

NOCOPI TECHNOLOGIES INC/MD/

Form 10QSB

May 15, 2007

**Table of Contents**

**United States Securities and Exchange Commission  
Washington, D.C. 20549  
Form 10-QSB**

(Mark One)

**QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

**For the quarterly period ended March 31, 2007.**

**TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 000-20333  
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.)

9C Portland Road, West Conshohocken, PA 19428

(Address of principal executive offices)

(610) 834-9600

(Issuer's telephone number)

Check whether the issuer has (1) 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  No

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of May 1, 2007:  
Common stock, par value \$.01 per share: 51,790,977 shares.

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

NOCOPI TECHNOLOGIES, INC.  
INDEX

	PAGE
<b><u>Part I. FINANCIAL INFORMATION</u></b>	
<b><u>Item 1. Financial Statements</u></b>	
<u>Statements of Operations for Three Months ended March 31, 2007 and March 31, 2006</u>	1
<u>Balance Sheet at March 31, 2007</u>	2
<u>Statements of Cash Flows for Three Months ended March 31, 2007 and March 31, 2006</u>	3
<u>Notes to Financial Statements</u>	4-6
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	7-12
<b><u>Item 3. Controls and Procedures</u></b>	13
<b><u>Item 3A(T). Controls and Procedures</u></b>	13
<b><u>Part II. OTHER INFORMATION</u></b>	
<b><u>Item 1. Legal Proceedings</u></b>	14
<b><u>Item 2. Unregistered sales of Equity Securities and Use of Proceeds</u></b>	14
<b><u>Item 3. Defaults upon Senior Securities</u></b>	14
<b><u>Item 4. Submissions of Matters to a Vote of Security Holders</u></b>	14
<b><u>Item 5. Other Information</u></b>	14
<b><u>Item 6. Exhibits</u></b>	14
<b><u>SIGNATURES</u></b>	15
<b><u>EXHIBIT INDEX</u></b>	16
<u>Certificate of Chief Executive Officer</u>	
<u>Certificate of Chief Financial Officer</u>	
<u>Certificate of CEO and CFO Pursuant to Section 906</u>	

---

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

*Nocopi Technologies, Inc.*  
*Statements of Operations\**  
*(unaudited)*

	<b>Three Months ended March 31</b>	
	<b>2007</b>	<b>2006</b>
<b>Revenues</b>		
<b>Licenses, royalties and fees</b>	\$ 48,000	\$ 44,700
<b>Product and other sales</b>	110,500	42,200
	158,500	86,900
<b>Cost of sales</b>		
<b>Licenses, royalties and fees</b>	20,400	16,900
<b>Product and other sales</b>	72,800	24,300
	93,200	41,200
<b>Gross profit</b>	65,300	45,700
<b>Operating expenses</b>		
<b>Research and development</b>	38,600	36,300
<b>Sales and marketing</b>	37,500	27,900
<b>General and administrative (exclusive of legal expenses)</b>	50,400	50,700
<b>Legal expenses</b>	11,600	10,000
	138,100	124,900
<b>Loss from operations</b>	(72,800)	(79,200)
<b>Other income (expenses)</b>		
<b>Interest income</b>	300	
<b>Interest and bank charges</b>	(1,900)	(1,100)
	(1,600)	(1,100)
<b>Net loss</b>	(\$ 74,400)	(\$ 80,300)
<b>Basic and diluted loss per common share</b>	(\$ .00)	(\$ .00)
<b>Basic and diluted weighted average common shares outstanding</b>	51,686,811	50,823,856

\* The accompanying notes are an integral part of these financial

**statements.**

Table of Contents

*Nocopi Technologies, Inc.*  
*Balance Sheet\**  
*(unaudited)*

	<b>March 31 2007</b>
<i>Assets</i>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 13,500
Accounts receivable less \$20,000 allowance	99,200
Inventory	71,800
Prepaid and other	18,800
<b>Total current assets</b>	<b>203,300</b>
<b>Fixed assets</b>	
Leasehold improvements	71,200
Furniture, fixtures and equipment	482,500
	553,700
<b>Less: accumulated depreciation</b>	<b>532,700</b>
	21,000
<b>Total assets</b>	<b>\$ 224,300</b>
 <i>Liabilities and Stockholders Deficiency</i> 	
<b>Current liabilities</b>	
Demand and other short-term loans	\$ 81,000
Accounts payable	425,100
Accrued expenses	295,900
Deferred revenue	5,200
<b>Total current liabilities</b>	<b>807,200</b>
<b>Stockholders deficiency</b>	
Common stock, \$.01 par value	
Authorized - 75,000,000 shares	
Issued and outstanding 51,686,811 shares	516,900
Paid-in capital	11,731,700
<b>Accumulated deficit</b>	<b>(12,831,500)</b>
	(582,900)
<b>Total liabilities and stockholders deficiency</b>	<b>\$ 224,300</b>

