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: March 31, 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 x No ¨

As of May 13, 2002, there were outstanding 13,735,912 shares of Common Stock, par value $.01, of the registrant.

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NANOPHASE TECHNOLOGIES CORPORATION

QUARTER ENDED MARCH 31, 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 May 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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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

NANOPHASE TECHNOLOGIES CORPORATION

BALANCE SHEETS

(Unaudited)

	March 31, 2002	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 287,964	$ 582,579
Investments	5,185,304	6,842,956
Trade accounts receivable, less allowance for doubtful accounts of $25,000 at March 31, 2002 and December 31, 2001	1,144,315	1,112,952
Other receivable, net	70,737	67,449
Inventories, net	802,103	956,268
Prepaid expenses and other current assets	381,452	381,696
Total current assets	7,871,875	9,943,900
Equipment and leasehold improvements, net	8,971,733	8,914,745
Other assets, net	347,175	325,743
	$ 17,190,783	$ 19,184,388
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 637,503	$ 714,135
Current portion of capital lease obligations	48,652	48,352
Accounts payable	646,913	1,233,466
Accrued expenses	852,046	732,427
Total current liabilities	2,185,114	2,728,380
Long-term debt, less current maturities	708,159	758,490
Long-term portion of capital lease obligations, less current maturities	50,814	53,900
	758,973	812,390
Contingent liabilities		
Stockholders equity:		
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; 13,726,356 and 13,705,931 shares issued and outstanding at March 31, 2002 and December 31, 2001, respectively	137,264	137,059
Additional paid-in capital	50,358,315	50,260,747
Accumulated deficit	(36,248,883)	(34,754,188)
Total stockholders equity	14,246,696	15,643,618
	$ 17,190,783	$ 19,184,388

See Notes to Financial Statements

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NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended March 31, 2002	Three months ended March 31, 2001 (As Restated, See Note 3)
Revenue:		
Product revenue	$ 1,313,577	$ 579,494
Other revenue	94,106	91,750
Total revenue	1,407,683	671,244
Operating expense:		
Cost of revenue	1,295,024	661,373
Research and development expense	523,685	437,670
Selling, general and administrative expense	1,085,215	1,135,953
Total operating expense	2,903,924	2,234,996
Loss from operations	(1,496,241)	(1,563,752)
Interest income	28,136	251,180
Interest expense	(27,490)	(9,391)
Other, net	900	(9,000)
Loss before provision for income taxes	(1,494,695)	(1,330,963)
Provision for income taxes		
Net loss	$ (1,494,695)	$ (1,330,963)
Net loss per share basic and diluted	$ (0.11)	$ (0.10)
Weighted average number of common shares outstanding	13,725,801	13,613,190

See Notes to Financial Statements.

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NANOPHASE TECHNOLOGIES CORPORATION

STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended March 31,	
	2002	**2001**
		(As Restated, See Note 3)
Operating activities:		
Net loss	$ (1,494,695)	$ (1,330,963)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation and amortization	266,315	180,642
Allowance for excess inventory quantities	41,072	(1,612)
Provision for asset write-down		14,086
Changes in assets and liabilities related to operations:		
Trade accounts receivable	(31,363)	(362,547)
Other receivable	(3,288)	(29,262)
Inventories	113,093	(704,641)
Prepaid expenses and other assets	(25,405)	29,838
Accounts payable	101,013	107,895
Accrued liabilities	119,619	(64,943)
Net cash (used in) operating activities	(913,639)	(1,436,413)
Investing activities:		
Acquisition of equipment and leasehold improvements	(172,828)	(965,804)
Purchases of held-to-maturity investments	(28,551,400)	(23,351,733)
Maturities of held-to-maturity investments	30,209,052	25,827,932
Net cash provided by investing activities	1,484,824	1,510,395
Financing activities:		
Principal payment on debt obligation, including capital leases	(129,749)	(69,072)
Proceeds from sale of common stock	97,773	45,110
Payment of accounts payable incurred for the purchase of equipment and leasehold improvements	(833,824)	
Net cash (used in) financing activities	(865,800)	(23,962)
(Decrease) increase in cash and cash equivalents	(294,615)	50,020
Cash and cash equivalents at beginning of period	582,579	473,036
Cash and cash equivalents at end of period	$ 287,964	$ 523,056
Supplemental cash flow information:		
Interest paid	$ 27,490	$ 9,391

