

NANOPHASE TECHNOLOGIES CORPORATION

Form 10-Q/A

March 17, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

AMENDMENT NO. 1

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended: **June 30, 2002**

Commission File Number: **0-22333**

Nanophase Technologies Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-3687863

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

1319 Marquette Drive, Romeoville, Illinois 60446

(Address of principal executive offices, and zip code)

Registrant's telephone number, including area code: **(630) 771-6708**

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

As of August 13, 2002, there were outstanding 15,106,032 shares of common stock, par value \$.01, of the registrant.

Table of Contents**NANOPHASE TECHNOLOGIES CORPORATION****QUARTER ENDED JUNE 30, 2002****EXPLANATORY NOTE**

The Company is filing this Amendment No. 1 to its quarterly report on Form 10-Q as filed with the Securities and Exchange Commission (SEC) on August 14, 2002, to add a note to the financial statements, and to amend the 2001 (prior year s) comparative financials, to reflect a change in accounting treatment for revenue from a bill and hold transaction which it recognized originally in the quarter ending March 31, 2001 (the first quarter) and then reversed in the quarter ending September 30, 2001 (the third quarter) as well as the related impact on cost of revenue and selling, general, and administrative expense. This Amendment is filed in response to comments received from the staff of the SEC regarding the Company s accounting treatment of this transaction. This amendment has no effect on the financial condition, net income or cash flows presented in the Company s annual financial statements for the year ended December 31, 2001. Cumulatively, these reclassifications have no impact on any of the Company s financial statements for either the nine months ended September 30, 2001 or the twelve months ended December 31, 2001. The Company has added Note 3 to the financial statements, which contains a description of the amendments and their effect on the financial statements for the year referenced above. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q, or modify or update those disclosures in any way other than as required to reflect the effects of the amendment discussed above.

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	June 30,	December 31,
	2002	2001
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 530,965	\$ 582,579
Investments	10,175,857	6,842,956
Trade accounts receivable, less allowance for doubtful accounts of \$25,000 at June 30, 2002 and December 31, 2001	1,043,149	1,112,952
Other receivable, net	74,006	67,449
Inventories, net	776,815	956,268
Prepaid expenses and other current assets	295,429	381,696
	<u> </u>	<u> </u>
Total current assets	12,896,221	9,943,900
Equipment and leasehold improvements, net	9,090,981	8,914,745
Other assets, net	349,596	325,743
	<u> </u>	<u> </u>
	<u>\$ 22,336,798</u>	<u>\$ 19,184,388</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 629,854	\$ 714,135
Current portion of capital lease obligations	59,238	48,352
Accounts payable	584,959	1,233,466
Accrued expenses	1,223,670	732,427
	<u> </u>	<u> </u>
Total current liabilities	2,497,721	2,728,380
	<u> </u>	<u> </u>
Long-term debt, less current maturities	553,812	758,490
Long-term portion of capital lease obligations, less current maturities	66,970	53,900
	<u> </u>	<u> </u>
	<u>620,782</u>	<u>812,390</u>
Contingent liabilities		
Stockholders equity:		

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Preferred stock, \$.01 par value, 24,088 shares authorized and no shares issued and outstanding		
Common stock, \$.01 par value, 25,000,000 shares authorized; 15,106,032 and 13,705,931 shares issued and outstanding at June 30, 2002 and December 31, 2001, respectively	151,060	137,059
Additional paid-in capital	56,568,815	50,260,747
Accumulated deficit	(37,501,580)	(34,754,188)
Total stockholders equity	19,218,295	15,643,618
	\$ 22,336,798	\$ 19,184,388

See Notes to Financial Statements.

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NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
		(As Restated, See Note 3)		(As Restated, See Note 3)
Revenue:				
Product revenue	\$ 1,516,197	\$ 957,314	\$ 2,829,773	\$ 1,536,809
Other revenue	145,649	92,065	239,755	183,815
Total revenue	1,661,846	1,049,379	3,069,528	1,720,624
Operating expense:				
Cost of revenue	1,401,696	1,006,749	2,696,720	1,668,122
Research and development expense	480,042	362,519	1,003,726	800,189
Selling, general and administrative expense	1,006,104	940,995	2,091,319	2,076,949
Total operating expense	2,887,842	2,310,263	5,791,765	4,545,260
Loss from operations	(1,225,996)	(1,260,884)	(2,722,237)	(2,824,636)
Interest income	33,041	165,436	61,177	416,616
Interest expense	(28,792)	(8,272)	(56,282)	(17,664)
Other, net	(951)	(3,000)	(50)	(12,000)
Loss before provision for income taxes	(1,222,698)	(1,106,720)	(2,717,392)	(2,437,684)
Provisions for income taxes	(30,000)	(30,000)	(30,000)	(30,000)
Net loss	\$ (1,252,698)	\$ (1,136,720)	\$ (2,747,392)	\$ (2,467,684)
Net loss per share basic and diluted	\$ (0.09)	\$ (0.08)	\$ (0.20)	\$ (0.18)
Weighted average number of common shares outstanding	14,232,786	13,643,771	13,980,694	13,628,562

See Notes to Financial Statements.

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NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30,	
	2002	2001
		(As Restated, See Note 3)
Operating activities:		
Net loss	\$ (2,747,392)	\$ (2,467,684)
Adjustment to reconcile net loss to net cash (used in) operating activities:		
Depreciation and amortization	569,170	379,755
Allowance for excess inventory quantities	25,019	(12,172)
Provision for asset write-down		14,086
Changes in assets and liabilities related to operations:		
Trade accounts receivable	69,803	947,468
Other receivable	(6,557)	