

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2022

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

COMMISSION FILE NO. 1-11602

NANO MAGIC HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware

47-1598792

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

31601 Research Park Drive, Madison Heights, MI 48071

(Address of principal executive office, including Zip Code)

Registrant's telephone number, including area code: **(844) 273-6462**

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.0001 par value	NMGX	OTC Markets

Securities registered pursuant to Section 12(g) of the Exchange Act: **None**

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "accelerated filer", "large accelerated filer", "smaller reporting company" and "emerging growth 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

Emerging growth company

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

As of August 15, 2022, the registrant had 10,361,015 shares of Common Stock issued and outstanding.

Nano Magic Holdings Inc.

INDEX

	<u>Page</u>
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	F-1
<u>Condensed Consolidated Statements of Operations—Three and Six Months Ended June 30, 2022 and 2021</u>	F-1
<u>Condensed Consolidated Balance Sheets—June 30, 2022 and December 31, 2021</u>	F-2
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended June 30, 2022 and 2021</u>	F-3
<u>Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2022 and 2021 (unaudited)</u>	F-4
<u>Condensed Consolidated Statements of Cash Flows—Six Months Ended June 30, 2022 and 2021</u>	F-5
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	F-6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	4
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	7
<u>Item 4. Controls and Procedures</u>	7
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	8
<u>Item 1A. Risk Factors</u>	8
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	8
<u>Item 3. Defaults Upon Senior Securities</u>	9
<u>Item 4. Mine Safety Disclosures</u>	9
<u>Item 5. Other Information</u>	9
<u>Item 6. Exhibits</u>	9
<u>Signatures</u>	10

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains certain forward-looking statements that we believe are within the meaning of the federal securities laws. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements, including the statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding our strategy, future operations, future expectations or future estimates, financial position and objectives of management. Those statements in this Form 10-Q containing the words “believes,” “anticipates,” “plans,” “expects” and similar expressions constitute forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and are subject to a number of risks, uncertainties and assumptions relating to our operations, results of operations, competitive factors, shifts in market demand and other risks and uncertainties.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate and actual results may differ from those indicated by the forward-looking statements included in this Form 10-Q. In light of the significant uncertainties inherent in the forward-looking statements included in this Form 10-Q, you should not consider the inclusion of such information as a representation by us or anyone else that we will achieve such results. Moreover, we assume no obligation to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NANO MAGIC HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2022	2021	2022	2021
NET REVENUES	\$ 493,782	\$ 1,056,653	\$ 1,012,925	\$ 3,127,748
COST OF SALES	458,330	474,466	990,894	1,583,538
GROSS PROFIT	35,452	582,187	22,031	1,544,210
OTHER OPERATING INCOME	-	164,520	-	500,537
OPERATING EXPENSES:				
Selling and marketing expenses	96,301	40,324	175,830	77,220
Salaries, wages and related benefits	356,118	760,164	819,339	1,290,543
Research and development	3,211	7,437	10,700	9,313
Professional fees	188,794	202,934	442,773	408,900
General and administrative expenses	211,463	269,851	463,261	439,066
Total Operating Expense	855,887	1,280,710	1,911,903	2,225,042
LOSS FROM OPERATIONS	(820,435)	(534,003)	(1,889,872)	(180,295)
OTHER INCOME (EXPENSE):				
Loss on investment in subsidiary	(3,161)	-	(3,161)	-
Interest expense	(8,337)	(4,588)	(15,635)	(9,995)
Other income	3,886	10	2,625	10
Total Other Income (Expense)	(7,612)	(4,578)	(16,171)	(9,985)
LOSS FROM CONTINUING OPERATIONS	(828,047)	(538,581)	(1,906,043)	(190,280)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS				
Income (loss) from discontinued operations	(13,045)	64,984	1,300	87,080
Gain on sale of discontinued operations	1,148,225	-	1,148,225	-
NET INCOME FROM DISCONTINUED OPERATIONS	1,135,180	64,984	1,149,525	87,080
NET INCOME (LOSS)	\$ 307,133	\$ (473,597)	\$ (756,518)	\$ (103,200)
NET INCOME (LOSS) PER SHARE – BASIC:				
Continuing operations	\$ (0.08)	\$ (0.06)	\$ (0.19)	\$ (0.02)
Discontinued operations	\$ 0.11	\$ 0.01	\$ 0.11	\$ 0.01
NET INCOME (LOSS) PER SHARE – BASIC:	\$ 0.03	\$ (0.05)	\$ (0.08)	\$ (0.01)
NET INCOME (LOSS) PER SHARE – DILUTED:				
Continuing operations	\$ (0.08)	\$ (0.06)	\$ (0.19)	\$ (0.02)
Discontinued operations	\$ 0.11	\$ 0.01	\$ 0.11	\$ 0.01
NET INCOME (LOSS) PER SHARE – DILUTED:	\$ 0.03	\$ (0.05)	\$ (0.08)	\$ (0.01)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	10,084,334	9,657,347	10,082,511	9,285,956
Diluted	10,084,334	9,657,347	10,082,511	9,285,956

See accompanying notes to condensed consolidated financial statements.

NANO MAGIC HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	<u>June 30</u>	<u>December 31</u>
	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 392,530	\$ 197,932
Accounts receivable, net	239,478	293,229
Inventory, net	1,324,508	1,379,005
Prepaid expenses and contract assets	181,491	212,127
Current portion of note receivable	40,000	-
Current assets of discontinued operations	-	74,373
Total Current Assets	<u>2,178,007</u>	<u>2,156,666</u>
Operating lease right-of-use assets	1,129,660	1,219,061
Property, plant and equipment, net	581,941	633,187
Note receivable, non-current	410,000	-
Non-marketable equity investment in subsidiary	189,696	-
Non-current assets of discontinued operations	-	97,687
Total Assets	<u>\$ 4,489,304</u>	<u>\$ 4,106,601</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 423,496	\$ 174,156
Accounts payable – related parties	15,000	21,066
Accrued expenses and other current liabilities	135,731	57,040
Current portion of notes payable	74,180	87,567
Advances from related parties	62,887	113,952
Current portion of lease liabilities	132,896	123,988
Contract liabilities	159,688	-
Current liabilities of discontinued operations	-	575,770
Total Current Liabilities	<u>1,003,878</u>	<u>1,153,539</u>
Notes payable, net of current portion	238,643	61,045
Lease liabilities, net of current portion	795,864	864,593
Non-current liabilities of discontinued operations	-	111,607
Total Liabilities	<u>2,038,385</u>	<u>2,190,784</u>
Commitments and Contingencies (See Note 9)		
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.0001 par value, 100,000 shares authorized; no shares issued and outstanding	-	-
Common stock: \$0.0001 par value, 30,000,000 shares authorized; 10,361,015 and 9,702,680 issued and outstanding at June 30, 2022 and December 31, 2021, respectively	1,036	970
Additional paid-in capital	13,251,565	11,960,011
Accumulated deficit	<u>(10,801,682)</u>	<u>(10,045,164)</u>
Total Stockholders' Equity	<u>2,450,919</u>	<u>1,915,817</u>
Total Liabilities and Stockholders' Equity	<u>\$ 4,489,304</u>	<u>\$ 4,106,601</u>

See accompanying notes to consolidated financial statements.

NANO MAGIC HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED JUNE 30, 2022 AND 2021
(unaudited)

	<u>Class A Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, March 31, 2022	10,077,681	\$ 1,008	\$ 12,702,228	\$ (11,108,815)	\$ 1,594,421
Common stock issued for cash, net of issuance costs	283,334	28	495,806	-	495,834
Warrants on private placement	-	-	14,165	-	14,165
Stock-based compensation	-	-	39,366	-	39,366
Net income				307,133	307,133
Balance, June 30, 2022	<u>10,361,015</u>	<u>1,036</u>	<u>13,251,565</u>	<u>(10,801,682)</u>	<u>2,450,919</u>
Balance, March 31, 2021	\$ 9,657,347	\$ 965	\$ 11,435,286	\$ (8,100,203)	\$ 3,336,048
Stock-based compensation	-	-	233,286	-	233,286
Net loss	-	-	-	(473,597)	(473,597)
Balance, June 30, 2021	<u>9,657,347</u>	<u>965</u>	<u>11,668,572</u>	<u>(8,573,800)</u>	<u>3,095,737</u>

See accompanying notes to condensed consolidated financial statements.

