated director on our board. Class Z common stock also has anti-dilutive rights that, subject to limited exceptions, permit holders of Class Z common stock to purchase additional shares or equity rights issued by PEN (on the same terms as made available to third parties by PEN) to maintain their economic ownership percentage. The holders of Class Z common stock are also entitled to receive a copy of any notice sent to the holders of Class A common stock or Class B common stock, as and when the notice is sent to such holders. If Class Z common stock is transferred out of the Zeiss control group, it automatically converts into Class A common stock and, if Zeiss sells or exchanges more than half of the stock it acquires in the Exchange, then all the Class Z common stock automatically converts into Class A common stock. In addition, each share of Class Z common stock is convertible into one share of Class A common stock at any time at the option of the holder.

The PEN certificate of incorporation authorizes additional shares that can be issued by the board without stockholder approval (unless approval is otherwise required by applicable law, regulation, agreement or other arrangements).

A copy of PEN's Amended and Restated Certificate of Incorporation is filed as Exhibit 3.1(b) to this Current Report and is incorporated herein by reference. Rights of the stockholders under PEN's Amended and Restated Certificate of Incorporation are described in the section entitled "The Combination—Proposal 1, Comparison of Shareholders' Rights" beginning on page 77 of the Company's proxy statement filed with the SEC on July 3, 2014, which section is incorporated herein by reference.

PEN Amended and Restated Bylaws

On the Effective Date, the bylaws of PEN were amended and restated in their entirety. A copy of PEN's bylaws is filed as Exhibit 3.2 to this Current Report and is incorporated herein by reference. Rights of the stockholders under PEN's bylaws are described in the section entitled "The Combination—Proposal 1, Comparison of Shareholders' Rights" beginning on page 77 of the Company's proxy statement filed with the SEC on July 3, 2014, which section is incorporated herein by reference.

ITEM 5.07. Submission of Matters to a Vote of Security Holders.

On August 22, 2014, the Company held a special meeting of its stockholders (the "Special Meeting"). As of the record date, there were 157,553,526 shares of common stock entitled to one vote per share. Final results of votes with respect to proposals submitted at the Special Meeting are as follows:

1. To approve the Merger & Exchange Agreement, and the business combination contemplated thereby.

The Merger & Exchange Agreement and the business combination contemplated thereby were approved, as follows:

<u>Votes For</u>	<u>Votes Against</u>	<u>Abstain</u>
98,392,906	2,906,851	2,620,604

2. To approve a proposal to amend our Amended and Restated Articles of Incorporation (the "Articles") to increase our authorized shares of capital stock from 162 million to 502 million and our authorized shares of common stock from 160 million to 500 million.

Amendment of our Articles was approved, as follows:

<u>Votes For</u>	<u>Votes Against</u>	<u>Abstain</u>
95,109,345	8,278,272	532,744

3. To approve, on an advisory, non-binding basis, certain compensation arrangements with our former Chief Operating Officer that will become effective at the closing of the combination contemplated by Proposal 1.

The compensation arrangements were approved by the following non-binding advisory vote:

<u>Votes For</u>	<u>Votes Against</u>	<u>Abstain</u>
89,453,210	8,984,355	5,482,796

4. To adjourn the Special Meeting to solicit additional proxies if at the time of the Special Meeting the proxies are not sufficient to approve Proposal 1.

This proposal was withdrawn, as it was not necessary due to the approval by the Company's stockholders of Proposal 1.

Item 7.01. Regulation FD Disclosure

On September 2, 2014, PEN Inc. issued a press release announcing the completion of the Combination. A copy of press release is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