Supplemental non-cash investing activities:		
Accounts payable incurred for the purchase of equipment and leasehold improvements	$ 146,258	$

See Notes to Financial Statements.

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NANOPHASE TECHNOLOGIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

(1) Basis of Presentation

The accompanying unaudited interim financial statements of Nanophase Technologies Corporation (the Company) reflect all adjustments (consisting of normal recurring adjustments) which, in the opinion of management, are necessary for a fair presentation of the financial position and operating results of the Company for the interim periods presented. Operating results for the three months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002.

These financial statements should be read in conjunction with the Company s audited financial statements and notes thereto for the year ended December 31, 2001, included in the Company s Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the Securities and Exchange Commission.

(2) Description of Business

The Company was incorporated on November 30, 1989, for the purpose of developing nanocrystalline materials for commercial production and sale in domestic and international markets.

In the course of its corporate development, the Company has experienced net losses and negative cash flows from operations. Historically, the Company has funded its operations primarily through the issuance of equity securities.

Revenue from international sources approximated $172,000 and $105,000 for the three months ended March 31, 2002 and 2001, respectively.

(3) Restatements of Financial Statements To Account For Changes In Revenue Recognition

The Company recognized revenue under a bill and hold transaction in the quarter ending March 31, 2001 in the amount of $400,680, with the related cost of revenue amounting to $189,000. Subsequent to this transaction, in late June 2001, the Company recorded a valuation allowance of $150,000 related to this receivable due to uncertainty regarding its collection. In Mid-October, the Company concluded that the entire amount was uncollectible and management concluded that the transactions recorded in the first and second quarters should be reversed. The reversal of this sale, cost of revenue, and the valuation allowance provision was reflected in the Company s financial statements for the third quarter ended September 30, 2001. The Company continues to pursue its claim against this customer via litigation.

In response to comments received from the staff of the SEC, the Company s Management on March 14, 2003 decided to amend the Company s 2002 Form 10-Q s for information shown and discussed relating to the quarters ending March 31, 2001, June 30, 2001 and September 30, 2001 to reflect the reversal of all the Company s previous accounting treatment relating to this transaction.

The impact of these revisions is as follows:

	First Quarter	First Quarter	Second Quarter	Second Quarter	Third Quarter	Third Quarter
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
2001						
Total Revenue	$ 1,071,924	$ 671,244	$ 1,049,379	$ 1,049,379	$ 679,545	$ 1,080,225
Loss from operations	(1,352,072)	(1,563,752)	(1,410,884)	(1,260,884)	(1,541,340)	(1,479,660)
Net Loss	(1,119,283)	(1,330,963)	(1,286,720)	(1,136,720)	(1,437,712)	(1,376,032)
Basic and diluted loss per share	(0.08)	(0.10)	(0.09)	(0.08)	(0.10)	(0.10)

(4) Investments

Investments are classified by the Company at the time of purchase for appropriate designation and such designations are reevaluated as of each balance sheet date. The Company s policy is to classify money market funds and certificates of deposit as investments. Investments are classified as held-to maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to maturity securities are stated at amortized costs and are adjusted to maturity for the amortization of premiums and accretion of discounts. Such adjustments for amortization and accretion are included in interest income.