NANO MAGIC HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(unaudited)

	<u>Class A Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, December 31, 2021	9,702,680	\$ 970	\$ 11,960,011	\$ (10,045,164)	\$ 1,915,817
Common stock issued for cash, net of issuance costs	658,335	66	1,152,020	-	1,152,086
Warrants on private placement	-	-	32,913	-	32,913
Stock-based compensation	-	-	106,621	-	106,621
Net loss	-	-	-	(756,518)	(756,518)
Balance, June 30, 2022	<u>10,361,015</u>	<u>1,036</u>	<u>13,251,565</u>	<u>(10,801,682)</u>	<u>2,450,919</u>
Balance, December 31, 2020	\$ 8,459,995	\$ 846	\$ 9,867,174	\$ (8,470,600)	\$ 1,397,420
Common stock issued for cash, net of issuance costs	1,154,462	115	1,442,962	-	1,443,077
Common stock issued for services	42,890	4	40,996	-	41,000
Warrants on private placement	-	-	57,723	-	57,723
Stock-based compensation	-	-	259,717	-	259,717
Net loss	-	-	-	(103,200)	(103,200)
Balance, June 30, 2021	<u>9,657,347</u>	<u>965</u>	<u>11,668,572</u>	<u>(8,573,800)</u>	<u>3,095,737</u>

See accompanying notes to condensed consolidated financial statements.

NANO MAGIC HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Six Months Ended	
	June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss from continuing operations	\$ (1,906,043)	\$ (190,280)
Net income from discontinued operations	1,149,525	87,080
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Change in inventory obsolescence reserve	2,331	75,000
Depreciation and amortization expense	56,159	50,460
Bad debt expense	30,629	-
Stock-based compensation	106,621	300,717
Change in operating assets and liabilities:		
Accounts receivable	23,121	706,507
Accounts receivable - related party	-	(1,390)
Inventory	52,166	(465,997)
Prepaid expenses and contract assets	30,636	(121,030)
Accounts payable	249,340	(319,441)
Accounts payable - related party	(6,065)	(12,000)
Operating lease liabilities	29,575	33,228
Customer deposits	-	25,508
Accrued expenses	79,607	(14,927)
Contract liabilities	159,688	-
Total adjustments	813,808	256,635
Net cash (used by) provided by continuing operating activities	(1,092,235)	66,355
Net cash used by discontinued operating activities	(70,945)	(109,091)
NET CASH USED BY OPERATING ACTIVITIES	(1,163,180)	(42,736)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,910)	(62,640)
Net cash used by continuing investing activities	(4,910)	(62,640)
Net cash used by discontinued investing activities	-	(243)
NET CASH USED BY INVESTING ACTIVITIES	(4,910)	(62,883)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock and warrants	1,184,999	1,500,800
Proceeds from issuance of convertible debt	200,000	-
Repayment of bank loans	(15,454)	(21,898)
Repayment of finance leases	(20,334)	(20,875)
Repayment of advances from related parties	(51,065)	(22,500)
Net cash provided by continuing financing activities	1,298,146	1,435,527
Net cash provided by discontinued financing activities	20,000	76,305
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,318,146	1,511,832
NET INCREASE (DECREASE) IN CASH	150,056	1,406,213
CASH in continuing operations, beginning of year	197,932	260,143
CASH in discontinued operations, beginning of year	44,542	27,991
CASH, end of period	\$ 392,530	\$ 1,694,347
Less: CASH in discontinued operations, end of period	\$ -	\$ 18,032
CASH in continuing operations, end of period	\$ 392,530	\$ 1,676,315
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	\$ 15,635	\$ 9,995

See accompanying notes to condensed consolidated financial statements.

NANO MAGIC HOLDINGS INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022
(unaudited)

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Organization

Nano Magic Holdings Inc. (“we”, “us”, “our”, “Nano Magic” or the “Company”), a Delaware corporation, develops and sells a portfolio of nano-layer coatings, nano-based cleaners, and nano-composite products based on its proprietary technology. On March 3, 2020, we changed our name from PEN Inc. to Nano Magic Inc. and on March 2, 2021 we changed our name to Nano Magic Holdings Inc.

Through the Company’s wholly-owned subsidiary, Nano Magic LLC, formerly known as PEN Brands LLC, we develop, manufacture and sell consumer and institutional products using nanotechnology to deliver unique performance attributes at the surfaces of a wide variety of substrates. These products are marketed internationally directly to consumers and also to retailers and other institutional customers. On March 31, 2020, PEN Brands LLC changed its name to Nano Magic LLC.

Effective May 31, 2022, we sold a 70% interest in our subsidiary, Applied Nanotech, Inc. (“ANI”). The contract research services performed by ANI for governmental and private customers was previously reported as our Contract research segment. As a result of this sale, the Company has deconsolidated ANI from its financial reporting, and we will report as only one segment. We retain a 30% interest in ANI that is now recorded as an equity investment.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) for interim financial information. Accordingly, they do not include all the information and disclosures required by US GAAP for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the unaudited condensed consolidated financial statements of the Company as of June 30, 2022 and for the three and six months ended June 30, 2022 and 2021. The results of operations for the three and six months ended June 30, 2022 are not necessarily indicative of the operating results for the full year ending December 31, 2022 or any other period. The balance sheet at December 31, 2021 has been derived from the audited financial statement at that date but does not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related disclosures of the Company as of December 31, 2021 and for the year then ended, which were filed with the Securities and Exchange Commission on Form 10-K on March 30, 2022.

Going Concern

These unaudited consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the unaudited consolidated financial statements, the Company had losses from continuing operations and net cash used by continuing operations of \$1,906,043 and \$1,092,235 for the six months ended June 30, 2022 and a loss of \$190,280 and cash provided by continuing operations \$66,355 for the six months ended June 30, 2021. These factors raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that these unaudited consolidated financial statements are issued. Management cannot provide assurance that the Company will ultimately achieve profitable operations, become cash flow positive or raise additional capital. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. They do not include any adjustments related to the recoverability and/or classification of the recorded asset amounts and/or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2 – DISCONTINUED OPERATIONS

Effective May 31, 2022, we sold a 70% interest in our subsidiary ANI to two of its officers and long-term employees in exchange for a promissory note in the face amount of \$450,000. The note bears interest at 7% and has semi-annual payments of principal initially in the amount of \$20,000, increasing to \$25,000 in May 2024 and to \$30,000 in May 2026, with a final balloon payment of \$80,000 due on December 31, 2029. The note is secured by a stock pledge, described below. In conjunction with the sale, we recognized a one-time gain of \$1,148,225.

In connection with the sale, the capital structure of Applied Nanotech was changed to give us, as the holder of Class B common stock of Applied Nanotech, a 30% economic interest, certain information rights, special consent rights, and tag-along rights, as well as the obligation to sell our stock under certain circumstances if other stockholders are selling. The Class A stock acquired by the buyers was pledged to secure the promissory note given in payment of the purchase price.