The information contained in the press release attached hereto is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that Section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
2.1	Agreement and Plan of Merger and Exchange dated March 10, 2014 among Applied Nanotech Holdings, Inc., PEN INC., NanoMerger Sub Inc., NanoHolding Inc., and Carl Zeiss, Inc. (Incorporated herein by reference to Exhibit 2.2 of the Company's Form 8-K filed with the SEC on March 11, 2014).
2.2	First Amendment to Agreement and Plan of Merger and Exchange dated May 28, 2014 among Applied Nanotech Holdings, Inc., PEN INC., NanoMerger Sub Inc., NanoHolding Inc., and Carl Zeiss, Inc. (Incorporated herein by reference to Exhibit 2.2 of the Company's Form 8-K filed with the SEC on May 30, 2014).
2.3	Second Amendment to Agreement and Plan of Merger and Exchange dated July 2, 2014 among Applied Nanotech Holdings, Inc., PEN INC., NanoMerger Sub Inc., NanoHolding Inc., and Carl Zeiss, Inc. (Incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed with the SEC on July 7, 2014).
3.1	Amended and Restated Certificate of Incorporation of PEN Inc. (Incorporated herein by reference to Annex C, Exhibit B-1 of the Company's Proxy Statement filed with the SEC on July 3, 2014).
3.2	Bylaws of PEN Inc. (Incorporated herein by reference to Annex C, Exhibit B-2 of the Company's Proxy Statement filed with the SEC on July 3, 2014).
10.1	Form of Lock-Up Agreement
10.2	Termination of Employment Agreement and Mutual Releases by and between PEN Inc. and its subsidiaries and Zvi Yaniv dated August 27, 2014 (Incorporated herein by reference to Exhibit 10.7, Annex A of the Company's Form 8-K filed with the SEC on March 11, 2014).
10.3	Restricted Stock Agreement by and between PEN Inc. and Zvi Yaniv dated August 27, 2014 (Incorporated herein by reference to Exhibit 10.7, Annex B of the Company's Form 8-K filed with the SEC on March 11, 2014).
10.4	Piggyback Registration Rights Agreement by and between PEN Inc. and Zvi Yaniv dated August 27, 2014 (Incorporated herein by reference to Exhibit 10.7, Annex C of the Company's Form 8-K filed with the SEC on March 11, 2014).
16.1	Letter from Padgett, Stratemann & Co, LLP to Securities and Exchange Commission.
99.1	Consolidated Financial Statements of NanoHolding Inc. and Subsidiary for the Six Month Period Ended June 30, 2014 and 2013
99.2	PEN Inc. press release dated September 2, 2014

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PEN Inc.

Date: September 2, 2014

By: /s/ Jeanne M Rickert
Secretary

LOCK-UP AGREEMENT

This Lock-Up Agreement (this “*Agreement*”) is dated as of August --, 2014 and made by the individuals whose signatures appear below (severally and not jointly) (each of them, a “*Holder*”). Any and all capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Merger Agreement (as defined below).

WHEREAS, Applied Nanotech Holdings, Inc. (“*APNT*”), PEN Inc., NanoMerger Sub Inc., NanoHolding Inc. (“*Nano*”) and Carl Zeiss, Inc. have entered into an Agreement and Plan of Merger and Exchange dated March 10, 2014 (the “*Merger Agreement*”) that provides for the redomestication of APNT into PEN Inc., a Delaware corporation, and the merger of Nano into NanoMerger Sub Inc, a subsidiary of PEN Inc. and

WHEREAS, the execution and delivery of this Agreement by the undersigned is a condition to the closing of the Merger Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. *Representations and Warranties.* Each Holder represents and warrants that he has full power and authority to enter into this Agreement. This Agreement and the terms, covenants, provisions and conditions hereof shall be binding upon, and shall inure to the benefit of, the respective heirs, successors and assigns of the parties hereto.

2. *Lock-Up.* Following the Closing, and until the 6th month anniversary of the Closing with respect to the Shares, the undersigned will not, directly or indirectly:

(a) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of Applied Nanotech Holdings, Inc., a Texas corporation (the “*Company*”) or any other securities convertible into or exercisable or exchangeable for shares of the Company, in each case which are beneficially owned and/or acquired as of the date of this Agreement or underlying any security acquired as of the date of this Agreement, or any other shares of the Company or its successor PEN Inc. that may be acquired by the Holder (collectively, the “*Shares*”), including, without limitation, Shares that may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the U.S. Securities and Exchange Commission and Shares that may be issued upon exercise of any options or warrants, or securities convertible into or exercisable or exchangeable for Shares;

(b) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of Shares, whether any such transaction is to be settled by delivery of Shares or other securities, in cash or otherwise; or

(c) publicly disclose the intention to do any of the foregoing.

(d) The restrictions of this Section 2 shall not apply to: (i) transfers of Shares as a bona fide gift to an immediate family member; (ii) transfers of Shares to any trust, partnership, limited liability company or other entity for the direct or indirect benefit of the undersigned or the immediate family of the undersigned; (iii) transfers of Shares to any beneficiary of the undersigned pursuant to a will, trust instrument or other testamentary document or applicable laws of descent; , if and only if each donee, distributee or transferee shall sign and deliver to the Company, prior to such transfer, a lock-up agreement substantially in the form of this Agreement; or (iv) to Shares acquired as a result of the conversion of notes issued by APNT and purchased by a Holder as part of the Bridge Financing. For purposes of this Agreement, “immediate family” shall mean any relationship by blood, marriage, domestic partnership or adoption, not more remote than first cousin.