(5) Inventories

Inventories consist of the following:

	March 31, 2002	December 31, 2001
Raw materials	$ 437,139	$ 429,393
Finished goods	1,037,039	1,157,877
	1,474,178	1,587,270
Allowance for excess inventory quantities	(672,075)	(631,002)

	$ 802,103	$ 956,268

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(6) Stock Options and Warrants

During the three months ended March 31, 2002, 20,425 shares of Common Stock were issued pursuant to option exercises, compared to 27,635 shares of Common Stock in the same period in 2001. In the same three-month period in 2002 and 2001 no warrants were converted.

(7) Significant Customers and Contingencies

The Company currently has a supply agreement with its largest customer that has contingencies outlined in it which could potentially result in the license of technology and/or, as provided for in the supply agreement with the Company s customer, the sale of production equipment, providing capacity sufficient to meet the customer s production needs, from the Company to the customer, if triggered by the Company s failure to meet certain performance requirements and/or certain financial condition covenants. The financial condition covenants included in the Company s supply agreement with the aforementioned customer triggers a technology transfer (license or, optionally, an equipment sale) in the event (a) that earnings of the Company for a twelve month period ending with its most recently published quarterly financial statements are less than zero and its cash, cash equivalents and liquid investments are less than $4,000,000, (b) of an acceleration of any debt maturity having a principal amount of more than $10,000,000 or (c) the Company s insolvency, as further defined within the agreement. In the event of an equipment sale, upon incurring a triggering event, the equipment would be sold to the customer at 115% of the equipment s depreciated cost. The Company believes that it has complied with all contractual requirements and that it has not had a triggering event .

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(8) Contingent Liabilities

Five separate complaints were filed in the United States District Court for the Northern District of Illinois, each alleging that the Company, certain of its officers and directors, and the underwriters of the Company s initial public offering of Common Stock (the Offering) were liable under the federal Securities Act of 1933 for making supposedly negligent or reckless material misstatements or omissions of fact in the Registration Statement and Prospectus relating to the Offering. A consolidated complaint was filed in those cases in October 1998, alleging that the action should be maintained as (i) a plaintiff class action on behalf of certain persons who purchased the Common Stock from November 26, 1997 through January 8, 1998, and (ii) a defendant class action against the underwriters who participated in the Offering. The consolidated complaint sought relief including unquantified damages, interest, and attorneys fees. In October 1999, the Court granted in part and denied in part defendants motions to dismiss the consolidated complaint, finding in part that plaintiffs who did not purchase their Common Stock during the Offering could not sue under Section 12(a)(2) of the Securities Act of 1933. Each defendant s respective answer to the remaining claims in the consolidated complaint was filed in November 1999. Following certain discovery, the Company agreed to settle all claims against all defendants in the consolidated complaint for $4,025,000. The settlement did not admit liability by any party. Because the settlement was funded by the Company s directors and officers liability insurance, the settlement payment did not have a material adverse effect on the Company s financial condition or results of operations. In March 2001, the Court ordered final approval of the settlement and dismissed the consolidated complaint with prejudice as to all defendants. The above-described settlement did not resolve a separate complaint filed in the Northern District of Illinois in November 1998, alleging that the Company, certain of its officers and directors, and the underwriters of the Company s Offering were liable under the federal Securities Exchange Act of 1934 for making supposedly fraudulent material misstatements and omissions of fact in connection with the solicitation of consents to proceed with the Offering from certain of the Company s preferred stockholders. The complaint alleged that the action should be maintained as a plaintiff class action on behalf of certain former preferred stockholders whose shares of preferred stock were converted into Common Stock on or about the date of the Offering. The complaint sought relief including unquantified damages, interest, and attorneys fees. Each defendant s respective answer to the preferred stockholders complaint was filed in September 2000.

Following certain discovery, the Company agreed to settle all claims against all defendants in the preferred stockholders complaint for $800,000, plus up to an additional $50,000 for the cost of settlement notices and administration. The settlement did not admit liability by any party. Because the settlement was funded by the Company s directors and officers liability insurance, the settlement payment did not have a material adverse effect on the Company s financial position or results of operations. On January 10, 2002, the Court ordered final approval of the settlement and dismissed the preferred stockholders complaint with prejudice as to all defendants.

