NOCOPI TECHNOLOGIES INC/MD/
Form 10QSB
November 14, 2003

U.S. Securities and Exchange Commission
Washington, D.C. 20549

Form 10-QSB

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTIONS 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2003

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

For the transition period from __________________ to _______________

Commission file number 0-20333

NOCOPI TECHNOLOGIES, INC.
(Exact name of small business issuer as specified in its charter)

MARYLAND	87-0406496
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

9 Portland Road, West Conshohocken, PA 19428
(Address of principal executive offices)

(610) 834-9600
(Issuer's telephone number)

Check whether the issuer has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

State the number of shares outstanding of each of the issuer's classes of common equity, as of November 1, 2003: Common stock, par value $.01 per share: 45,972,241 shares.

Transitional Small Business Disclosure Format (check one): Yes No X

NOCOPI TECHNOLOGIES, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Nocopi Technologies, Inc.
Statements of Operations
(unaudited)

	Three Months ended September 30 2003	Three Months ended September 30 2002	
Revenues			
Licenses, royalties and fees	$ 82,700	$ 95,300	$
Product and other sales	45,200	107,200	

	127,900	202,500	
Cost of sales			
Licenses, royalties and fees	48,800	46,000	
Product and other sales	37,700	51,700	
	86,500	97,700	
Gross profit	41,400	104,800	
Operating expenses			
Research and development	54,000	63,000	
Sales and marketing	30,700	62,600	
General and administrative (exclusive of legal expenses)	49,000	57,800	
Legal expenses	18,000	102,900	
	151,700	286,300	
Loss from operations	(110,300)	(181,500)	
Other income (expenses)			
Interest income	200	-	
Interest and bank charges	(3,300)	(3,100)	
Net proceeds from arbitration settlement	34,100	-	
	31,000	(3,100)	
Net earnings (loss)	($79,300)	($184,600)	$
Basic and diluted earnings (loss) per common share	($.00)	($.00)	$
Basic and diluted weighted average common shares outstanding	45,972,241	42,638,908	

See accompanying notes to financial statements.

Nocopi Technologies, Inc.
Balance Sheet
(unaudited)

	September 30 2003
Assets	
Current assets	
Cash and cash equivalents	$ 197,900
Accounts receivable less $15,000 allowance	55,100
Arbitration settlement receivable	50,000
Prepaid and other	46,700

Total current assets	349,700
Fixed assets	
Leasehold improvements	67,400
Furniture, fixtures and equipment	476,200
	543,600
Less: accumulated depreciation	472,100
	71,500
Other assets	
Arbitration settlement receivable	150,000
Total assets	$ 571,200

Liabilities and Stockholders' Deficiency

Current liabilities	
Demand loans	$ 149,900
Accounts payable	372,800
Accrued expenses	291,100
Deferred revenue	95,300
Total current liabilities	909,100
Stockholders' deficiency	
Common stock, $.01 par value	
Authorized - 75,000,000 shares	
Issued and outstanding - 45,972,241 shares	459,700
Paid-in capital	11,141,100
Accumulated deficit	(11,938,700)
	(337,900)
Total liabilities and stockholders' deficiency	$ 571,200

See accompanying notes to financial statements.

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Nocopi Technologies, Inc.
Statements of Cash Flows
(unaudited)

	Nine Months ended September 30 2003	2002
Operating Activities		
Net earnings (loss)	$ 532,200	($656,700)
Adjustments to reconcile net earnings (loss) to cash from operating activities		
Depreciation	9,900	13,500

	542,100	(643,200)
(Increase) in assets		
Accounts receivable	(16,000)	(15,600)
Arbitration settlement receivable	(200,000)	
Prepaid and other	(15,700)	(1,500)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(258,800)	308,400
Deferred revenue	(25,400)	37,700
	(515,900)	329,000
Net cash provided by (used in) operating activities	26,200	(314,200)
Investing Activities		
Additions to fixed assets	(67,400)	-
Investment in affiliate	110,600	-
Net cash provided by investment activities	43,200	-
Financing Activities		
Issuance of common stock, net	-	211,000
Demand loans	4,500	160,400
Demand loan repayment	(15,000)	-
Net cash provided by (used in) financing activities	(10,500)	371,400
Increase in cash and cash equivalents	58,900	57,200
Cash and cash equivalents at beginning of year	139,000	100
Cash and cash equivalents at end of period	$ 197,900	$ 57,300

See accompanying notes to financial statements.

