NANOPIERCE TECHNOLOGIES INC
Form 10KSB/A
April 13, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB/A
(AMENDMENT NO. 2)

(Mark one)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED: JUNE 30, 2003

OR

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

Commission file number: 33-19598-D

NANOPIERCE TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Nevada	84-0992908
(State of other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

370 Seventeenth Street, Suite 3640
Denver, Colorado 80202
(Address and zip code of principal executive office)

(Former address of principal executive office)

Registrant's telephone number, including area code: (303) 592-1010
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: None

(Title of Class)	Name of Each Exchange On Which Registered
Common Stock, 0.0001 Par Value	NASDAQ:BB Frankfurt Exchange Hamburg Exchange

Indicate by check mark whether the registrant: (1) 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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III or this Form 10-KSB or any amendment hereto. [X]

As of the close of trading on September 26, 2003, there were 66,023,969 shares outstanding, 57,474,937 of which were held by non-affiliates. The aggregate market value of the common shares held by non-affiliates, based on the average closing bid and asked prices on September 26, 2003, was approximately $15,518,233.

The registrant's revenue for the fiscal year ended June 30, 2003 was $37,017.

Transitional Small Business Disclosure Yes No X
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Explanatory Note on Amendment

This Amendment has been filed to make minor clarifying revisions to Item 1 of Part I, and Item 12 of Part II of the Annual Report on Form 10-KSB for the registrant for the fiscal year ended June 30, 2003 that was filed with the Securities and Exchange Commission on September 29, 2003 (the "Original Filing Date"). This Amendment continues to speak as of the Original Filing Date, and the registrant has not updated the disclosures contained herein to reflect any events that occurred at a date subsequent to such date.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

COMPANY OVERVIEW

NanoPierce Technologies, Inc. (the "Company") is a Nevada corporation that was incorporated on June 22, 1996, as Sunlight Systems, Ltd. From June 22, 1996 through November 1996 the Company engaged in limited activities as a dealer and distributor of sun tunnels. This business, however, was discontinued and substantially all assets were sold in November of 1996. From that time until February 1998, the Company was generally inactive and reported no significant operating revenues.

On February 26, 1998, the Company acquired the intellectual property rights related to the Company's patented Particle Interconnect Technology (the "PI Technology") from Particle Interconnect Corporation ("PI Corp"), a Colorado Corporation, and a wholly owned subsidiary of Intercell Corporation (now known as Intercell International Corporation, hereinafter "Intercell"), a Nevada Corporation. In exchange for the assets of PI Corp, the Company issued 7,250,000 shares of its common stock and 100 shares of the Company's Series A Preferred Stock (convertible into 7,250,000 common shares) to Intercell. Intercell, subsequently converted the 100 shares of the Series A Preferred Stock in June 1999 for 7,250,000 common shares. As of June 30, 2003, Intercell held 6,376,764 common shares of the Company. The Company acquired the PI Technology in order to pursue a more focused, strategic application and development of the

PI Technology, subsequently referred to as the NanoPierce Connection System ("NCS(TM)")

The Company, since the acquisition of NCS, has focused on providing the electronics industry with possible solutions to their "connection" problems, through not only know-how, but also products and services provided by either the Company or its subsidiaries.

The Company has three wholly owned subsidiaries.

NANOPIERCE CARD TECHNOLOGIES, GMBH ("NANOPIERCE CARD" OR "NCT"). Established in January 2000, NanoPierce Card is located in Hohenbrunn, Germany. NanoPierce Card was responsible for the marketing of the Company's technology, services and products on an international basis. On April 1, 2003, NCT filed insolvency with the Courts of Munich, Germany. The insolvency was necessary in order to comply with specific German legal requirements. In conjunction, with the insolvency filing management made a decision in April 2003 to discontinue operations at NanoPierce Card and liquidate NanoPierce Card, through the German courts through self-liquidation. Subsequently, the Court rejected the application for insolvency and the Company is, at this time, implementing a plan of self-liquidation as provided by German law.

NANOPIERCE CONNECTION SYSTEMS, INC. ("NANOPIERCE CONNECTION" OR "NCOS"). NanoPierce Connection is a Nevada corporation, located in Colorado Springs, Colorado, USA. Beginning business in January 2002, NanoPierce Connection is the center of not only research and development activities, but also the development of various applications of the NCS. In addition, NanoPierce Connection provides the WaferPierce(TM) service to potential customers. In September 2003, the Company entered into a joint venture with Scimaxx, LLC in order to further the marketing of the services offered by NanoPierce Connection (See - Item 6 "Management's Discussion and Analysis").

EXYPNOTECH, GMBH ("EXYPNOTECH" OR "EPT"). ExypnoTech was organized in February 2002. ExypnoTech produces inlay components used in the manufacturing of, among other things, Smart Labels. ExypnoTech, in addition to the inlay components, plans to manufacture and sell other types of RFID (Radio Frequency Identification) components. In September 2003, the Company signed a letter of intent with Meshed Systems, GmbH, in which Meshed Systems, GmbH is to make an equity investment in ExypnoTech in exchange for a 51% equity interest in ExypnoTech. (See - Item 6 "Management's Discussion and Analysis")

THE TECHNOLOGY

NCS(TM) is a method where metallized, hard, microscopic particles are deposited onto one of two contact surfaces, through electrolytic or electro-less plating methods or other methods. When the two surfaces are pressed together, the conductive particles penetrate the second contact surface and create an electrical connection. Bonding of the contact surfaces can be achieved using nonconductive adhesives or ultrasonic welding.