The following includes the detail of major classes of assets and liabilities of discontinued operations summarized on the accompanying unaudited consolidated financial statements:

	<u>December 31</u>
	<u>2021</u>
ASSETS	
CURRENT ASSETS:	
Cash and investments	\$ 55,258
Accounts receivable, net	19,115
Total Current Assets	<u>74,373</u>
Operating lease right-of-use assets	90,852
Property, plant and equipment, net	945
Other assets	5,890
Total Assets	<u>\$ 172,060</u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable	\$ 475,283
Accrued expenses and other current liabilities	12,434
Current portion of lease liabilities	42,291
Contract liabilities	45,762
Total Current Liabilities	<u>575,770</u>
Notes Payable, net of current portion	54,883
Lease liabilities, net of current portion	56,724
Total Liabilities	<u>\$ 687,377</u>

The following is the detail of major line items that constitute income (loss) from discontinued operations:

	<u>For the Three Months Ended</u>		<u>For the Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net Revenues	\$ 91,329	\$ 311,915	\$ 258,444	\$ 551,995
Cost of Sales	76,947	204,959	211,029	380,083
Gross Profit	<u>14,382</u>	<u>106,956</u>	<u>47,415</u>	<u>171,912</u>
Salaries, wages and related benefits	17,684	21,438	23,573	42,789
General and administrative expenses	9,514	12,920	21,961	26,663
Professional fees	-	6,951	-	14,715
Interest and other expense	229	663	581	665
Net income (loss) on discontinued operations	<u>\$ (13,045)</u>	<u>\$ 64,984</u>	<u>\$ 1,300</u>	<u>\$ 87,080</u>

NOTE 3 – INVENTORY

At June 30, 2022 and December 31, 2021, inventory consisted of the following:

	June 30, 2022	December 31, 2021
Raw materials	\$ 617,910	\$ 673,518
Work-in-progress	315,470	314,461
Finished goods	459,201	456,768
	<u>1,392,581</u>	<u>1,444,747</u>
Less: reserve for obsolescence	(68,073)	(65,742)
Inventory, net	<u>\$ 1,324,508</u>	<u>\$ 1,379,005</u>

NOTE 4 – INVESTMENT IN SUBSIDIARY

The Company is accounting for its 30% ownership interest in ANI by the equity method of accounting under which the Company's share of the net income (loss) of ANI is recognized as income (loss) in the Company's statement of operations. Any dividends received from ANI as well as periodic losses for the Company's 30% share will be treated as a reduction of the investment account. Upon the sale on May 31, 2022, the Company recorded an investment in this subsidiary of \$192,857. For the one-month period ended June 30, 2022, the Company recorded a loss of \$3,161, reducing the balance to \$189,696 on June 30, 2022.

NOTE 5 – FACTORING

Since September 1, 2020, The Company has participated in a factoring program with NOWaccount ® Network Corporation ("NOW"). At the time of a sale, NOW buys the receivables at a discount, based on the due date and other terms. The Company has not been using this program in 2022, and there were no costs associated with this program for the three-month and six-month periods ended June 30, 2022. Costs associated with this program were \$5,593 and \$9,057 for the three-month and six-month periods ended June 30, 2021, respectively.

NOTE 6 – DEBT AND EQUIPMENT FINANCING

On February 10, 2015, Nano Magic entered into a \$373,000 promissory note (the "Equipment Note") with KeyBank, N.A. (the "Bank"). The unpaid principal balance of this Equipment Note is payable in 60 equal monthly instalments payments of principal and interest through June 10, 2020. The Equipment Note is secured by certain equipment, as defined in the Equipment Note, and bears interest computed at a rate of interest of 4.35% per annum based on a year of 360 days. On June 18, 2019, Nano Magic entered into an Amendment to the Equipment Note with the Bank. By the amendment, the maturity date of the note was extended until April 10, 2022, the interest rate was raised to 6.29% per year, and the monthly payments were reduced to \$4,053 per month, including interest. On May 2, 2022, we amended the Equipment Note with Key Bank to extend the due date on the note until December 10, 2022. The interest rate remains the same at 6.29% per year and the monthly payments remain at \$4,053 per month. At June 30, 2022, the principal amount due under the Equipment Note amounted to \$26,223 and is current.

On August 11, 2020, the company entered into a finance lease for furniture. We financed \$60,684 over a period of 36 months with monthly payments of \$1,972 during that time. As of June 30, 2022, the balance on the lease was \$24,136; the current and non-current portions were \$22,181 and \$1,955 respectively.

On September 24, 2020, the company entered into a finance lease with Raymond Leasing Corporation for a forklift. Nano Magic LLC financed \$14,250. The lease term is 36 months with monthly payments of \$425. As of June 30, 2022, the balance on the lease was \$6,184; the current and non-current portions were \$4,918 and \$1,266, respectively.

In December 2020, the company entered into a finance lease for production equipment. We financed \$85,000 over a period of 48 months with monthly payments of \$2,135 during that time. As of June 30, 2022, the balance on the lease was \$56,280; the current and non-current portions were \$20,858 and \$35,422, respectively.

In January and February of 2022, the company issued three convertible promissory notes for \$200,000. The notes bear interest at a rate of 8% per annum and accrue during the term of the loan, payable semi-annually. The notes mature on March 31, 2025 and can be converted to common stock at any time at the option of the holders at a conversion price of \$1.75 per share. The convertible promissory notes have not been included in diluted earnings per share as they would be anti-dilutive.

NOTE 7 – RELATED PARTY TRANSACTIONS

For the three month and six-month periods ended June 30, 2022, we accrued \$6,000 each period in fees for each of the directors. Other compensation paid to directors was:

	Three Months ended June 30,		Six Months ended June 30,	
	2022	2021	2022	2021
Ronald J. Berman	\$ 30,000+	\$ 45,094+	\$ 84,150+	\$ 107,694
Tom J. Berman	\$ 60,300*	\$ 93,546*	\$ 115,600*	\$ 266,499*
Scott E. Rickert	\$ 15,000++	\$ 12,000++	\$ 30,000++	\$ 22,500++

+ Legal and consulting fees and in 2021 includes commission paid under consulting agreement.

* Indicates amount paid as salary and in 2021 includes bonus under employment agreement.

++ Repayment of advances previously made to the Company

One of the purchasers of the 70% interest in Applied Nanotech was Richard Fink who was one of our named executive officers until that sale.

Mr. Ron Berman and Mr. Tom Berman are the managers of the limited liability company that is the manager of PEN Comeback, LLC, PEN Comeback 2, LLC, Magic Growth, LLP, Magic Growth 2 LLC and Magic Growth 3 LLC. These five limited liability companies purchased shares of common stock and derivative securities from us in 2018, 2019, 2020, 2021 and 2022. See the subsection on Sales of Stock under Issuances of Common Stock in Note 8.

In addition, Mr. Tom Berman and Mr. Ron Berman are two of three individuals who share voting power of the sole manager of the limited liability company that is our landlord in Michigan. Together, Tom and Ron Berman hold, in the aggregate, a 5% economic interest in the landlord entity. Another director, Miles Gatland, owns a 12.5% interest in the Michigan landlord and he is a co-guarantor on the debt of that limited liability company. The lease for the Michigan facility gives us the right, during the first three years of the lease, to buy up to a 49% interest in the landlord for a price equal to 49% of the contributions received from other members.

NOTE 8 – STOCKHOLDERS' EQUITY

Description of Preferred and Common Stock

Preferred Stock

The preferred stock may be issued in one or more series. The Company's board of directors are authorized to issue the shares of preferred stock in such series and to fix from time to time before issuance thereof the number of shares to be included in any such series and the designation, powers, preferences and relative, participating, optional or other rights, and the qualifications, limitations or restrictions thereof, of such series.

Common Stock

The rights of each share of common are the same with respect to dividends, distributions and rights upon liquidation. Holders of common stock each have one vote per share in the election of directors and other matters submitted to a vote of the stockholders.

Issuances of Common Stock

Common Stock Issued for Services and Stock Appreciation Rights

On March 2, 2021, we issued an aggregate of 37,890 shares of common stock to our directors as compensation to them for service on our Board. These shares were valued on that date at \$0.95 per share based on the quoted price of the stock for a total value of \$36,000.

Sales of Common Stock and Derivative Equity Securities

On March 2, 2021, the Company sold to Magic Growth 2 LLC, 769,231 shares of common stock for proceeds of \$961,539 and warrants to purchase up to 769,225 shares of common stock for proceeds of \$38,461. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.00 per share. PEN Comeback Management, LLC, owned by Tom J. Berman and Ronald J. Berman, is the sole voting member of Magic Growth 2 LLC.

On March 17, 2021, the Company sold to Magic Growth 2 LLC, 385,231 shares of common stock for proceeds of \$481,539 and warrants to purchase up to 385,225 shares of common stock for proceeds of \$19,260. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.00 per share.