NOCOPI TECHNOLOGIES, INC.

NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Financial Statements

The accompanying unaudited condensed financial statements have been prepared by Nocopi Technologies, Inc. (the Company). These statements include all adjustments (consisting only of normal recurring adjustments) which management believes necessary for a fair presentation of the statements and have been prepared on a consistent basis using the accounting policies described in the summary of Accounting Policies included in the Company's 2002 Annual Report on Form 10-KSB. Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the accompanying disclosures are adequate to make the information presented not misleading. The Notes to Financial Statements included in the 2002 Annual Report on Form 10-KSB should be read in conjunction with the accompanying interim financial statements. The interim operating results for the three and nine months ended September 30, 2003 may not be necessarily indicative of the operating results expected for the full year.

Note 2. Settlement of Arbitration with Affiliate

In June 2003, the Company settled its arbitration proceeding commenced by Euro-Nocopi, S.A. (Euro). Under the terms of the settlement, Euro paid $900,000 to Nocopi and will pay an additional $200,000 in the future for back royalties and all other matters in dispute between the two companies, as well as the termination of Nocopi's 18% ownership of Euro. As part of the Settlement, the Company and Euro entered into an amended and restated license pursuant to which the Company has agreed that Euro may continue to market the Company's technologies in Europe. The $200,000 will be paid in four equal annual installments commencing in March 2004. The Company recorded a net gain of $34,100 and $909,400, respectively, in the third quarter and first nine months of 2003 representing the proceeds of the settlement net of the Company's $110,600 investment in Euro and legal expenses incurred during the 2003 related to the arbitration. During the third quarter of 2003 the Company received a $36,900 refund of fees previously paid to the arbitration panel as a result of the termination of the arbitration proceedings.

Arbitration related legal expense of $57,400 incurred in the first quarter of 2003 were reclassified from legal expenses to net proceeds from arbitration settlement.

Note 3. Demand Loans

During the first half of 2003, the Company received additional unsecured loans of $4,500 from its Chairman of the Board and in the third quarter repaid $15,000 in loans previously made by this individual. At September 30, 2003 the total demand loans outstanding was $149,900. The loans bear interest at seven per cent per year and are payable on demand. The loans were used to finance the Company's working capital requirements.

Note 4. Income Taxes

There is no provision for income taxes for the three months and nine months ended September 30, 2003 due to the availability of net operating loss carryforwards for which the Company had previously established a 100% valuation allowance for deferred tax assets due to the uncertainty of their recoverability.

Note 5. Earnings (Loss) Per Share

The weighted average diluted common shares outstanding for the three and nine months ended September 30, 2003 and 2002 excludes the dilutive effect of the 525,000 options outstanding since such options have an exercise price in excess of the average market value of the Company's common stock during the three and nine months ended September 30, 2003 and 2002.

Note 6. Going Concern

Since its inception, the Company has incurred significant losses and, as of September 30, 2003, had accumulated losses of $11,938,700. For the years ended December 31, 2002 and 2001, the Company's net losses were $924,500 and $828,600, respectively. In addition, the Company had negative working capital of $559,400 at September 30, 2003. The Company may incur further operating losses and experience negative cash flow in the future. Achieving profitability and positive cash flow depends on the Company's ability to generate and sustain significant increases in revenues and gross profits from its traditional business. There can be no assurances that the Company will be able to generate sufficient revenues and gross profits to achieve and sustain profitability and positive cash flow in the future.

The receipt of $900,000 in June 2003 in conjunction with the settlement of its arbitration proceedings with Euro-Nocopi, S.A. has permitted the Company to continue in operation to the current date. As a result of the settlement, the significant legal fees incurred in the arbitration will be eliminated. Additionally, the Company has reduced staff and, during the third quarter of 2003, completed its relocation to a new facility that it believes will enable the Company to further reduce its operating expenses. Management of the Company believes that it will need to obtain additional capital in the future both to fund investments needed to increase its operating revenues to levels that will sustain its operations and to fund operating deficits that it anticipates will continue until revenue increases can be realized. There can be no assurances that the Company will be successful in obtaining sufficient additional capital, or if it does, that the additional capital will enable the Company to improve its business so as to have a material positive effect on the Company's operations and cash flow. The Company believes that without additional investment, it may be forced to cease operations at an undetermined future date.