In November 2001, a separate complaint was filed in the United States District Court for the Northern District of Illinois, alleging that the Company and one of its officers are liable under the federal Securities Exchange Act of 1934. The complaint asserts that defendants made supposedly fraudulent material misstatements of fact and omitted to state material facts necessary to make other statements of fact not misleading in connection with the Company s public disclosures, including certain press releases, concerning the Company s dealings with a certain British customer. The complaint alleges that the action should be maintained as a plaintiff class action on behalf of certain persons who purchased shares of the Company s Common Stock from April 5, 2001 through October 24, 2001. The complaint seeks relief

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including unquantified compensatory damages, and attorneys and expert witness fees. Defendants filed a motion to dismiss the complaint in December 2001. Rather than respond to that motion, plaintiff filed an amended complaint on March 8, 2002. The amended complaint alleges that the Company and four of its officers are liable under the federal Securities Exchange Act of 1934 for making supposedly fraudulent material misstatements and omissions of fact in connection with the Company s press releases, publicly-filed reports and other public disclosures concerning the Company s dealings with the British customer and revenue reported under a purchase order with that customer. The amended complaint alleges the same putative class, and seeks the same relief, as in plaintiff s initial complaint. Defendants filed a motion to dismiss the amended complaint on April 12, 2002. Although the Company believes that the allegations of the amended complaint are without merit, it is not feasible for the Company to predict at this time the outcome of this litigation or whether its resolution could have a material adverse effect on the Company s results of operations or financial condition.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

Since January 1, 1997, Nanophase Technologies Corporation (the Company) has been engaged in the commercial production and sale of its nanocrystalline materials. All of the Company s revenue since January 1, 1997 has been generated through commercial sources. From its inception in November 1989 through March 31, 2002, the Company has been primarily capitalized through the private offering of approximately $19,558,000 of equity securities and its initial public offering of $28,838,000 of the Company s common stock (the Common Stock), each net of issuance costs. The Company has incurred cumulative losses of $36,248,883 from inception through March 31, 2002.

Results of Operations

Total revenue increased to $1,407,683 for the three months ended March 31, 2002, compared to $671,244 for the same period in 2001. The increase in total revenue was primarily attributed to an increase in product revenue. Product revenue increased to $1,313,577 for the three months ended March 31, 2002, compared to $579,494 for the same period in 2001. Other revenue increased to $94,106 for the three-month period ended March 31, 2002, compared to $91,750 for the same period in 2001. The majority of the revenue generated during the three months ended March 31, 2002 was from customers in the healthcare, catalyst and wear-resistant materials markets.

Cost of revenue generally includes costs associated with commercial production and customer development arrangements . Cost of revenue increased to $1,295,024 for the three months ended March 31, 2002, compared to $661,373 for the same period in 2001. The increase in cost of revenue was generally attributed to the completion, and placement in service at the beginning of the year of the Company s build out of its manufacturing and powder coating facilities, resulting in an increase in depreciation expense and increased product sales, somewhat offset by efficiencies in the manufacture of the Company s products. Cost of revenue as a percentage of total revenue decreased from 99% for the three months ended March 31, 2001 to 92% for the three months ended March 31, 2002, compared to the same period in 2001, due primarily to an increase in product revenue, somewhat offset by a less favorable product mix in the current quarter and the effects of the previously discussed completion, and additional depreciation expense recorded by the placement in service of much of the Company s build out of its manufacturing and powder coating facilities.

Research and development expense, which includes all expenses relating to the technology and advanced engineering groups, primarily consists of costs associated with the Company s development or acquisition of new product applications and coating formulations and the cost of enhancing the Company s manufacturing processes. Research and development expense increased to $523,685 for the three months ended March 31, 2002, compared to $437,670 for the same period in 2001. The increase in research and development expense was primarily attributed to increased salary expense, depreciation on assets completed and placed in service in January of 2002, and materials and supplies cost.