On January 7, 2022, and again on February 14, 2022, the Company sold to several investors an aggregate of \$200,000 convertible promissory notes due March 31, 2025. Issued at face value, the notes bear interest at 8% per annum, payable quarterly in cash. The notes are convertible at any time at the option of the holder into shares of common stock at a conversion price of \$1.75 per share.

On January 11, 2022, the Company sold to Magic Growth 3 LLC 222,223 shares of common stock for proceeds of \$388,890 and warrants to purchase up to 222,195 shares of common stock for proceeds of \$11,110. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.25.

On February 22, 2022, the Company sold to Magic Growth 3 LLC 152,778 shares of common stock for proceeds of \$267,362 and warrants to purchase up to 152,770 shares of common stock for proceeds of \$7,638. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.25.

On April 14, 2022, the Company sold to Magic Growth 3 LLC 69,445 shares of common stock for proceeds of \$121,529 and warrants to purchase up to 69,425 shares of common stock for proceeds of \$3,471. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.25.

On May 27, 2022, the Company sold to Magic Growth 3 LLC 213,889 shares of common stock for proceeds of \$374,305 and warrants to purchase up to 213,885 shares of common stock for proceeds of \$10,694. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.25.

In total for the six months ended June 30, 2022, 658,335 shares of common stock were sold and issued for \$1,152,086. Additionally, 658,275 warrants were sold for \$32,914 and three convertible notes were issued for \$200,000.

Stock Options

Stock options to purchase common stock outstanding at June 30, 2022 include the 130,700 options granted in February 2022 under the 2021 Equity Incentive Plan. No options were exercised during the period. No options have been included in diluted earnings per share as they would be anti-dilutive.

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding December 31, 2021	2,133,702	\$ 0.77	4.93	-
Exercised	-	-	-	-
Issued	130,700	\$ 0.80	-	-
Expired & forfeited	(128,264)	1.87	-	-
Outstanding June 30, 2022	<u>2,136,138</u>	<u>\$ 0.71</u>	<u>2.98</u>	<u>\$ -</u>
Exercisable June 30, 2022	<u>1,139,196</u>	<u>\$ 0.68</u>	<u>2.78</u>	<u>\$ -</u>

	June 30, 2022	December 31, 2021
Stock options	2,136,138	2,133,702
Stock warrants	7,255,453	6,597,178
Total	9,391,591	8,730,880

Warrants

As of June 30, 2022, there were outstanding and exercisable warrants to purchase 7,255,453 shares of common stock. On May 26, 2022, the Board acted to extend the term of warrants that were issued in 2018, 2019, or the first quarter of 2020, adding an additional two years to the term of each of the 4,052,003 warrants issued in that period. The outstanding warrants have a weighted average exercise price of \$1.72 per share and a weighted average remaining contractual term of 61.5 months. As of June 30, 2022, there was no intrinsic value for the warrants. No warrants have been included in diluted earnings per share as they would be anti-dilutive.

2015 Equity Incentive Plan

On November 30, 2015, the Board of Directors authorized the 2015 Equity Incentive Plan. On December 31, 2019, we issued an aggregate of 102,500 shares to employees in settlement of accrued salaries totaling \$66,615. On January 31, 2020 we granted an option to purchase 100,000 shares to a senior member of the sales team with vesting tied directly to 2020 sales goals. On April 8, 2021, the Board terminated the 2015 Equity Incentive Plan.

2021 Equity Incentive Plan

On March 2, 2021, our Board adopted the 2021 Nano Magic 2021 Equity Incentive Plan (the “Plan”) to allow equity compensation for those who provide services to the Company and to encourage ownership in the Company by personnel whose service to the Company is important to its continued progress, to encourage recipients to act as owners and thereby in the stockholders’ interest and to enable recipients to share in the Company’s success. Initially, 85,000 shares were available for issuance under the Plan and that number of options were also granted to employees on March 2, 2021. On April 8, 2021 the number of shares under the Plan was increased by 2,500, and an additional 2,500 options were granted. On June 21, 2021 an additional 200,000 shares were made available for issuance under the Plan and options for 100,000 shares were granted, but subsequently forfeited. In February 2022, we granted 130,700 options with an exercise price of \$0.80 and weighted average fair value on the grant date of \$0.60.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company may be, from time to time, subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. As of June 30, 2022 we were not a defendant in any proceedings. Our policy is to accrue costs for contingent liabilities, including legal proceedings or unasserted claims that may result in legal proceedings, when a liability is probable and the amount can be reasonably estimated. As of June 30, 2022, the Company has not accrued any amount for litigation contingencies.

NOTE 10 – SUBSEQUENT EVENTS

On July 27, 2022, the Company sold two additional convertible notes for an aggregate of \$75,000. On August 17, 2022, the Board granted an aggregate of 25,000 options under the 2021 Equity Plan to several employees.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of certain significant factors that have affected our financial position and operating results during the periods included in the accompanying unaudited condensed consolidated financial statements.

OVERVIEW

Nano Magic develops, commercializes, and markets consumer and industrial products enabled by nanotechnology that solve everyday problems for customers in the optical, transportation, military, sports and safety industries. Our primary business is the formulation, marketing and sale of products enabled by nanotechnology including the ULTRA CLARITY brand eyeglass cleaner, CLARITY DEFOGIT brand defogging products and CLARITY ULTRASEAL nanocoating products for glass and ceramics. We also sell an environmentally friendly surface protector, fortifier, and cleaner.

Effective May 31, 2022, we sold a majority interest in our subsidiary, Applied Nanotech, Inc. ("ANI"). ANI performs contract research services for the Company and for governmental and private customers and that work was previously reported as our Contract research segment. We retain a 30% interest in ANI that is now recorded as an equity investment.

RESULTS OF OPERATIONS

The following comparative analysis on results of operations was based primarily on the comparative condensed consolidated financial statements, footnotes and related information for the periods identified below and should be read in conjunction with the unaudited condensed consolidated financial statements and the notes to those statements that are included elsewhere in this report. The results discussed below are for the three and six months ended June 30, 2022 and 2021.

Comparison of Results of Continuing Operations for the Three and Six Months ended June 30, 2022 and 2021

Revenues:

For the three and six months ended June 30, 2022 and 2021, revenues from continuing operations were:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Total revenue	\$ 493,782	\$ 1,056,653	\$ 1,012,925	\$ 3,127,748

For the three months ended June 30, 2022, sales from continuing operations decreased by \$562,871 or 53% as compared to the three months ended June 30, 2021. For the six months ended June 30, 2022 revenues decreased by \$2,114,823 or 68%, as compared to the six months ended June 30, 2021. The decreases were due to the high sales of anti-fog products during the first half of 2021 when masks were required in many situations due to the COVID-19 pandemic.

Cost of sales

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

	<u>Three Months ended June 30,</u>		<u>Six Months ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cost of sales:	\$ 458,330	\$ 474,466	\$ 990,894	\$ 1,583,538

For the three months ended June 30, 2022, cost of revenues decreased by \$16,136 or 3% as compared to the three months ended June 30, 2021. For the six months ended June 30, 2022, cost of revenues decreased by \$592,644 or 37% as compared to the six months ended June 30, 2021. Cost of sales decreased as sales volume dropped, but did not reduce proportionately because of overhead and other fixed production costs. We saw some price increases and shortages for some of our raw materials and packaging during the COVID-19 pandemic and the ongoing supply chain disruption, but thus far we have been able to obtain adequate supply.

Gross profit and gross margin

For the three months ended June 30, 2022, gross profit was \$35,452 as compared to \$582,187 for the prior year, a decrease of \$546,735 or 94%. For the three months ended June 30, 2022 gross margin was 7.2% as compared to 55.1% in 2021. For the six months ended June 30, 2022, gross profit was \$22,031 as compared to \$1,544,210 for the prior year, a decrease of \$1,522,179 or 99%. For the six months ended June 30, 2022 gross margin was 2.2% as compared to 49.4% in the prior year. For the three- and six-month periods the decreases were due to lower sales volumes as well as product mix.