3. *Right to Decline Transfer.* The Company and its transfer agent on its behalf are hereby authorized (a) to decline to register any transfer of securities if such transfer would constitute a violation or breach of this Agreement and (b) to imprint on any certificate representing Shares a legend describing the restrictions contained herein.

4. *Notices.* Unless otherwise provided herein, all notices, requests, waivers and other communications made pursuant to this Agreement will be in writing and will be given in accordance with the notice provisions of the Merger Agreement, provided that the address for notices to the Holder shall be as set forth on the signature page hereto.

5. *Counterparts.* This Agreement may be executed in facsimile and in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but all of which shall together constitute one and the same agreement.

6. *Severability.* If any provision of this Agreement is held to be invalid or unenforceable for any reason, such provision will be conformed to prevailing law rather than voided, if possible, in order to achieve the intent of the parties and, in any event, the remaining provisions of this Agreement shall remain in full force and effect and shall be binding upon the parties hereto.

7. *Amendment.* This Agreement may be amended or modified by written agreement executed by the undersigned and the Company or, after the Redomestication Merger, its successor.

8. *Further Assurances.* Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

9. *Governing Law.* The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of New York.

[Remainder of this page is blank]

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be duly executed as of the date first indicated above.

HOLDER:

Ronald J. Berman

Notice Address:

Dr. Robert Ronstadt

Notice Address:

Howard Westerman

Notice Address:



September 2, 2014

Securities and Exchange Commission
Washington, D.C. 20549

Commissioners:

We have read Applied Nanotech Holdings, Inc.'s statements included under Item 4.01 of its Form 8-K filed on September 2, 2014 and we agree with such statements concerning our firm.

Padgett, Stratemann & Co., L.L.P.

Padgett, Stratemann & Co., LLP

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NANOHOLDING INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014
(Unaudited)

NANOHOLDING INC. AND SUBSIDIARY

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**NANOHOLDING INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

	<u>June 30, 2014</u> (Unaudited)	<u>December 31, 2013</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 168,247	\$ 100,367
Accounts receivable, net	1,673,462	1,524,303
Accounts receivable, related party	5,959	17,224
Inventory	1,156,511	1,484,456
Prepaid expenses	<u>149,408</u>	<u>107,718</u>
TOTAL CURRENT ASSETS	3,153,587	3,234,068
PROPERTY AND EQUIPMENT, net	595,396	672,704
OTHER ASSETS	<u>13,494</u>	<u>73,504</u>
TOTAL ASSETS	<u>\$ 3,762,477</u>	<u>\$ 3,980,276</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 265,263	\$ 721,860
Accrued expenses	357,864	344,271
Current portion of bank term loan	-	60,000
Income taxes payable	215,627	-
Bank revolving line of credit	<u>231,450</u>	<u>199,919</u>
TOTAL CURRENT LIABILITIES	<u>1,070,204</u>	<u>1,326,050</u>
LONG-TERM LIABILITIES:		
Accrued compensation - stock appreciation rights Plan A	58,999	58,999
Deferred lease incentives	37,421	43,836
Equity credits issued	11,373	25,079
Bank term loan, net of current portion	<u>-</u>	<u>515,000</u>
TOTAL LONG-TERM LIABILITIES	<u>107,793</u>	<u>642,914</u>
TOTAL LIABILITIES	<u>1,177,997</u>	<u>1,968,964</u>
Commitments (Note 6)		
EQUITY:		
Class A common stock: \$.0001 par value, 2,600,000 shares authorized; 195,834 and 195,834 issued and outstanding at June 30, 2014 and December 31, 2013, respectively	20	20
Class B common stock: \$.0001 par value, 2,000,000 shares authorized; 1,774,300 and 1,774,300 issued and outstanding at June 30, 2014 and December 31, 2013, respectively	177	177
Accumulated deficit	<u>(614,705)</u>	<u>(1,104,665)</u>
Total Nanoholding Inc. stockholders' deficit	<u>(614,508)</u>	<u>(1,104,468)</u>
Non-controlling interest	<u>3,198,988</u>	<u>3,115,780</u>
TOTAL EQUITY	<u>2,584,480</u>	<u>2,011,312</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 3,762,477</u>	<u>\$ 3,980,276</u>

See accompanying notes to unaudited consolidated financial statements.