Item 2.

NOCOPI TECHNOLOGIES, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

The following Management's Discussion and Analysis of Results of Operations and Financial Condition should be read in conjunction with our audited Financial Statements and Notes thereto for the year ended December 31, 2002 included in our Annual Report on Form 10-KSB filed with the Securities and Exchange Commission.

The information in this discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Such factors include those described in "Uncertainties That May Affect the Company, its Operating Results and Stock Price." The forward-looking statements included in this report may prove to be inaccurate. In light of the significant uncertainties inherent in these forward-looking statements, you should not consider this information to be a guarantee by us or any other person that our objectives and plans will be achieved. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results (expressed or implied) will not be realized.

Results of Operations

The Company's revenues are derived from royalties paid by licensees of the Company's technologies, fees for the provision of technical services to licensees and from the direct sale of products incorporating the Company's technologies, such as inks, security paper and pressure sensitive labels, and equipment used to support the application of the Company's technologies, such as ink-jet printing systems. Royalties consist of guaranteed minimum royalties payable by the Company's licensees in certain cases and additional royalties which typically vary with the licensee's sales or production of products incorporating the licensed technology. Service fees and sales revenues vary directly with the number of units of service or product provided.

Because the Company has a relatively high level of fixed costs, its operating results are substantially dependent on revenue levels. Because revenues derived from licenses and royalties carry a much higher gross profit margin than other revenues, operating results are also substantially affected by changes in revenue mix.

Both the absolute amounts of the Company's revenues and the mix among the various sources of revenue are subject to substantial fluctuation. The Company has a relatively small number of substantial customers rather than a large number of small customers. Accordingly, changes in the revenue received from a significant customer can have a substantial effect on the Company's total revenue and on its revenue mix and overall financial performance. Such changes may result from a customer's product development delays, engineering changes, changes in product marketing strategies and the like. In addition, certain customers have, from time to time, sought to renegotiate certain provisions of their license agreements and, when the Company agrees to revise terms, revenues from the customer may be affected. The addition of a substantial new customer or the loss of a substantial existing customer may also have a substantial effect on the Company's total revenue, revenue mix and operating results.

Revenues for the third quarter of 2003 were $127,900 compared to $202,500 in the third quarter of 2002, a 37% decline. Licenses, royalties and fees declined by $12,600, or 13%, to $82,700 in the third quarter of 2003 from $95,300 in the third quarter of 2002. The reduction in licenses, royalties and fees is due primarily to the termination during the second half of 2002 and early 2003 of license arrangements with three customers offset in part by license revenues received from one new licensee. Product sales were $45,200 in the third quarter of 2003 compared to $107,200 in the third quarter of 2002, a 58% decrease due to lower sales of both the Company security inks and papers. The relocation to a new facility impacted its production capabilities during the third quarter of 2003. For the first nine months of 2003, revenues were $426,800, 27% lower than revenues of $581,200 in the first nine months of 2002. Licenses, royalties and fees of $253,800 in the first nine months of 2003 declined by $79,900, or 24%, from $333,700 in the first nine months of 2002 as license fees and royalties from new licensees did not offset those lost from terminated or discontinued license arrangements. Product sales were $173,000 in the first nine months of 2003 compared to $247,500 in the first nine months 2002, an decline of 30%. The decrease in product sales reflects lower level of sales of the Company's line of security papers and inks in the first nine months of 2003 compared to the first nine months of 2002.