\* **The accompanying notes are an integral part of these financial statements.**

**Table of Contents**

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

	<b>Three Months ended March</b>	
	<b>2007</b>	<b>2006</b>
	<b>31</b>	
<b>Operating Activities</b>		
Net loss	(\$ 74,400)	(\$ 80,300)
Adjustment to reconcile net loss to cash used in operating activities		
Depreciation	4,200	3,900
	(70,200)	(76,400)
<b>(Increase) decrease in assets</b>		
Accounts receivable	(7,200)	24,500
Arbitration settlement receivable	50,000	50,000
Inventory	(13,500)	(42,200)
Prepaid and other	6,000	11,100
<b>Increase (decrease) in liabilities</b>		
Accounts payable and accrued expenses	15,000	(7,900)
Deferred revenue	(600)	
	49,700	35,500
<b>Net cash used in operating activities</b>	<b>(20,500)</b>	<b>(40,900)</b>
<b>Investing Activities</b>		
Additions to fixed assets	(1,100)	
<b>Net cash used in investing activities</b>	<b>(1,100)</b>	
<b>Financing Activities</b>		
Issuance of common stock		80,000
Demand and other short-term loans	7,000	
Demand and other short-term loan repayment	(25,000)	
<b>Net cash provided by (used in) financing activities</b>	<b>(18,000)</b>	<b>80,000</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(39,600)</b>	<b>39,100</b>
Cash and cash equivalents at beginning of year	53,100	4,300
<b>Cash and cash equivalents at end of period</b>	<b>\$ 13,500</b>	<b>\$ 43,400</b>

\* The accompanying notes are an integral part of these financial



**statements.**

**Table of Contents**

**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 2006 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 2006 Annual Report on Form 10-KSB should be read in conjunction with the accompanying interim financial statements. The interim operating results for the three months ended March 31, 2007 may not be necessarily indicative of the operating results expected for the full year.

**Note 2. Stock Based Compensation**

On January 1, 2006, the Company adopted SFAS 123(R) using the modified prospective method as permitted under SFAS 123(R). Under this transition method, compensation cost recognized in the first quarter of 2006 includes compensation cost for all share-based payments granted prior to but not yet vested as of December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123. In accordance with the modified prospective method of adoption, the Company s results of operations and financial position for prior periods have not been restated.

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award. There were no stock options granted during the three months ended March 31, 2007 and March 31, 2006. There were no stock options exercised or cancelled during the three months ended March 31, 2007.

**Table of Contents**

The following table summarizes the Company's stock option plans at March 31, 2007 and December 31, 2006:

Outstanding, December 31, 2006	1,750,000	\$ .10 to \$.22	\$ .16
Outstanding, March 31, 2007	1,750,000	\$ .10 to \$.22	\$ .16
Exercisable, March 31, 2007	1,750,000	\$ .10 to \$.22	\$ .16

Outstanding and exercisable, March 31, 2007

Weighted average remaining contractual life (years) 2.79

**Note 3. Going Concern**

Since its inception, the Company has incurred significant losses and, as of March 31, 2007, had accumulated losses of \$12,831,500. For the years ended December 31, 2006 and 2005, the Company's losses from operations were \$175,800 and \$213,800, respectively. In addition, the Company had negative working capital of \$603,900 at March 31, 2007.

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. Management of the Company believes that it will need, and is actively seeking, to obtain additional capital in the immediate 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 capital, whether in the form of debt, equity or both, it may be forced to cease operations at an undetermined future date.

**Note 4. Demand and Other Short-Term Loans**

During the first quarter of 2007, the Company received an unsecured loan of \$7,000 from Michael A. Feinstein, M.D., its Chairman of the Board and repaid the entire \$25,000 lent by an individual in the third quarter of 2006. At March 31, 2007, the Company had unsecured loans from four individuals totaling \$81,000, including \$29,000 from Dr. Feinstein and \$15,000 from Herman Gerwitz, a Director, outstanding. The loans bear interest at seven per cent per year. In

**Table of Contents**

early May 2007 the Company repaid the entire \$10,000 lent by an individual in the third quarter of 2006.