Selling, general and administrative expense decreased to $1,085,215 for the three-month period ended March 31, 2002, compared to $1,135,953 for the same period in 2001. The net decrease was primarily attributed to reduced costs of travel, telephone, consultants, and investor relations costs. These decreases were somewhat offset by increases in salaries and legal expenses.

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Interest income decreased to $28,136 for the three-month period ended March 31, 2002, compared to $251,180 for the same period in 2001. This decrease was primarily due to a reduction in funds available for investment and, to a lesser extent, reduced investment yields.

Liquidity and Capital Resources

The Company s cash, cash equivalents and investments amounted to $5,473,268 at March 31, 2002, compared to $7,425,535 at December 31, 2001. The net cash used in the Company s operating activities was $913,639 for the three months ended March 31, 2002, compared to $1,436,413 for the same period in 2001. Net cash provided by investing activities, which is due to maturities of securities offset somewhat by capital expenditures and purchases of securities, amounted to $1,484,824 and $1,510,395 for the three months ended March 31, 2002 and 2001, respectively. Capital expenditures, primarily related to the continued build out of the Company s pilot plant manufacturing facility within its Romeoville, Illinois facility and further expansion of the Company s existing manufacturing facilities and the purchase of related operating equipment, amounted to $172,828 and $965,804 for the three months ended March 31, 2002 and 2001, respectively. Net cash used in financing activities, which related to principal payments on debt and capital lease obligations and accounts payable incurred for the purchase of equipment and leasehold improvements, somewhat offset by the issuance of shares of Common Stock pursuant to the exercise of options, amounted to $865,800 for the three-month period ended March 31, 2002, compared to $23,962 for the same period in 2001.

The Company s actual future capital requirements will depend on many factors, including customer acceptance of the Company s current and potential nanocrystalline materials and product applications, continued progress in the Company s research and development activities and product testing programs, the magnitude of these activities and programs, and the costs necessary to increase and expand the Company s manufacturing capabilities and to market and sell the Company s materials and product applications. Other important issues that will drive future capital requirements will be the development of new markets and new customers as well as the potential for significant unplanned growth with the Company s existing customers.

Additionally, the Company s capital requirements could be affected by a supply agreement with its largest customer that contains, among other things, certain financial condition covenants, that if violated could trigger this customer s ability to require the Company to license certain technology to this customer and/or sell certain equipment to this customer, as more fully described in Note 6 of the Company s financial statements. The Company believes that no triggering event has occurred. However, if a triggering event does occur, and the customer elects to force a technology license or sale of equipment, this would significantly change the financial outlook for the Company.

The Company intends to secure additional future funding through public or private financing, collaborative relationships, government contracts or additional licensing agreements. The Company intends to raise capital to fund expected growth in new markets as well as to provide for expanded working capital needs expected to arise as sales volume grows. Management expects that this capital should be sufficient to enable the Company to avoid a triggering event relating to the customer supply agreement discussed in the preceding paragraph. Additional financing may not be available on acceptable terms or at all, and any such additional financing could be dilutive to the Company s stockholders.

At March 31, 2002, the Company had a net operating loss carryforward of approximately $41.3 million for income tax purposes. Because the Company may have experienced ownership changes within the meaning of the U.S. Internal Revenue Code in connection with its various prior equity offerings, future utilization of this carryforward may be subject to certain limitations as defined by the

Internal Revenue Code. If not utilized, the carryforward expires at various dates between 2005 and 2021. As a result of the annual limitation, a portion of this carryforward may expire before ultimately becoming available to reduce income tax liabilities. At March 31, 2002, the Company also had a foreign tax credit carryforward of $186,000, which could be used as an offsetting tax credit to reduce U.S. income taxes. The foreign tax credit will expire at various dates between 2017 and 2021 if not utilized before that date.

Legal Proceedings

See Note 8 to the Financial Statements for additional information.