The Company's gross profit declined to $41,400 in the third quarter of 2003 or 32% of revenues from $104,800 or 52% of revenues in the third quarter of 2002. Licenses, royalties and fees have historically carried a higher gross profit than product sales, which generally consist of supplies or other manufactured products which incorporate the Company's technologies or equipment used to support the application of its technologies. These items (except for inks which are manufactured by the Company) are generally purchased from third-party vendors and resold to the end-user or licensee and carry a lower gross profit than licenses, royalties and fees. The lower gross profit in the third quarter of 2003 compared to the third quarter of 2002 results principally from a decrease in revenues represented by licenses, royalties and fees combined with lower sales of ink and paper

For the first nine months of 2003, the gross profit was $193,800, or 45% of revenues compared to $289,800, or 50% of revenues, in the first nine months of 2002. The decline in the gross profit in absolute dollars in the first nine months of 2003 compared to the first half nine months of 2002 resulted from the same factors as the third quarter decline.

Research and development expenses decreased to $54,000 in the third quarter of 2003 from $63,000 in the third quarter of 2002. For the first nine months of 2003, research and development expenses were $152,600 compared to $192,400 in the first nine months of 2002. The decrease in both the third quarter and first nine months of 2003 relates primarily to the termination at December 31, 2002 of a consulting agreement with a former executive officer and director of the Company.

Sales and marketing expenses were $30,700 in the third quarter of 2003 compared to $62,600 in the third quarter of 2002. For the first nine months of 2003, sales and marketing expenses were $148,800 compared to $211,900 in the first nine months of 2002. The decrease in both the third quarter and first nine of 2003 relates primarily to the departure of a sales executive late in the first quarter of 2003. Sales and marketing expenses in the first nine months of 2003 includes fees of approximately $18,000 paid to a member of the partnership that acquired 3,333,333 shares of the Company's common stock in late 2002 who was engaged as a sales and marketing consultant in accordance with the terms of the subscription agreement.

General and administrative expenses (exclusive of legal expenses) decreased to $49,000 and $193,100, respectively, in the third quarter and first nine months of 2003 from $57,800 and $219,000, in the third quarter and first nine months of 2002 as the Company continued to strictly limit its expenditures to conserve its cash resources.

Legal expenses decreased to $18,000 and $66,800, respectively, in the third quarter and first nine months of 2003 from $102,900 and $317,200 in the third quarter and first nine months of 2002. Legal fees for the third quarter and first nine months 2003 associated with the Euro-Nocopi, S.A. arbitration proceedings that were settled in June 2003 were offset against the settlement proceeds. In 2002, the arbitration related legal fees were included in legal expenses.

Other income (expense) includes interest income on funds invested and interest expense on the Demand Loans. Net proceeds from arbitration settlement includes the net gain of $909,400 in the first nine months of 2003 representing the proceeds of the arbitration settlement with Euro-Nocopi, S.A., net of the Company's $110,600 investment in Euro-Nocopi, S.A. and legal expenses incurred during 2003 related to the arbitration. The net proceeds of the arbitration settlement of $34,100 recognized in the third quarter of 2003 includes a $36,900 refund of fees previously paid to the arbitration panel as a result of the termination of the arbitration proceedings.

The net loss of $79,300 in the third quarter of 2003 compared to $184,600 in the third quarter of 2002 represents lower overhead costs, primarily legal expenses, offset in part by the lower gross profit associated with the revenue decline. The net earnings of $532,200 in the first nine months of 2003 compared to the net loss of $656,700 in the first half of 2002 results primarily from the settlement of the arbitration proceedings with Euro-Nocopi, S.A. during the second quarter of 2003 offset in part by the lower gross profit.

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Plan of Operation, Liquidity and Capital Resources

The Company's cash and cash equivalents increased to $197,900 at September 30, 2003 from $139,000 at December 31, 2002. During the first nine of 2003, the Company received $900,000 in settlement of its arbitration proceedings with Euro-Nocopi, S.A. and a further $4,500 in demand loans from its Chairman of the Board and used $830,600 to fund operations, working capital requirements, including the payment of certain accumulated professional fees and other obligations, and leasehold improvements at the new operating facility it occupied in the third quarter of 2003. The Company also repaid its Chairman of the Board $15,000 of the demand loans previously provided by him.