**Note 5. Income Taxes**

There is no income tax benefit for the losses for the three months ended March 31, 2007 and March 31, 2006 because the Company has determined that the realization of the net deferred tax asset is not assured. The Company has created a valuation allowance for the entire amount of such benefits.

**Note 6. Loss per Share**

Because the Company reported a net loss for the three months ended March 31, 2007 and March 31, 2006, common stock equivalents, consisting of stock options and warrants, were anti-dilutive.

**Note 7. Major Customer Information**

The Company's largest non-affiliate customers accounted for approximately 64% and 52% of revenues in the first quarter of 2007 and 2006, respectively, and approximately 73% of accounts receivable at March 31, 2007. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company also maintains allowances for potential credit losses.

**Note 8. Subsequent Events**

In April 2007, the Company sold a total of 104,166 shares of its common stock to two individuals who are not affiliates of the Company for \$50,000, or \$.48 per share. The board of directors deferred the issuance of 100,000 options to purchase common stock of the Company that were to be granted to each director on April 30, 2007.

**Table of Contents**

**Item 2.**

**NOCOPI TECHNOLOGIES, INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**

**Forward-Looking Information**

The following Management's Discussion and Analysis of Results of Operations and Financial Condition should be read in conjunction with the Condensed Financial Statements and related notes included elsewhere in this report as well as with our audited Financial Statements and Notes thereto for the year ended December 31, 2006 included in our Annual Report on Form 10-KSB filed with the Securities and Exchange Commission on April 16, 2007.

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 Risk Factors. 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, as well as 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 and/or additional royalties which typically vary with the licensee's sales or production of products incorporating the licensed technology. Technical services, in the form of on-site or telephone consultations by members of the Company's technical staff, may be offered to licensees of the Company's technologies. The consulting fees are billed at agreed upon per diem or hourly rates at the time the services are rendered. Service fees and sales revenues vary directly with the number of units of service or product provided.

**Table of Contents**

The Company recognizes revenue on its lines of business as follows:

- a) License fees and royalties are recognized when the license term begins. Upon inception of the license term, revenue is recognized in a manner consistent with the nature of the transaction and the earnings process, which generally is ratably over the license term;
- b) Product sales are recognized upon shipment of products, when the price is fixed or determinable and collectibility is reasonably assured; and
- c) Fees for technical services are recognized when (i) the service has been rendered; (ii) an arrangement exists; (iii) the price is fixed or determinable based upon a per diem or hourly rate; and (iv) collectibility is reasonably assured.

While the Company's fixed costs have been reduced as a result of its relocation to a new location in 2003 and because the Company believes that further fixed cost reductions may not be achievable, 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 first quarter of 2007 were \$158,500 compared to \$86,900 in the first quarter of 2006, an 82% increase. Licenses, royalties and fees increased by \$3,300, or 7%, in the first quarter of 2007 to \$48,000 from \$44,700 in the first quarter of 2006. The increase in licenses, royalties and fees is due primarily to the addition of one license agreement during 2006 offset in part by the termination or non-renewal of three licenses during 2006. Product sales increased by \$68,300, or 162%, to \$110,500 in the first quarter of 2007 from \$42,200 in the first quarter of 2006 as shipments of ink for its new licensee in the Educational and Toy Products Market continued into 2007. The Company believes that ink shipments to this licensee and another licensee added during the first quarter of 2007 will continue to expand in future periods producing increases in both product sales and royalties.

The Company's gross profit increased to \$65,300 in the first quarter of 2007 or 41% of revenues from \$45,700 or 53% of revenues in the first quarter of 2006. Licenses, royalties and fees have historically carried a higher gross profit than product sales, which generally consist of

**Table of Contents**

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, expressed as a percentage of revenues, in the first quarter 2007 compared to the first quarter of 2006 resulted principally from a higher percentage of gross revenues derived from product sales compared to licenses, royalties and fees.

Research and development expenses of \$38,600 in the first quarter of 2007 approximated the \$36,300 in the first quarter of 2006.