Operating expenses

For the three months ended June 30, 2022, operating expenses decreased by \$424,823 or 33% compared to the three months ended June 30, 2021. Similarly, for the six months period operating expenses decreased by \$313,139 or 14% for the period ended June 30, 2022, as compared to the six months ended June 30, 2021. For the three and six months ended June 30, 2022 and 2021, operating expenses consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Selling and marketing expenses	\$ 96,301	\$ 40,324	\$ 175,830	\$ 77,220
Salaries, wages and related benefits	356,118	760,164	819,339	1,290,543
Research and development	3,211	7,437	10,700	9,313
Professional fees	188,794	202,934	442,773	408,900
General and administrative expenses	211,463	269,851	463,261	439,066
Total	<u>\$ 855,887</u>	<u>\$ 1,280,710</u>	<u>\$ 1,911,903</u>	<u>\$ 2,225,042</u>

- For the three months ended June 30, 2022, selling and marketing expenses increased by \$55,977 or 139% as compared to the three months ended June 30, 2021, due to increased marketing expenses, sales consultants and trade show expenses. For the six months ended June 30, 2022, selling and marketing expenses increased by \$98,610 or 128% as compared to the six months ended June 30, 2021, due to the foregoing factors.
- For the three months ended June 30, 2022, salaries, wages and related benefits decreased by \$404,046 or 53%, as compared to the three months ended June 30, 2021. For the six months ended June 30, 2022, salaries, wages and related benefits decreased by \$471,204 or 37%, as compared to the six-months ended June 30, 2021. These decreases were due to lower bonus and equity compensation expenses, and reduced hiring in light of lower sales volumes.
- For the three months ended June 30, 2022, research and development costs decreased by \$4,226 or 57%, as compared to the three months ended June 30, 2021. For the six months ended June 30, 2022, research and development costs increased by \$1,387 or 15%, as compared to the six months ended June 30, 2021. The changes were due to the timing of expenses in the course of ongoing work.
- For the three months ended June 30, 2022, professional fees decreased by \$14,140 or 7%, as compared to the three months ended June 30, 2021. For the six months ended June 30, 2022, professional fees increased by \$33,873 or 8%, as compared to the six months ended June 30, 2021. The changes were due to ongoing legal expenses related to our challenge to the SEC trading suspension and additional trademark expenses in 2022.
- For the three months ended June 30, 2022, general and administrative expenses decreased by \$58,388 or 22% as compared to the three months ended June 30, 2021 due to efforts to control costs in light of reduced sales. For the six months ended June 30, 2022, general and administrative expenses increased by \$24,195 or 6% as compared to the six months ended June 30, 2021. The changes were due to increased costs on recurring expenses.

Loss (income) from operations

As a result of the factors described above, for the three months ended June 30, 2022, loss from operations amounted to \$820,435 as compared to a loss of \$534,003 for the three months ended June 30, 2021, a change of \$286,432 or 54%. For the six months ended June 30, 2022, loss from operations amounted to \$1,889,872 as compared to a loss of \$180,295 for the six months ended June 30, 2021, an increase of \$1,709,577 or 948%.

Loss (income) on investment in subsidiary

As a result of the sale of a 70% interest in ANI , we now report our 30% share of ANI's income or loss as an investment in a subsidiary. For the three and six months ended June 30, 2022 that was a loss of \$3,161.

Interest expense

For the three months ended June 30, 2022 interest expense was \$8,337 as compared to \$4,588, and for the six months ended June 30, 2022 interest expense was \$15,635 up from \$9,995 in the prior year. The increases were due to increased interest expense for financing leases.

Other income

For the three months ended June 30, 2022, other income was \$3,886 as compared to \$10 for the three months ended June 30, 2021. For the six months ended June 30, 2022, other income was \$2,625 as compared to \$10 for the six months ended June 30, 2021.

Loss from continuing operations

As a result of the foregoing, we reported a loss from operations of \$828,047 for the three-month period ended June 30, 2022 and a loss of \$538,581 for the three-month period in the prior year, an increase of \$289,465 or 54%. For the six-month period ended June 30, 2022 our loss from continuing operations was \$1,906,043 as compared to \$190,280 for the six-month period ended June 30, 2021, an increase of \$1,715,763 or 902%.

Income (loss) from discontinued operations

Effective May 31, 2022, we sold a 70% interest in our subsidiary ANI to two of its officers and long-time employees in exchange for a promissory note in the face amount of \$450,000. We recognized a one-time gain on the sale from this operation of \$1,148,255 in the period ended June 30, 2022. On a continuing basis, we recognized a loss on that investment of \$13,045 for the three-month period ended June 30, 2022 and on a comparative basis a gain of \$64,984 for the three-month period ended June 30, 2021. For the six months ended June 30, 2022 we had income from discontinued operations of \$1,300 and income of \$87,080 on a comparative basis for the three-month period ended June 30, 2021.

Net loss (income)

For the three months ended June 30, 2022, net income was \$(307,133) as compared to a net loss of \$473,597 for the three months ended June 30, 2021. For the six months ended June 30, 2022, net loss amounted to \$756,518 as compared to a loss of \$103,200 for the six months ended June 30, 2021. The difference was primarily attributed to the one-time gain of \$1,148,225 recognized on the sale of ANI in the three and six months ended June 30, 2022, offset by higher losses from operations of \$286,431 and \$1,709,577 in the three and six-months ended June 30, 2022 as compared to the three and six-months ended June 30, 2021.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash requirements. We had working capital of \$1,174,129 and \$392,530 of unrestricted cash as of June 30, 2022 and working capital of \$1,003,127 and \$197,932 of unrestricted cash as of December 31, 2021.

The following table sets forth a summary of changes in our working capital from December 31, 2021 to June 30, 2022:

			December 31, 2021 to June 30, 2022	
	June 30, 2022	December 31, 2021	Change in Working Capital	Percentage Change
Working capital:				
Total current assets	\$ 2,178,007	\$ 2,156,666	\$ 21,341	0.99%
Total current liabilities	1,003,878	1,153,539	(149,661)	(12.97)%
Working capital:	\$ 1,174,129	\$ 1,003,127	\$ 171,002	17.05%

Current assets were essentially flat. The decrease in current liabilities was an increase in accounts payable offset by a decrease in advances from related parties and the elimination of the current liabilities of ANI as a result of the sale of a 70% interest in that subsidiary.

Net cash used by operating activities was \$(1,163,180) for the six months ended June 30, 2022 as compared to net cash used by operating activities of \$(42,736) for the six months ended June 30, 2021, a net change of \$(1,205,916) or (2,822)%. Net cash used by operating activities for the six months ended June 30, 2022 primarily resulted from net loss from continuing operations of \$(1,906,043) offset by net income from discontinued operations of \$1,149,525 adjusted for add-backs of \$195,740 and changes in operating assets and liabilities of \$618,068.

Net cash used by continuing investing activities was \$(4,910) for the six months ended June 30, 2022, as compared to net cash used by continuing investing activities of \$(62,640) for the same period in 2021. Net cash used by discontinued investing activities was \$0 and \$(243) for the six months ended June 30, 2022 and June 30, 2021, respectively.

Net cash provided by continuing financing activities was \$1,298,146 for the six months ended June 30, 2022 reflecting \$1,385,000 in proceeds from sales of common stock, warrants and convertible notes, as compared to net cash provided by continuing financing activities of \$1,435,527 for the same period in 2021. Net cash provided by discontinued financing activities was \$20,000 and \$76,305 for the six months ended June 30, 2022 and June 30, 2021, respectively.

Future Liquidity and Capital Needs.

Our principal future uses of cash are for working capital requirements, including working capital to support increased product sales, sales and marketing expenses and reduction of accrued liabilities. Application of funds among these uses will depend on numerous factors including our sales and other revenues and our ability to control costs.

Equipment Financing and Loans

See note 6 to our unaudited condensed consolidated financial statements regarding our equipment loan and financing leases.

Off-Balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated unaudited financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

ITEM 3. Quantitative and Qualitative disclosures about market risk

Not applicable to smaller reporting companies.