The loss of a number of customers during the past three years and the loss of periodic fees under the license agreement with Euro-Nocopi, S.A. commencing in 2000 have had a material adverse effect on the Company's revenues and results of operations and upon its liquidity and capital resources. The receipt of $900,000 in June 2003 in conjunction with the settlement of its arbitration proceedings with Euro-Nocopi, S.A. has permitted the Company to continue in operation to the current date. As a result of the settlement, the significant legal fees incurred in the arbitration have been eliminated. Additionally, the Company has reduced staff and, during the third quarter of 2003, completed its relocation to a new facility that it believes will enable the Company to further reduce its operating expenses. Management of the Company believes that it will need to obtain additional capital in the future both to fund investments needed to increase its operating revenues to levels that will sustain its operations and to fund operating deficits that it anticipates will continue until revenue increases can be realized. There can be no assurances that the Company will be successful in obtaining sufficient additional capital, or if it does, that the additional capital will enable the Company to improve its business so as to have a material positive effect on the Company's operations and cash flow. The Company believes that without additional investment, it may be forced to cease operations at an undetermined future date.

Uncertainties That May Affect the Company, its Operating Results and Stock Price

The Company's operating results and stock price are dependent upon a number of factors, some of which are beyond the Company's control. These include:

Possible Inability to Continue in Operation Without New Capital Investment. The Company had a negative working capital of $559,400 at September 30, 2003. Additionally, it experienced negative cash flow from operations of $432,500 in the year ended December 31, 2002. Management of the Company believes that while certain staff reductions initiated in 2003 and the move of the Company's operations to a new facility, which was completed during the third quarter of 2003, will reduce the Company's negative cash flow, it anticipates that the negative cash flow will continue until it can achieve revenue increases. Management believes that it will need to obtain additional capital in the future both to fund investments needed to increase its operating revenues to levels that will sustain its operations and to fund operating deficits that it anticipates will continue until revenue increases can be realized. There can be no assurances that the Company will be successful in obtaining sufficient additional capital, or if it does, that the additional capital will enable the Company to improve its business so as to have a material positive effect on the Company's operations and cash flow. The Company believes that without additional investment, it may be forced to cease operations at an undetermined future date. It is uncertain whether the Company's assets will retain any value if the Company ceases operations. There are no assurances that the Company will be able to secure additional equity investment before it may be forced to cease operations.

Possible Inability to Develop New Business. Even if the Company is able to raise cash through additional capital investment or otherwise, it must improve its operating cash flow. Because the Company has already significantly reduced its operating expenses, Management believes that any significant improvement in the Company's cash flow must result from increases in its revenues from traditional sources and from new revenue sources. The Company's ability to develop new revenues may depend on the extent of both its marketing activities and its research and development activities. There are no assurances that the resources the Company, even with additional investment, can devote to marketing and to research and development will be sufficient to increase the Company's revenues to levels resulting in positive cash flow.

Inability to Obtain Raw Materials and Products for Resale. The Company's adverse financial condition has required it to significantly defer payments due vendors who supply raw materials and other components of the Company's security inks, security paper that the Company purchases for resale and professional and other services. As a result, the Company is required to pay cash in advance of shipment to certain of its suppliers. Delays in shipments to customers caused by the Company's inability to obtain materials on a timely basis and the possibility that certain current vendors may permanently discontinue to supply the Company with needed products could impact the Company's ability to service its customers and adversely affect its customer and licensee relationships. While receipt of funds in conjunction with the settlement of the arbitration with Euro-Nocopi, S.A. has improved the Company's financial condition, there can be no assurances that the Company will be able to maintain its vendor relationships in an acceptable manner.

Uneven Pattern of Quarterly and Annual Operating Results. The Company's revenues, which are derived primarily from licensing and royalties, are difficult to forecast due to the long sales cycle of the Company's technologies, the potential for customer delay or deferral of utilizing the Company's technologies, the size and timing of inception of individual license agreements, the success of the Company's licensees and strategic partners in exploiting the market for licensed products, modifications of customer budgets, and uneven patterns of royalty revenue and product orders. Because the Company's revenue base is not substantial, such delays from one or a small group of customers can have a material adverse effect on the Company's quarterly and annual revenues and, as the Company's operating expenses are substantially fixed, on quarterly and annual operating results.

Volatility of Stock Price. The market price for the Company's common stock has historically experienced significant fluctuations. The Company has, since its inception, operated at a loss and has not produced revenue levels traditionally associated with publicly traded companies. The Company's common stock is not listed on a national or regional securities exchange and, consequently, the Company receives limited publicity regarding its business achievements and prospects, and securities analysts and traders do not extensively follow it. These factors may result in the company continuing to experience significant fluctuations in the price of its stock which are not necessarily related to its operating performance.