Safe Harbor Provision

Nanophase Technologies Corporation wants to provide investors with more meaningful and useful information. As a result, this Quarterly Report on Form 10-Q (the Form 10-Q) contains and incorporates by reference certain forward-looking statements , as defined in Section 21E of the Securities Exchange Act of 1934, as amended. Statements contained in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. These statements reflect the Company s current expectations regarding its future results of operations, performance, and achievements and are based on information currently available to the Company. The Company has tried, wherever possible, to identify these forward-looking statements by using words such as intends, believes, estimates, expects, plans, and similar expressions. These statements reflect management s current bel and are based on information now available to it. Accordingly, these statements are subject to certain risks, uncertainties and contingencies that could cause the Company s actual results, performance, and achievements in 2002 and beyond to differ materially from those expressed in, or implied by, such statements. These risks, uncertainties, and factors include, without limitation: uncertain demand for, and acceptance of, the Company s nanocrystalline materials; the Company s dependence on a limited number of key customers; the Company s limited manufacturing capacity and experience; the Company s limited marketing experience; changes in development and distribution relationships; the impact of competitive products and technologies; the Company s dependence on patents and protection of proprietary information; the resolution of litigation the Company is involved in; and other risks set forth in the Company s previous filings with the Securities and Exchange Commission. Readers of this Quarterly Report on Form 10-Q should not place undue reliance on any forward-looking statements. Except as required by federal securities laws, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new events or uncertainties.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company does not have any material market risk sensitive instruments.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

See Note 8 to the Financial Statements for additional information.

Item 2. Changes in Securities and Use of Proceeds

On November 26, 1997 (the Effective Date), the Company s Registration Statement on Form S-1 (File No. 333-36937) relating to the Company s initial public offering of common stock (the Offering) was declared effective by the Securities and Exchange Commission. Since the Effective Date, of its $28,837,936 of net proceeds from the Offering, the Company has used approximately $9,557,000 for capital expenditures primarily related to the further expansion of the Company s existing manufacturing facility and the purchase of operating equipment and $13,808,000 for working capital and other general corporate purposes. The remainder of the net proceeds has been invested by the Company, pending its use, in short-term, investment grade, interest-bearing obligations.

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits.

None.

B. Reports on Form 8-K.

The Company did not file any Current Reports on Form 8-K during the first quarter of 2002.

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SIGNATURES

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

	NANOPHASE TECHNOLOGIES CORPORATION	
Date: May 17, 2002	By:	/s/ JOSEPH E. CROSS
		Joseph E. Cross President, Chief Executive Officer (principal executive officer) and a Director
Date: May 17, 2002	By:	/s/ JESS JANKOWSKI
		Jess Jankowski Acting Chief Financial Officer, Vice President, Corporate Controller, Treasurer and Secretary (principal financial and chief accounting officer)

CERTIFICATIONS

Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joseph Cross, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A (the Report) of Nanophase Technologies Corporation;

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 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;

Date: March 17, 2003

By: /s/ JOSEPH E. CROSS

Joseph E. Cross

Chief Executive Officer

Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with this quarterly report on Form 10-Q/A (the Report) of Nanophase Technologies Corporation (the Company), I, Joseph Cross, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002;

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 result of operations of the Company.

Date: March 17, 2003

By: /s/ JOSEPH E. CROSS

Joseph E. Cross

Chief Executive Officer

Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jess Jankowski, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A (the Report) of Nanophase Technologies Corporation;

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 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;

Date: March 17, 2003

By: /s/ Jess A. Jankowski

Jess A. Jankowski

Acting Chief Financial Officer

Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with this quarterly report on Form 10-Q/A (the Report) of Nanophase Technologies Corporation (the Company), I, Jess Jankowski, Acting Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002;

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 result of operations of the Company.

Date: March 17, 2003

By: /s/ Jess A. Jankowski

Jess A. Jankowski

Acting Chief
Financial Officer