NANOHOLDING INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SALES:				
Third parties	\$ 2,843,595	\$ 1,799,206	\$ 5,532,321	\$ 4,138,294
Related party	24,367	74,698	107,052	130,273
Total Sales	2,867,962	1,873,904	5,639,373	4,268,567
COST OF SALES	1,381,527	1,262,548	2,831,668	2,624,400
GROSS PROFIT	1,486,435	611,356	2,807,705	1,644,167
OPERATING EXPENSES:				
Salaries, wages and contract services	540,025	474,495	1,073,586	960,602
Professional services	152,751	149,411	338,777	221,714
Sales and marketing	92,609	102,976	166,126	184,984
Occupancy	89,777	91,338	180,512	185,938
Travel and entertainment	25,718	54,632	47,802	86,274
Depreciation	22,137	32,643	44,274	65,286
Administrative	66,054	54,829	111,916	95,701
Materials and development	4,710	9,360	26,369	22,473
Total Operating Expenses	993,781	969,684	1,989,362	1,822,972
INCOME (LOSS) FROM OPERATIONS	492,654	(358,328)	818,343	(178,805)
OTHER INCOME (EXPENSES):				
Interest income	-	20	-	29
Interest expense	(10,091)	(28,004)	(17,424)	(56,530)
Other income, net	(12,137)	2,420	(12,124)	6,865
Total Income (Expenses)	(22,228)	(25,564)	(29,548)	(49,636)
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	470,426	(383,892)	788,795	(228,441)
PROVISION FOR INCOME TAXES	(168,019)	-	(215,627)	-
NET INCOME (LOSS)	302,407	(383,892)	573,168	(228,441)
NET (INCOME) LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(43,902)	10,603	(83,208)	33,170
NET (LOSS) INCOME ATTRIBUTABLE TO NANOHOLDING INC.	\$ 258,505	\$ (373,289)	\$ 489,960	\$ (195,271)
NET INCOME (LOSS) PER COMMON SHARE:				
Basic	\$ 0.13	\$ (0.19)	\$ 0.25	\$ (0.10)
Diluted	\$ 0.13	\$ (0.19)	\$ 0.25	\$ (0.10)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	1,970,134	1,970,134	1,970,134	1,970,134
Diluted	1,970,134	1,970,134	1,970,134	1,970,134

See accompanying notes to unaudited consolidated financial statements.

**NANOHOLDING INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Six Months Ended	
	June 30,	
	2014	2013
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 573,168	\$ (228,441)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Bad debt (recovery) expense	-	(36)
Change in inventory obsolescence reserve	12,914	43,588
Depreciation and amortization expense	84,366	110,142
Amortization of deferred lease incentives	(6,415)	(6,415)
Change in operating assets and liabilities:		
Accounts receivable	(149,159)	(50,005)
Accounts receivable related party	11,265	38,482
Inventory	315,031	(312,851)
Prepaid expenses and other assets	4,614	(80,093)
Accounts payable	(456,597)	269,506
Accrued expenses	13,593	78,678
Income taxes payable	215,627	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	618,407	(137,445)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(7,058)	(30,111)
NET CASH USED IN INVESTING ACTIVITIES	(7,058)	(30,111)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments made for member unit redemptions	-	(93,213)
Repayment of bank line of credit, net	(483,469)	-
Repayment of bank loans	(60,000)	-
NET CASH USED IN FINANCING ACTIVITIES	(543,469)	(93,213)
NET INCREASE (DECREASE) IN CASH	67,880	(260,769)
CASH, beginning of year	100,367	1,540,581
CASH, end of period	\$ 168,247	\$ 1,279,812
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest		
Interest	\$ 14,889	\$ 28,255
Income taxes	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Value of equity credits forfeited at original purchase price, in exchange for cancellation of receivables	\$ 13,706	\$ -

See accompanying notes to unaudited consolidated financial statements.

NANOHOLDING INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – NATURE OF OPERATIONS AND REORGANIZATION

Nature of operations

Nanoholding Inc. and Subsidiary (the “Company”) develops and markets products based on technology which permits the fabrication of oriented, ultra-thin films of organic or polymeric crystals. The Company also produces a line of personal lens cleaners and accessories. These products are marketed internationally primarily to customers in the eyeglass industry. Nanoholding Inc. (“Nanoholding”) is a holding company formed under the laws of Delaware on February 24, 2014. Nanoholding is a majority owner of membership interests in Nanofilm, Ltd. (“Nanofilm”), a company formed under the laws of the Ohio on June 14, 1995 as a limited liability company.