Intellectual Property. The Company relies on a combination of protections provided under applicable international patent, trademark and trade secret laws. It also relies on confidentiality, non-analysis and licensing agreements to establish and protect its rights in its proprietary technologies. While the Company actively attempts to protect these rights, the Company's technologies could possibly be compromised through reverse engineering or other means. In addition, the Company's ability to enforce its intellectual property rights through appropriate legal action has been and will continue to be limited by the Company's adverse liquidity. There can be no assurances that the Company will be able to protect the basis of its technologies from discovery by unauthorized third parties or to preclude unauthorized persons from conducting activities that infringe on the Company's rights. The Company's adverse liquidity situation has also impacted its ability to obtain patent protection on its intellectual property and to maintain protection on previously issued patents. The Company has been advised by its patent counsel that patent maintenance fees approximating $20,000 will be due during 2003. The Company has not yet made a decision on keeping any or all of these patents in force. There can be no assurances that the Company will be able to continue to prosecute new patents and maintain issued patents. As a result, the Company's customer and licensee relationships could be adversely affected and the value of the Company's technologies and intellectual property (including their value upon a liquidation of the Company) could be substantially diminished.

Recently Issued Accounting Pronouncements

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN 45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN 45 will be effective for any guarantees that are issued or modified after December 31, 2002. The Company has adopted the disclosure requirements and is currently evaluating the effects of the recognition provisions of FIN 45: The adoption of this statement did not have a material impact on the Company's results of operations or financial position.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), Consolidation of Variable Interest Entities - an interpretation of ARB No. 51. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities, is entitled to receive a majority of the entity's residual returns, or both. FIN 46 provisions are effective for all arrangements entered into after January 31, 2003. For those arrangements entered into prior to January 31, 2003, FIN 46 provisions are required to be adopted at the beginning of the first interim or annual period beginning after June 15, 2003. The adoption of FIN 46 did not have a material impact on the Company's results of operations or financial position.

In April 2003, the FASB issued FASB Statement No. 149 ("Statement 149"), Amendment of Statement 133 on Derivative Instruments and Hedging Activities. This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. Statement 149 is generally effective for derivatives entered into or modified after June 30, 2003 and hedging relationships designated after June 30, 2003. The adoption of this new standard had no effect on the consolidated financial position or results of operations of the Company as of and for the three and nine months ended September 30, 2003.

In May 2003, the FASB issued FASB Statement No. 150 ("Statement 150"), Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. Statement 150 clarifies the accounting for certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities on the balance sheet. Previously, many of those financial instruments were classified as equity. Statement 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not expect the adoption of Statement 150 to have a significant impact on its operating results or financial position.

On April 22, 2003, the FASB announced its decision to require all companies to expense the fair value of employee stock options. Companies will be required to measure the cost according to the fair value of the options. Although the new guidelines have not yet been released, it is expected that they will be finalized soon and be effective in 2004. When final rules are announced, the Company will assess the impact to its financial statements.

Item 3. Disclosure Controls and Procedures

The Company has carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13 a-14. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company that is required to be included in the Company's periodic filings with the Securities and Exchange Commission. There have been no significant changes in the Company's internal controls or, to the Company's knowledge, in other factors that could significantly affect those internal controls subsequent to the date the Company carried out its evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

31.1 Certificate of Chief Executive Officer required by Rule 13a-14(a).

31.2 Certificate of Chief Financial Officer required by Rule 13a-14(a).

32. Certificate of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) No Current Reports on Form 8-K have been filed by the Registrant during the quarter ended September 30, 2003.

SIGNATURES

Pursuant to the requirement 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.

NOCOPI TECHNOLOGIES, INC.

DATE: November 14, 2003

/s/ Michael A. Feinstein, M.D.

Michael A Feinstein, M.D.
Chairman of the Board

DATE: November 14, 2003

/s/ Rudolph A. Lutterschmidt

Rudolph A. Lutterschmidt
Vice President & Chief Financial Officer