Sales and marketing expenses increased to \$37,500 in the first quarter of 2007 from \$27,900 in the first quarter of 2006. The increase reflects higher commission expense on the higher level of revenues in the first quarter of 2007 compared to the first quarter of 2006.

General and administrative expenses (exclusive of legal expenses) of \$50,400 in the first quarter of 2007 approximated the \$50,700 in the first quarter of 2006.

Legal expenses increased nominally in the first quarter of 2007 to \$11,600 from \$10,000 in the first quarter of 2006.

Other income (expense) increased in the first quarter of 2007 compared to the first quarter of 2006 as interest expense was incurred on the demand and other short-term loans received in 2006.

The net loss of \$74,400 in the first quarter of 2007 compared to the net loss of \$80,300 in the first quarter of 2006 results primarily from a higher gross profit on the higher level of revenues offset in part by higher commissions.

**Plan of Operation, Liquidity and Capital Resources**

The Company's cash and cash equivalents decreased to \$13,500 at March 31, 2007 from \$53,100 at December 31, 2006. During the quarter, the Company received \$7,000 in demand loans and used \$20,500 to fund operations, \$25,000 to repay loans and \$1,100 to fund capital purchases.

While the Company has added new licensees in the Entertainment and Toy Market over the past year and has obtained significant increases in product sales from these licensees, its working capital requirements have increased in support of inventory and receivables related to these sales. Additionally the Company continues to experience operating losses that have an adverse effect on its liquidity. During the first quarter of 2007, the Company received \$7,000 in demand loans from its Chairman of the Board and the final installment payment of \$50,000 in accordance with the settlement agreement of its arbitration with Euro-Nocopi, S. A. These receipts, combined with \$50,000 received in April 2007 from two individuals in connection with the sale of 104,166 shares of the Company's common stock have permitted the Company to continue in operation to

**Table of Contents**

the current date. Management of the Company believes that it will need to obtain, and it is actively seeking, additional capital in the immediate future both to fund investments needed further increase its operating revenues, to support the working capital requirements associated with these revenues, to reduce debts owed to vendors and professional service providers and to fund operating losses that it believes will continue for at least a portion of 2007. 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.

The Company, in response to the ongoing adverse liquidity situation, has maintained a cost reduction program including staff reductions and curtailment of discretionary research and development and sales and marketing expenses, where possible.

The Company's plan of operations for the twelve months beginning with the date of this quarterly report consists of raising sufficient capital immediately, in the form of debt, equity or both to allow it to continue in operation and to capitalize on the specific business relationships it has recently developed in the Entertainment and Toy Products business through ongoing applications development for these licensees. The Company believes that these opportunities can provide increases in revenues and it will increase its production staff as necessary and invest in capital equipment needed to support the anticipated ink production requirements.

**Risk Factors**

The Company's operating results, financial condition and stock price are subject to certain risks, some of which are beyond the Company's control. These risks could cause actual operating and financial results to differ materially from those expressed in the Company's forward looking statements, including the risks described below and the risks identified in other documents which are filed and furnished with the SEC including our annual report on Form 10-KSB filed on April 16, 2007:

*Inability to Continue in Operation Without New Equity Investment.* We had a negative working capital of \$603,900 at March 31, 2007. Additionally, we experienced negative cash flow from operations of \$200,100 in the year ended December 31, 2006. Our management believes that while ongoing cost containment measures combined with revenue increases associated with new licensees will reduce our negative cash flow, we will need to obtain additional capital in the future both to fund investments needed to support the ongoing increase and to provide additional working capital requirements associated with these revenues. There can be no assurances that we will be successful in obtaining sufficient additional capital, or if we do obtain additional capital, that the additional capital will enable us to improve our business so as to have a material positive effect on our operations and cash flow. We believe that without additional investment, we may be forced to cease operations at an undetermined future date. It is uncertain whether our assets will retain any value if we cease operations. There are no assurances that we will be able to secure additional equity investment before we may be forced to cease operations.



**Table of Contents**

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

*Inability to Obtain Raw Materials and Products for Resale.* Our adverse financial condition has required us to significantly defer payments due vendors who supply raw materials and other components of our security inks and security paper that we purchase for resale and professional and other services. As a result, we are required to pay cash in advance of shipment to certain of our suppliers. Delays in shipments to customers caused by our inability to obtain materials on a timely basis and the possibility that certain current vendors may permanently discontinue to supply us with needed products could impact our ability to service our customers and adversely affect our customer and licensee relationships. While receipt of funds in conjunction with the settlement of the arbitration with Euro-Nocopi, S.A., short-term loans and sales of shares of our common stock in 2006 and 2007 have allowed us to continue in operation to the current date, there can be no assurances that we will be able to maintain our vendor relationships in an acceptable manner.