Reorganization

In February 2014, on a one to one basis, Class A and Class B unit owners of Nanofilm exchanged their respective units into Class A common stock and Class B common stock, respectively, of Nanoholding, respectively. Similar to Nanofilm’s Class A and Class B unit owners voting rights, holders of Nanoholding’s Class A Common Stock shall be entitled to one vote in person or by proxy for each share of Class A Common Stock held by such holder and every holder of Class B Common Stock shall be entitled to one hundred votes in person or by proxy for each share of Class B Common Stock held by such holders. The Class Z unit owner retained their member interest in Nanofilm. As a result of the share exchange, Nanofilm became a majority-owned subsidiary of the Company. During and after the restructuring, there has been no change to the Company’s principal managers and Nanofilm has remained under common operating, management and financial control. As a result, the reorganization has been accounted for as a combination of entities under common control and recapitalization of Nanofilm with no adjustment to the historical basis of the assets and liabilities of Nanofilm, and the operations are consolidated and all equity and per unit equity data is presented retroactively as if the reorganization occurred as of the beginning of the first accounting period presented in these consolidated financial statements. The Class Z member of Nanofilm is accounted for as a non-controlling interest.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company’s consolidated financial statements include the financial statements of its 85.5% majority-owned subsidiary, Nanofilm, Ltd. All significant intercompany accounts and transactions have been eliminated in consolidation.

Management acknowledges its responsibility for the preparation of the accompanying consolidated financial statements which reflect all adjustments, consisting of normal recurring adjustments, considered necessary in its opinion for a fair statement of its consolidated financial position and the consolidated results of its operations for the periods presented. The accompanying unaudited consolidated financial statements for the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (the “U.S. GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission for interim financial information. Operating results for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole. All necessary adjustments have been made to present the consolidated financial statements in accordance with U.S. GAAP. These consolidated financial statements should be read in conjunction with the summary of significant accounting policies and notes to financial statements included in the Company’s audited financial statements for the years ended December 31, 2013 and 2012.

NANOHOLDING INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates for the six months ended June 30, 2014 and 2013 include the allowance for doubtful accounts on accounts receivable, the allowance for obsolete inventory, the useful life of property and equipment, assumptions used in assessing impairment of long-term assets, and the fair value of any equity incentives.

Fair value of financial instruments

The Company adopted the guidance of Accounting Standards Codification (“ASC”) 820 for fair value measurements which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity’s own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, loans and lines of credit, accounts payable, accrued expenses, and other payables approximate their fair market value based on the short-term maturity of these instruments.

The Company analyzes all financial instruments with features of both liabilities and equity under the FASB’s accounting standard for such instruments. Under this standard, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Depending on the product and the terms of the transaction, the fair value of notes payable and derivative liabilities were modeled using a series of techniques, including closed-form analytic formula, such as the Black-Scholes option-pricing model.

NANO HOLDING INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The following table presents a reconciliation of the liabilities measured at fair value on a recurring basis using significant unobservable input (Level 3) for the six months ended June 30, 2014:

	Stock Appreciation Rights Plan A	Equity Credits Issued
Balance at December 31, 2013	\$ 58,999	\$ 25,079
Equity credits forfeited	-	(13,706)
Balance at June 30, 2014	<u>\$ 58,999</u>	<u>\$ 11,373</u>

ASC 825-10 “Financial Instruments”, allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding instruments.

Cash and cash equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less at the purchase date and money market accounts to be cash equivalents.

Accounts receivable

The Company recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as administrative expense. At June 30, 2014 and December 31, 2013, outstanding accounts receivable are shown net of allowance for doubtful accounts of \$15,892 and \$16,017, and sales discount reserve of \$9,594 and \$10,555, respectively.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Revenue recognition

Pursuant to the guidance of ASC Topic 605, the Company recognizes sales when persuasive evidence of an arrangement exists, delivery has occurred, the purchase price is fixed or determinable and collectability is reasonably assured. Net sales is recognized when the product is shipped to the customer and title is transferred.

NANO HOLDING INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Sales incentives and consideration paid to customers

The Company accounts for certain promotional costs such as sales incentives and cooperative advertising as a reduction of net sales. For the three and six months ended June 30, 2014 and 2013, the Company recorded approximately \$35,010 and \$37,368, and \$65,508 and \$70,023, respectively, as a reduction of sales related to these costs.

Cost of sales

Cost of sales includes inventory costs, labor and related benefits, depreciation, overhead and shipping and handling costs incurred.

Shipping and handling costs

Shipping and handling costs incurred relating to the purchase of inventory are included in inventory which is charged to cost of sales as product is sold. Shipping and handling costs charged to customers are included in sales. For the three months ended June 30, 2014 and 2013 and for the six months ended June 30, 2014 and 2013, shipping and handling costs incurred for product shipped to customers are included in cost of sales and amounted to \$56,923 and \$67,128, and \$109,908 and \$125,688, respectively.