ITEM 4. Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report (the "Evaluation Date"). Based upon this evaluation, our principal executive officer and principal financial officer concluded that we do not have sufficient resources in our accounting function to have segregation of duties so that the initiation of transactions, the custody of assets and the recording of transactions are performed by separate individuals. However, to the extent possible, these tasks are performed by separate individuals. Management evaluated our failure to have segregation of duties on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

Changes in Internal Control

There were no changes identified in connection with our internal control over financial reporting during the three months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 1A. RISK FACTORS

Not required of smaller reporting companies.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Pursuant to the agreement entered into on October 20, 2020, with the holder of substantially all the outstanding stock appreciation rights, on March 2, 2021, we issued 5,000 shares of common stock at value of \$1.00 in partial settlement of that holder's stock appreciation rights.

On March 2, 2021, the Company sold to Magic Growth 2 LLC, 769,231 shares of common stock for proceeds of \$961,539 and warrants to purchase up to 769,225 shares of common stock for proceeds of \$38,461. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.00 per share. PEN Comeback Management, LLC, owned by Tom J. Berman and Ronald J. Berman, is the sole voting member of Magic Growth 2 LLC.

On March 2, 2021, we also issued an aggregate of 37,890 shares of common stock to our directors as compensation to them for service on our Board. These shares were valued on that date at \$0.95 per share based on the quoted price of the stock for a total value of \$36,000.

On March 17, 2021, the Company sold to Magic Growth 2 LLC, 385,231 shares of common stock for proceeds of \$481,539 and warrants to purchase up to 385,225 shares of common stock for proceeds of \$19,261. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.00 per share.

On January 7, 2022, and again on February 14, 2022, the Company sold to several investors an aggregate of \$200,000 convertible promissory notes due March 31, 2025. Issued at face value, the notes bear interest at 8% per annum, payable quarterly in cash. The notes are convertible at any time at the option of the holder into shares of common stock at a conversion price of \$1.75 per share.

On January 11, 2022, the Company sold to Magic Growth 3 LLC 222,223 shares of common stock for proceeds of \$388,890 and warrants to purchase up to 222,195 shares of common stock for proceeds of \$11,110. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.25.

On February 22, 2022, the Company sold to Magic Growth 3 LLC 152,778 shares of common stock for proceeds of \$267,362 and warrants to purchase up to 152,770 shares of common stock for proceeds of \$7,638. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.25.

On April 14, 2022, the Company sold to Magic Growth 3 LLC 69,445 shares of common stock for proceeds of \$121,529 and warrants to purchase up to 69,425 shares of common stock for proceeds of \$3,471. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.25.

On May 27, 2022, the Company sold to Magic Growth 3 LLC 213,889 shares of common stock for proceeds of \$374,305 and warrants to purchase up to 213,885 shares of common stock for proceeds of \$10,694. The warrants are exercisable at any time during the four years after date of issue at a warrant exercise price of \$2.25.

On July 27, 2022, the Company sold two additional convertible notes for an aggregate of \$75,000.

The sales and issuances of stock and other securities were exempt from registration under Section 4(2) of the Securities Act. Cash proceeds were used for general corporate purposes.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
4.1*	From of Amendment to Warrant[s] dated May 26, 2022
10.1*	Stock Purchase Agreement, dated as of May 27, 2022, by and among Jaqueline M Soptick, Richard Lee Fink and Nano Magic Holdings Inc.
10.2*	Secured Promissory Note dated May 31, 2022 made by Jacqueline M. Soptick and Richard Lee Fink
31.1*	Rule 13a-14(a)/15d-14(a) Certificate of Principal Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certificate of Chief Financial Officer
32.1*	Section 1350 Certificate of Principal Executive Officer and Chief Financial Officer
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.DEF	Inline XBRL Taxonomy Extension Definition
101.LAB	Inline XBRL Taxonomy Extension Labels
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)
*	Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Nano Magic Holdings Inc.
(Registrant)

Date: August 22, 2022

/s/ Tom J. Berman

Tom J. Berman,
President and Chief Executive Officer

Date: August 22, 2022

/s/ Leandro Vera

Leandro Vera
Chief Financial Officer

Amendment to Warrant[s]

This Amendment to Warrant[s] dated as of May 26, 2022, is by and between PEN Comeback 2, LLC, a Michigan limited liability company (“Holder”), and Nano Magic Holdings Inc., a Delaware corporation formerly known as PEN Inc. (the “Company”).

- 1. The Company has issued to Holder warrant[s] to purchase Class A common stock of the Company that, under the amended and restated certificate of incorporation of the Company is now simply common stock. The warrant[s] owned by holder are:

Date of issue:

Underlying shares:

- 2. The Company and Holder agree to extend the original for year term of the warrant[s] held by holder for an additional two-year term, meaning that each warrant will expire six years from date of issue.
- 3. The Company and Holder agree that for each of the above described warrant[s] (i) the Notice of Warrant Exercise shall hereafter reference the warrant, as amended; (ii) notices to the Company shall be sent to Nano Magic Holdings Inc. at 31601 Research Park Drive, Madison Heights MI 48701, and e-mail to tom@nanomagic.com with a copy to leo@nanomagic.com.
- 4. The Company and Holder agree that the other terms of the warrant[s] remain in full force and effect without amendment.

IN WITNESS WHEREOF, each of the parties has executed this Amendment to Warrant[s] by its duly authorized representative.

HOLDER

Nano Magic Holdings Inc.

By: _____

By: _____
Leandro Vera, Chief Financial Officer

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this “**Agreement**”), dated as of May 27, 2022, is by and among Jacqueline M. Soptick, a resident of Texas (Soptick”), and Richard Lee Fink, a resident of Texas (“Fink” and, jointly and severally, with Soptick “**Buyers**”) and Nano Magic Holdings Inc., a Delaware corporation (“**Seller**”).

BACKGROUND

- A. Soptick and Fink have each worked for 20 years or more at Applied Nanotech, Inc., a Delaware corporation (“**ANI**”) and these individuals presently serve as officers of ANI.
- B. Seller as the owner of all the outstanding stock of ANI has agreed to sell to Buyers 70% of the stock of ANI, provided that the stock is pledged to Seller to secure the promissory note to be delivered by Buyers hereunder (the “**Note**”).
- C. Each of the respective boards of directors (or similar governing body) of Buyers and Seller has approved and declared the advisability of this Agreement.
- D. In order to induce Seller to enter into this Agreement, the Buyers have each agreed to provide a validity guaranty to Seller.

AGREEMENT

NOW THEREFORE, in consideration of the statements above, the covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the parties agree as follows:

ARTICLE I

STOCK PURCHASE AND SALE

Section 1.1 Effective Time. The transactions described herein shall be effective at midnight on May 31, 2022 (the “Effective Time”) so long as the following have occurred on or before that time:

- a) The Amended and Restated Certificate of Incorporation for ANI (the “**Certificate**”) has been filed with the Secretary of State of Delaware;
- b) The parties have executed and delivered this Agreement;
- c) Buyers have executed and delivered the Note; and
- d) Buyers have executed and delivered to Seller a Validity Guaranty.

Section 1.2 Certificate of Incorporation and Conversion of Shares. Under the Certificate, the 13,000 shares of ANI common stock will be converted as follows: 3,000 shares retained by Seller will be converted into Class B Common Stock; and the 7,000 shares sold to Buyers that are pledged back to Seller and the 3,000 unissued shares will be converted into Class A Common Stock.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF BOTH PARTIES

The Buyers hereby represent and warrant to Seller and the Seller hereby represents and warrants to Buyers as follows:

Section 2.1 Organization. It is duly formed, validly existing and in good standing under the laws of the state of its formation.

Section 2.2 Capacity; Authorization. It has all requisite power and authority, and has taken all corporate or other entity action necessary, to execute, deliver and perform this Agreement, to consummate the transactions contemplated hereby and to perform its obligations hereunder. Its execution and delivery of this Agreement and its consummation of the transactions contemplated hereby have been duly and validly authorized and approved by all necessary action under the law of its formation and governing documents. It has duly executed and delivered this Agreement and, assuming the due authorization, execution and delivery by the other party, this Agreement is the valid and binding obligation, enforceable against it in accordance with its terms, except as enforcement may be limited by the General Enforceability Exceptions and except insofar as the availability of equitable remedies may be limited by applicable law.