*Uneven Pattern of Quarterly and Annual Operating Results.* Our revenues, which are derived primarily from licensing and royalties, are difficult to forecast due to the long sales cycle of our technologies, the potential for customer delay or deferral of implementation of our technologies, the size and timing of inception of individual license agreements, the success of our licensees and strategic partners in exploiting the market for the licensed products, modifications of customer budgets, and uneven patterns of royalty revenue and product orders. As our revenue base is not substantial, delays in finalizing license contracts, implementing the technology to initiate the revenue stream and customer ordering decisions can have a material adverse effect on our quarterly and annual revenue expectations and, as our operating expenses are substantially fixed, income expectations will be subject to a similar adverse outcome. As licensees for the entertainment and toy products are added, the unpredictability of our revenue stream may be further impacted.

*Volatility of Stock Price.* The market price for our common stock has historically experienced significant fluctuations and may continue to do so. We have, since our inception, operated at a loss and have not produced revenue levels traditionally associated with publicly traded companies. Our common stock is not listed on a national or regional securities exchange and, consequently, we receive limited publicity regarding our business achievements and prospects, nor do securities analysts and traders extensively follow our stock and our stock is also thinly traded. Our market price may be affected by announcements of new relationships or modifications to existing relationships. The stock prices of many developing public companies, particularly those with small capitalizations, have experienced wide fluctuations not necessarily

**Table of Contents**

related to operating performance. Such fluctuations may adversely affect the market price of our common stock. *Intellectual Property.* We rely on a combination of protections provided under applicable international patent, trademark and trade secret laws. We also rely on confidentiality, non-analysis and licensing agreements to establish and protect our rights in our proprietary technologies. While we actively attempt to protect these rights, our technologies could possibly be compromised through reverse engineering or other means. In addition, our ability to enforce our intellectual property rights through appropriate legal action has been and will continue to be limited by our adverse liquidity. There can be no assurances that we will be able to protect the basis of our technologies from discovery by unauthorized third parties or to preclude unauthorized persons from conducting activities that infringe on our rights. Our adverse liquidity situation has also impacted our ability to obtain patent protection on our intellectual property and to maintain protection on previously issued patents. We made payments of approximately \$800 for patent maintenance fees due during 2007. There can be no assurances that we will be able to continue to prosecute new patents and maintain issued patents. As a result, our customer and licensee relationships could be adversely affected and the value of our technologies and intellectual property (including their value upon our liquidation) could be substantially diminished.

**Recent Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board ( FASB ) issued Interpretation No. 48 ( FIN 48 ), *Accounting for Uncertainty in Income Taxes*. FIN 48 prescribes detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. Tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. FIN 48 will be effective for fiscal years beginning after December 15, 2006, and will become effective for us beginning with the first quarter of 2007, and the provisions of FIN 48 will be applied to all tax positions under Statement No. 109 upon initial adoption. The cumulative effect of applying the provisions of this interpretation will be reported as an adjustment to the opening balance of retained earnings for that fiscal year. The Company adopted FIN 48 effective January 1, 2007. The adoption of FIN 48 did not require an adjustment to the opening balance of retained earnings as of January 1, 2007.

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**Table of Contents**

**Item 3. Controls and Procedures**

(a) Evaluation of Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information required to be included in its periodic SEC reports is recorded, processed, summarized and reported within the time periods specified in the relevant SEC rules and forms. 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 13a-15. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures are effective.

(b) Changes in Internal Control

As of the date of this report, there have been no changes in the Company's internal controls over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**Item 3A(T). Controls and Procedures**

Not applicable.

**Table of Contents**

**PART II OTHER INFORMATION**

Item 1. Legal Proceedings

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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

(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.

**Table of Contents**

**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: May 15, 2007

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

DATE: May 15, 2007

/s/ Rudolph A. Lutterschmidt  
Rudolph A. Lutterschmidt  
Vice President & Chief Financial Officer  
15

---

**Table of Contents**

**EXHIBIT INDEX**

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