Research and development

Research and development costs are expensed as incurred. For the three months ended June 30, 2014 and 2013 and for the six months ended June 30, 2014 and 2013, research and development costs were \$148,400 and \$253,281, and \$295,369 and \$459,886, respectively, and are included in operating expenses on the accompanying consolidated statements of operations.

Advertising costs

The Company participates in various advertising programs. All costs related to advertising of the Company's products are expensed in the period incurred. For the three months ended June 30, 2014 and 2013 and for the six months ended June 30, 2014 and 2013, advertising costs charged to operations were \$53,783 and \$62,680, and \$92,114 and \$110,010, respectively and are included in sales and marketing on the consolidated accompanying statements of operations. These advertising expenses do not include cooperative advertising sales incentives and which have been deducted from sales.

Federal and state income taxes

The Company accounts for income tax using the liability method prescribed by ASC 740, "Income Taxes". Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the year in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

NANOHOLDING INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Company's subsidiary, Nanofilm, operates as a limited liability company and passes all income and loss to each member based on their proportionate interest in Nanofilm.

The Company follows the accounting guidance for uncertainty in income taxes using the provisions of Accounting Standards Codification (ASC) 740 *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. As of June 30, 2014 and December 31, 2013 and, the Company had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years that remain subject to examination are the years ending on and after December 31, 2010. The Company recognizes interest and penalties related to uncertain income tax positions in other expense. However, no such interest and penalties were recorded as of June 30, 2014.

Member distributions

At the election of the Company's subsidiary's Board of Managers', the Company may make periodic distributions to members of the subsidiary based on a percentage of the Company's estimated taxable income.

Income per share of common stock

Basic net income per common share is computed by dividing net income available to common stockholders (Class A and B) by the weighted average number of shares of Class A and Class B common stock outstanding during the period. Diluted net income per common share is computed by dividing net income by the weighted average number of shares of Class A and Class B common stock, common stock equivalents and potentially dilutive securities outstanding during each period. As of June 30, 2014 and December 31, 2013, the Company did not have any potentially dilutive common shares.

NOTE 3 – INVENTORY

At June 30, 2014 and December 31, 2013, inventory consisted of the following:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Raw materials	\$ 824,394	\$ 1,055,667
Finished goods	612,704	696,461
	<u>1,437,098</u>	<u>1,752,128</u>
Less: reserve for obsolete inventory	(280,587)	(267,672)
Inventory, net	<u>\$ 1,156,511</u>	<u>\$ 1,484,456</u>

NANOHOLDING INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 – EQUITY

In February 2014, on a one to one basis, Class A and Class B member unit owners of Nanofilm exchanged their respective units into Class A common stock and Class B common stock, respectively, of Nanoholding, respectively. Similar to Nanofilm’s Class A and Class B member unit owners voting rights, holder of the Company’s Class A Common Stock shall be entitled to one vote in person or by proxy for each share of Class A Common Stock held by such holder and every holder of Class B Common Stock shall be entitled to one hundred votes in person or by proxy for each share of Class B Common Stock held by such holder.

NOTE 5 – BANK LOANS AND LINES OF REVOLVING CREDIT FACILITY

On July 30, 2013 the Company entered into a financing arrangement with Fifth Third Bank to provide funds to repay notes payable to Class A stockholders and provide working capital. The financing arrangement provided for a \$600,000 term loan (the “Fifth Third Term Loan”) and a \$1,200,000 Revolving Credit Facility (“the Fifth Third Revolving Credit Facility”) as described below.

	Fifth Third Term Loan	Fifth Third Revolving Credit Facility
Amount	\$ 600,000	\$ 1,200,000
Loan term	5 years	1 year
Interest rate	Libor plus 3% (3.138% at December 31, 2013)	Libor plus 2.75% (2.92% at December 31, 2013)
Monthly payment	\$ 5,000 monthly plus interest	Interest only

At December 31, 2013, the Fifth Third Term Loan and Fifth Third Revolving Credit Facility were as follows:

	Fifth Third Term Loan	Fifth Third Revolving Credit Facility
Balance at December 31, 2013	\$ 575,000	\$ 199,919
Less: current portion	(60,000)	(199,919)
Bank term loan, net of current portion	\$ 515,000	\$ -

The Fifth Third Term Loan and Fifth Third Revolving Credit Facility were repaid in April 2014.