Section 2.3 Absence of Changes. Since January 1, 2022, ANI has conducted its business only in the ordinary course, consistent with past practice.

Section 2.4 No Misstatement or Omission. This Agreement does not contain any misstatement of material fact nor does this Agreement omit to state any material fact necessary to make the statements in this Agreement not misleading. .

ARTICLE III

ADDITIONAL REPRESENTATIONS AND WARRANTIES; LIMITATIONS

Section 3.1 Stock Ownership. Seller represents and warrants to Buyers that Seller owns all of the outstanding capital stock of ANI.

Section 3.2 Stock authorization etc. Seller represents and warrants to Buyers that the stock owned by Seller has been duly authorized, validly issued and is fully paid and nonassessable.

Section 3.3 Access to Information; No Reliance. Buyers represent and warrant to Seller that Buyers have had full and complete access to all information regarding ANI and have conducted such independent review, investigation and analysis (financial and otherwise) of ANI as each and any of them considered necessary. The consummation of the transactions contemplated hereby by Buyers is not done in reliance upon any representation or warranty by, or information from Seller or its officers, directors, employees or representatives, whether oral or written, express or implied, including any implied warranty of merchantability or of fitness for a particular purpose, except for the representations and warranties of Seller specifically and expressly set forth in this Agreement.

Section 3.4 Knowledge of ANI Business. Buyers confirm to Seller that Soptick and Fink have worked for ANI for at least 20 years and that these individuals have served as the chief accounting officer and chief executive officer of ANI since 2014 and, as a result, are knowledgeable about the business of ANI.

Section 3.5 ANI Records. Buyers represent and warrant to Seller that all the corporate records of ANI are located at the ANI Austin offices and, accordingly, will be available to Buyers after the Effective Time.

Section 3.6 No Other Representations. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT, INCLUDING ARTICLES II AND III NONE OF SELLER OR ITS AFFILIATES, EMPLOYEES OR REPRESENTATIVES ARE MAKING OR HAVE MADE ANY REPRESENTATIONS OR WARRANTIES OF ANY SORT TO OR FOR THE BENEFIT OF BUYER, WHETHER ORAL OR WRITTEN, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE, AND SELLER EXPRESSLY DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES.

ARTICLE IV

COVENANTS

Section 4.1 ANI Obligations. Promptly following the Closing, and in any event not later than the next business day, Buyers shall cause ANI to (a) guaranty the Note, and (b) assume all obligations of Seller or its predecessors in interest with respect to the agreements and licenses related to the ANI Patents (as defined below). Buyers shall cause ANI to comply with its certificate of incorporation, as amended and restated.

Section 4.2 Patent Assignment. Promptly following the Effective Time, Seller will instruct its counsel to file in the United States Patent and Trademark Office the assignments to ANI of the patents identified on a letter of even date delivered by Seller to ANI (the "ANI Patents").

Section 4.3 Seller Assistance. Seller will cooperate and assist Buyers and ANI with respect to potential settlement of obligations to former employees of ANI. Seller will take any further action required to transfer to ANI the URL Applied nanotech.net and to complete the transfer of e-mail for ANI employees to new ANI mailboxes.

Section 4.4 Tax Matters. At Seller's request, Buyers will cause ANI to cooperate and assist Seller with respect to any Federal tax audits relating to any period up to the Effective Time, including, without limitation, providing copies of corporate records.

ARTICLE V

INDEMNIFICATION

Section 5.1 Buyers' Indemnification. Buyers will indemnify and hold harmless Seller and its subsidiaries, and their respective officers, directors, employees and stockholders ("**Seller Beneficiaries**") from and against any liabilities, obligations or claims relating to (a) ANI, whether arising before or after the Effective Time, or (b) the ANI Patents and the agreements assumed under Section 4.1.

Section 5.2 Seller's Indemnification. Seller will indemnify and hold harmless Buyers and its officers, directors, employees and members ("**Buyer Beneficiaries**") from and against any liabilities, obligations or claims relating to Seller or its subsidiary Nano Magic LLC, except for claims relating to the Transferred Patents and the agreements assumed under Section 4.1.

Section 5.3 Notice of Claims; Settlements.

(a) Any Seller Beneficiary or Buyer Beneficiary receiving notice of an indemnifiable claim or seeking indemnification shall promptly, and in any event with 14 calendar days of receiving notice of the claim, provide the Buyers or the Seller whichever is responsible for the indemnification (the "**Indemnitor**") with a written notice (a "**Claim Notice**") describing in reasonable detail the known facts giving rise to the Claim Notice. Failure to give such written notice shall not relieve any Indemnitor of its obligations under this Agreement, except to the extent the Indemnitor demonstrates actual prejudice by such failure.

(b) The Indemnitor receiving the Claim Notice shall, not more than 7 calendar days after receiving the Claim Notice, either acknowledge its indemnity obligation with respect to the matter described in the Claim Notice or dispute its liability by providing a notice setting forth its objections to indemnification (a "**Dispute Notice**"). For a period of 30 days after the giving of any Dispute Notice, the beneficiary delivering the Claim Notice and the Indemnitor shall negotiate in good faith to resolve the matter. In the event that the controversy is not resolved within 30 days after the date the Dispute Notice is given, the parties may thereupon proceed to pursue any and all available remedies at law.

(c) If a Claim Notice relates to a claim by a third person against a beneficiary the Indemnitor shall not, except with the consent of the affected beneficiary or beneficiaries, enter into any settlement or compromise any claim by a third person that (i) does not provide a complete and unconditional release from all liability for the affected beneficiaries with respect to such claim or consent to entry of any judgment, or (ii) involves any non-monetary relief or remedy binding on the beneficiary. Any consent required by this Section 8.6(c) shall not be unreasonably delayed, withheld or conditioned.

ARTICLE VI

GENERAL

Section 6.1 Entire Agreement; Assignment. This Agreement and the other documents referenced in this Agreement (a) are the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and (b) shall not be assigned by operation of law or otherwise.

Section 6.2 Interpretation. In this Agreement, unless otherwise specified or where the context otherwise requires:

(a) the headings of particular provisions of this Agreement are inserted for convenience only and will not be construed as a part of this Agreement or serve as a limitation or expansion on the scope of any term or provision of this Agreement;

(b) references to any person include the successors and permitted assigns of such person;

(c) words importing the singular only shall include the plural and vice versa;

the words “include,” “includes” or “including” shall be deemed to be followed by the words “without limitation” or “but not limited to.”

Section 6.3 Validity. If any provision of this Agreement or the application thereof to any person or circumstance is held invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby and, to such end, the provisions of this Agreement are agreed to be severable.

Section 6.4 Amendment; Waiver. This Agreement may be amended only by an instrument in writing signed on behalf of the parties. Any waiver shall be valid only if set forth in in writing signed on behalf of the party granting the waiver. The failure of any party to assert any of its rights under this Agreement shall not constitute a waiver of such right(s).

Section 6.5 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by e-mail, by overnight courier or by registered or certified mail (postage prepaid, return receipt requested) to each other party as follows:

if to Buyers: Jacqueline Soptick
8200 Cameron Road
Suite B160
Austin, TX 78754
jsoptick@appliednanotech.net

With a copy to: Richard Lee Fink
8200 Cameron Road
Suite B160
Austin, TX 78754
rfink@appliednanotech.net

if to Seller to: Nano Magic Holdings Inc.
31601 Research Park Drive
Madison Heights, MI 48701
Attention: President
Tom@namomagic.com

with a copy to: leo@nanomagic.com

or to such other address as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

Section 6.6 Governing Law; Jurisdiction; Service of Process This Agreement shall be governed by the laws of the state of Michigan without giving effect to its principles of conflicts of laws. The Buyers waive any objection to suit in the state of Federal courts sitting in Michigan including any objection to personal jurisdiction, venue or forum non-conveniens. Each party agrees that service of process may be accomplished by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party at its address as provided in Section 6.5.

Section 6.7 Waiver of Jury Trial.