NANOHOLDING INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 – BANK LOANS AND LINES OF REVOLVING CREDIT FACILITY (continued)

In April 2014, the Company entered into a \$1,500,000 revolving credit note agreement (the “Revolving Note”) with a bank. The unpaid principal balance of this Revolving Note is payable on demand, is secured by all of the Company’s assets, and bears interest computed at a rate of interest (the “Effective Rate”) which is equal to 7.0% above the LIBOR Rate, as defined, payable monthly. The Company shall pay to Lender a late charge of 5.0% of any monthly payment not received by Lender within 10 calendar days after said payment is due. The Company, at any time or from time to time upon three business days’ written notice to Lender, prepay the Note in whole provided that (i) if Borrower prepays the Revolving Note in full and terminates the Revolving Note after the date hereof, or (ii) Lender, after the date hereof, terminates the Revolving Note after default, then Borrower shall pay, in addition to all other amounts due to Lender and/or paid by the Company, a termination premium equal to 2.0% of the maximum loan amount. The Company used the proceeds of the Revolving Note disbursed at closing to retire and extinguish all indebtedness of the Company to Fifth Third Bank. The Company borrowed approximately \$988,000 under the Revolving Note which repaid Fifth Third Bank.

At June 30, 2014, amounts due pursuant to the Revolving Note amounted to \$231,450.

At June 30, 2014, maximum funds available to borrow under the Revolving Note amounted to \$1,268,550. The weighted average interest rate during the period was approximately 6.8%.

NOTE 6 – RELATED PARTY TRANSACTIONS

Sales to related party

During the three and six months ended June 30, 2014 and 2013, the Company engaged in certain sales transactions with the owner of Nanofilm’s Class Z Membership Units. These transactions were conducted during the normal course of the Company’s business on terms consistent with similar transactions with unrelated parties. Sales to the related party totaled \$24,367 and \$74,698 for the three months ended June 30, 2014 and 2013, respectively. Sales to the related party totaled \$107,052 and \$130,273 for the six months ended June 30, 2014 and 2013, respectively. Accounts receivable from the related party totaled \$5,959 and \$17,224 at June 30, 2014 and December 31, 2013, respectively.

Other

A board member is a principal in an investment advisory firm which the Company paid approximately \$23,000 and \$90,000 in fees and expenses during the three and six months ended June 30, 2014.

NOTE 7 – CONCENTRATIONS

Concentrations of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable and cash deposits and investments in cash equivalent instruments.

NANOHOLDING INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – CONCENTRATIONS (continued)

The Company places its cash in banks at levels that, at times, may exceed federally insured limits. There were no balances in excess of FDIC insured levels as of June 30, 2014 and December 31, 2013. The Company has not experienced any losses in such accounts through June 30, 2014.

Customer concentrations

Customer concentrations for the three and six months ended June 30, 2014 and 2013 are as follows:

	Sales			
	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Customer A	24%	40%	22%	33%
Customer B	30%	5%	29%	3%
Customer C	7%	15%	11%	14%
Total	61%	60%	62%	50%

	Accounts Receivable	
	As of June 30, 2014	As of December 31, 2013
	Customer A	35%
Customer B	38%	32%
Customer C	6%	8%
Total	73%	75%

A reduction in sales from or loss of such customers would have a material adverse effect on our consolidated results of operations and financial condition.

Geographic concentrations of sales

For the six months ended June 30, 2014 and 2013, total sales in the United States represent 89% and 85% of total sales, respectively. No other geographical area accounting for more than 10% of total sales during the six months ended June 30, 2014 and 2013.

Vendor concentrations

For the six months ended June 30, 2014, the Company purchased 47% of its inventory from three suppliers (25%, 12% and 10%, respectively). For the six months ended June 30, 2013, the Company purchased 33% of its inventory from two suppliers (22% and 11%, respectively).

NANOHOLDING INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – PLAN OF MERGER