EACH OF THE PARTIES WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 6.8 Public Announcements

All press releases or other public communications of any nature whatsoever relating to the transactions contemplated by this Agreement, and the method of the release for publication thereof, shall be subject to the prior mutual approval in writing of Buyers and Seller, except that the Seller may make any filings and disclosures required by Federal securities laws.

Section 6.9 Parties in Interest This Agreement shall be binding upon and inure solely to the benefit of each party hereto and its successors and permitted assigns and, except as specifically provided herein, nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 6.10 Expenses Except as expressly stated herein, each party to this Agreement shall bear and pay all fees, costs and expenses that have been incurred or that are incurred by such party in connection with the transactions contemplated by this Agreement.

Section 6.11 Counterparts; Effectiveness This Agreement may be executed by facsimile or other electronic format (including .pdf) in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. This Agreement shall become effective when each party has received counterparts signed and delivered (by facsimile, electronic transmission or otherwise) by the other party.

[Signature Page Follows]

Each of the parties has caused this Agreement to be duly executed on its behalf as of the day and year first above written.

BUYERS:

/s/Jacqueline M. Soptick

Jacqueline M. Soptick

/s/ Richard Lee Fink

Richard Lee Fink

SELLER:

NANO MAGIC HOLDINGS INC.

By: */s/ Tom J. Berman*

Tom J. Berman, President & CEO

Secured Promissory Note

\$450,000.00

Austin, TX
May 31, 2022

For value received **Jacqueline M. Soptick**, a resident of Texas, and **Richard Lee Fink**, also a resident of Texas (collectively, the “**Buyers**”), hereby jointly, severally and unconditionally promise to pay to the order of Nano Magic Holdings Inc., a Delaware corporation (together with successors and assigns, the “**Seller**”), the principal sum of Four Hundred Fifty Thousand Dollars and No Cents (\$450,000.00) (the “**Loan**”). The principal amount due under this Note shall bear interest at a rate of 7% per annum and accrue starting on the date hereof. Interest shall be paid quarterly, in cash, not more than 10 days after the end of the quarter with the first payment due June 30, 2022. Principal shall be paid in cash in fourteen semi-annual payments as set forth on Annex A. All payments in respect of this Note shall be made in lawful money of the United States of America. The Loan may be prepaid at any time and from time to time without premium or penalty.

Upon any payment default, holder will give notice to the Buyers at its address below and if the default is not cured within 10 days, all amounts due hereunder shall be immediately due and payable; **except that** if the Buyers give written notice to holder before the end of the 10-day period that ANI (as defined below) is entitled to cash payments under a then-effective government research contract which will, under the payment and disbursement provisions of that contract, provide the cash for ANI to make the payment on a later date stated in such notice, which date will be not later than 60 days after the due date of the missed payment, then no acceleration shall occur until 10 days after the payment date stated in the notice. The cure provision of the preceding sentence may only be used once with respect to any payment due hereunder.

This Note is issued pursuant to a Stock Purchase Agreement of even date between the Buyers and the Seller. As security for the payment of the Loan, the Buyers have pledged and deposited with Seller the stock of Applied Nanotech, Inc., a Delaware corporation (“ANI”) purchased by the Buyers under the Stock Purchase Agreement. As further security, Buyers will cause ANI to guaranty this note. Any default by ANI under any material contract of ANI, or any failure of ANI or the Buyers to comply with the provisions of the ANI certificate of incorporation will entitle the holder, not less than 30 days after written notice to the Buyers, to accelerate the Loan. No portion of the security shall be released until the Loan and any other obligations incurred under this Note have been paid and satisfied in full. The Buyers have the right to exercise all voting and consent rights with respect to the pledged stock until the holder gives written notice to the Buyers both that the Loan has been accelerated under the default provisions of this Note and that the holder claims voting rights.

The undersigned waive presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this Note and agree to pay all costs of collection when incurred, including attorneys’ fees, and to perform and comply with each of the covenants, conditions, provisions and agreements contained in every instrument now evidencing or securing said indebtedness. No extension of the time for the payment of this Note or any installment thereof made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the undersigned’s liability under this Note, either in whole or in part, unless the undersigned shall be a party to such agreement.

The Buyers’ obligations under this Note are absolute and unconditional and shall not be subject to any defense, setoff or counterclaim that may at any time be available to or be asserted by them or either of them. The Buyers hereby waive, and agree not to assert, any right to offset or interpose as a defense or counterclaim any claim against the Seller against its obligations under this Note.

The Buyers shall pay all reasonable out-of-pocket expenses incurred by the Seller, including fees and disbursements of counsel for the Seller, in connection with the enforcement of this Note.

The Buyers agree that to the extent any payment on this Note which payment or payments, or any part thereof, are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid, their successors or assigns under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or repayment, the obligations, or part thereof, under this Note that have been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the time immediately preceding such initial payment, reduction or satisfaction.

This Note shall be governed by the laws of the state of Michigan without giving effect to its principles of conflicts of laws. Buyers waive any objection to suit in the state of Federal courts sitting in Michigan including any objection to personal jurisdiction, venue or forum non-conveniens.

Should any provision of this Note be judicially declared to be invalid, unenforceable or void, such decision will not have the effect of invalidating or voiding the remainder of this Note, and the parties hereto agree that the provision of this Note so held to be invalid, unenforceable or void will be deemed to have been stricken herefrom and the remainder will have the same force and effectiveness as if such provision had never been included herein. The Buyers and the holder shall use their best efforts to replace the provision so deemed to have been stricken herefrom with a provision that the parties reasonably believe to be valid and enforceable and which has a substantially identical economic and legal effect as the provision so deemed to have been stricken herefrom.

Notwithstanding anything to the contrary in this Note, Buyers shall not be personally liable for any amounts owing under this Note.

IN WITNESS WHEREOF, this Note has been executed and delivered as a sealed instrument on the date first above written by the Buyers.

/s/ Jacqueline M. Soptick

Jacqueline M. Soptick

/s/ Richard Lee Fink

Richard Lee Fink

Notice addresses (until changed by further notice):

Buyers: jsoptick@appliednanotech.net and dfink@appliednanotech.net

ANI: jsoptick@appliednanotech.net and dfink@appliednanotech.net

Seller: tom@nanomagic.com with a copy to leo@nanomagic.com

ANNEX A

<u>Due Date: not more than 10 days after</u>	<u>Principal Payment</u>
November 30, 2022	\$ 20,000.00
May 31, 2023	\$ 20,000.00
November 30, 2023	\$ 20,000.00
May 31, 2024	\$ 25,000.00
November 30, 2024	\$ 25,000.00
May 31, 2025	\$ 25,000.00
November 30, 2025	\$ 25,000.00
May 31, 2026	\$ 30,000.00
November 30, 2026	\$ 30,000.00
May 31, 2027	\$ 30,000.00
November 30, 2027	\$ 30,000.00
May 31, 2028	\$ 30,000.00
November 30, 2028	\$ 30,000.00
May 31, 2029	\$ 30,000.00
December 31, 2029	\$ 80,000.00

Certificate of Principal Executive Officer
Pursuant to Rule 13a-14(a)/15d-14(a)

I, Tom J. Berman, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2022 of Nano Magic Holdings Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting) as defined in the Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 22, 2022

/s/ Tom J. Berman

Tom J. Berman
President and Chief Executive Officer

Certificate of Principal Financial Officer
Pursuant to Rule 13a-14(a)/15d-14(a)

I, Leandro Vera, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended June 30, 2022 of Nano Magic Holdings Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting) as defined in the Exchange Act Rules 13a - 15(f) and 15d - 15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 22, 2022

/s/ Leandro Vera

Leandro Vera
Chief Financial Officer

Section 1350 Certification of Principal Executive Officer

In connection with the quarterly report of Nano Magic Holdings Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Tom J. Berman, President of the Company, and I, Leandro Vera, Chief Financial Officer, certify to the best of our knowledge:

1. The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 22, 2022

/s/ Tom J. Berman

Tom J. Berman
President and Chief Executive Officer

Date: August 22, 2022

/s/ Leandro Vera

Leandro Vera
Chief Financial Officer