On March 10, 2014, Nanoholding entered into an Agreement and Plan of Merger and Exchange (the “Merger Agreement”) with Applied Nanotech Holdings, Inc., a Texas corporation (the “Applied Nano”), together with its wholly owned subsidiaries PEN INC, a Delaware corporation (“PEN”) and NanoMerger Sub Inc., a Delaware corporation (“Merger Sub”) and with Carl Zeiss, Inc. (“Zeiss”), the Class Z member of Nanofilm, pursuant to which, subject to the terms and conditions of the Merger Agreement, Nanoholding will merge with and into Merger Sub and become a wholly-owned subsidiary of PEN (the “Merger”) with Nanoholding shareholders receiving Class A and Class B common shares of PEN, and Applied Nano will merge with and into PEN for re-domestication purposes. Immediately thereafter Zeiss will exchange its interest in Nanofilm for Class Z common shares of PEN. If additional Class A common shares or Class B common shares or other common equivalents of PEN are issued, the holder of the Class Z common shares has the right to purchase additional Class Z common shares necessary to prevent dilution of the Class Z shareholder as a percentage of the total common equivalent. Applied Nano provides nanotechnology research and development services. Upon completion of the Merger, current stockholders of Applied Nano and holders of certain debt convertible into Applied Nano’s common stock are expected to receive approximately 38% of PEN’s outstanding common stock and stockholders of Nanoholding and Zeiss are expected to receive approximately 62% of PEN’s outstanding common stock. Consummation of the Merger is subject to certain conditions, including (i) approval by the holders of at least a majority of Applied Nano’s common stock, (ii) payment or conversion of all of Applied Nano’s debt that is convertible into its equity securities (exclusive of the any securities issued as part of the Bridge Financing), and (iii) the absence of any law restraining, enjoining or prohibiting the Merger. Moreover, each party’s obligation to consummate the Merger and the exchange is subject to certain other conditions including (a) the accuracy of the other parties’ representations and warranties (subject to customary materiality qualifiers) and (b) the other parties’ material compliance with its covenants and agreements contained in the Merger Agreement. The Company intends to treat this transaction as a reverse acquisition using the acquisition method of accounting with the Company as the acquirer for accounting purposes.

NOTE 9 – SUBSEQUENT EVENTS

The Company has evaluated events and transactions that occurred between June 30, 2014 and August 27, 2014, which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

On August 22, 2014, the shareholders of Applied Nano approved the Merger Agreement and on August 27, 2014, the Merger Closed.



**Applied Nanotech Holdings, Inc and NanoHoldings Inc.
complete combination to create PEN Inc.**

**New company to focus on commercialization of
advanced nanotechnology-enabled products**

Scott Rickert is Chairman and CEO

Deerfield Beach, FL – September 2, 2014 – PEN Inc. (OTCQB: APNT) (PEN) today confirmed the closing of the previously announced combination of Applied Nanotech Holdings, Inc. (Applied Nanotech) and NanoHoldings, Inc., the parent company of Nanofilm, Ltd. (Nanofilm), to form the new publicly traded company. Scott Rickert, the CEO of Nanofilm, is now the CEO and Chairman of the Board of Directors of PEN.

PEN creates one of the country's leading companies focused on developing and commercializing advanced-performance products enabled by nanotechnology. The new company unites staff and resources in nanotechnology research and development and experience in specialty product commercialization.

Nanofilm Ltd, and Applied Nanotech will continue as wholly owned subsidiaries of PEN. The company has applied to trade under a new symbol. Until it is approved, the stock will continue to trade on the OTCQB under the symbol APNT.

“My vision for PEN is to harness the vast potential of nanotechnology to create innovative, breakthrough products for a global marketplace,” said Scott Rickert. “In PEN, there’s both R&D expertise and commercialization experience to drive the growth strategy.” PEN will focus product efforts in three areas: safety, health and sustainability. “PEN will be tackling big problems that require the solutions nanotechnology makes possible,” noted Rickert.

Dr. Rickert added, “The PEN I envision will have the human capital, the scientific knowledge and the financial resources to match our ambitious goals. I know everyone on the team is ready to move forward, excited to begin a new era focused on nanotechnology-enabled performance products and company growth.”

PEN also announced a newly constituted board of directors. In addition to Dr. Rickert, new directors are Jeanne Rickert, Douglas Holmes, and James Sharp. Robert Ronstadt, Howard Westerman and Ronald Berman, who were members of the Applied Nanotech board, will remain as directors of PEN.

The new company will be headquartered in Deerfield Beach, Florida. Applied Nanotech operations will continue in Austin, Texas, and Nanofilm operations will remain in Valley View, Ohio.



About PEN Inc. (OTCQB: APNT)

PEN Inc. (APNT) is a global leader in developing, commercializing and marketing enhanced-performance products enabled by nanotechnology. The company focuses on innovative and advanced product solutions in safety, health and sustainability. For more information about PEN Inc, visit www.pen-technology.com.

Safe Harbor Statement

This press release contains forward-looking statements that involve risks and uncertainties concerning our business, products, and financial results. Actual results may differ materially from the results predicted. More information about potential risk factors that could affect our business, products, and financial results are included in our annual report on Form 10-K for the fiscal year ended December 31, 2013, and in reports subsequently filed by us with the Securities and Exchange Commission ("SEC"). All documents are available through the SEC's Electronic Data Gathering Analysis and Retrieval System (EDGAR) at www.sec.gov or from our website listed above. We hereby disclaim any obligation to publicly update the information provided above, including forward-looking statements, to reflect subsequent events or circumstances.

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