NCS can be used with many different substrates (flexible, rigid, metallic and non-metallic), allowing NCS to replace more conventional methods of making electrical contacts, such as soldering, spring-loading, pin-in-hole connections and conventional "flip chip" attachment. In addition, NCS can be used to form either temporary or permanent connections.

NCS provides several advantages to potential users among which are; lower costs through the usage of less expensive materials; the elimination of manufacturing steps; improved thermal and electrical properties; elimination of

special environments for application; decreased production time; easy integration into existing production lines; increased design miniaturization; adaptability for specific applications and RF (radio frequency) performance.

The Company has extended NCS to permit the direct attachment of semiconductor chips to a substrate, a process called WaferPierce(TM). WaferPierce is comprised of two parts: (1) the electroless application of NCS to the contact pads of chips while still in wafer form; and (2) a proprietary chip attachment process in which chips are bonded to a substrate face down using the core NCS method.

WaferPierce offers both cost and performance benefits over the current methods of chip attachment. These benefits include the simplification and acceleration of chip assembly, reduction of substrate costs and economic wafer preparation. In addition, WaferPierce has several functional advantages, such as, good electrical and thermal conductivities, reliability, thinness and good high frequency characteristics and the absence of lead.

The Company currently holds 12 Patents with the U.S. Patent and Trademark Office. Further, the Company has filed several patent applications both in the United States and internationally in order to continue to protect its intellectual

property. The Company has also filed trademark applications with the U.S. Patent and Trademark Office to protect its name, logo and other trademarks.

During the fiscal year ended June 30, 2003, the Company incurred an expense of $200,000 in connection with the impairment of the original intellectual property owned by the Company. The decision to record an impairment of the intellectual property was based primarily on the overall age of the patents in the intellectual property combined with the Company's current operational status. This impairment is not indicative of the value of the technology and the current value of the patent applications and trademark applications the Company has filed both in the United States and internationally. (See - "Notes to the Consolidated Financial Statements - Note 1")

BUSINESS STRATEGY

The Company has developed a business strategy to penetrate all possible markets with its technology, with the ultimate plan to make NCS the preferred technology in these markets. The Company currently provides potential customers with three possible ways to gain access to the NCS technology.

1. WAFERPIERCE SERVICE. Through its subsidiary, NanoPierce Connection, the Company is able to provide a WaferPiercing service to its customers. NanoPierce Connection is currently providing this service in developing samples for potential customers.

2. LICENSING. For those customers needing NCS or WaferPierce on a larger scale than the Company is able to provide at this time through NanoPierce Connection, the Company is willing to provide a license to the customer, to transfer know-how in connection with various aspects or applications of NCS and WaferPierce.

3. RFID COMPONENTS. The Company, through ExypnoTech currently has the capability to provide RFID components, using NCS to potential customers. In addition, ExypnoTech, in manufacturing the RFID components, uses chips that have been treated using the WaferPierce process. ExypnoTech has signed contracts with several customers to

provide RFID components. In the future, the Company plans to continue to utilize the strategy of providing the final product to the user in those markets where it is economically practical.

While there are numerous possible applications for NCS and WaferPierce, the Company has decided to focus, at this time, on those specific applications that are low cost and experience high volumes.

1. RFID COMPONENTS. RFID components are used to identify objects, by short-range radio over a few millimeters to distances as great as a meter. RFID inlays consist of a small transponder chip bonded onto a metal foil antenna on an exceptionally thin and small plastic or paper sheet. NCS can be used to provide the connection between the transponder chip and the antenna. In addition, NCS can be used to connect the chip to the chip module in contact smart cards or the chip module to the antenna in the case of contactless smart cards. There are many different applications for RFID components, but the two applications being focused on by the Company are Smart Labels and Smart Cards. The Company currently offers RFID Components using NCS through its subsidiary, ExypnoTech.

2. WAFERPIERCE SERVICE. Wafers are 2, 4, 6, 8 or 12 -inch silicon or other substrate material used in the process of making chips with integrated circuits in the semiconductor industry. NCS can be used as a method of a chip attachment to the actual substrate, replacing conventional flip chip processes used to remove chips and attach them to substrates.

3. OTHER APPLICATIONS. The applications described above are not the only possible applications for NCS; other viable applications include connectors and sockets in both printed and flexible circuit boards. Further applications include temporary applications, such as test connectors, sockets and switches.

In addition to the development and marketing of NCS, the Company through NanoPierce Card, has generated revenues during the last two fiscal years through software development and project management for various customers in industries with potential NCS applications.

For the fiscal year ended June 30, 2003, the Company recognized $128,947 in revenue from its software development activities, which were discontinued effective April 1, 2003.

RESEARCH AND DEVELOPMENT

Research and development activities are conducted through NanoPierce Connection, with additional activities occurring at NanoPierce Card and ExypnoTech. For the fiscal years ended June 30, 2003 and June 30, 2002, NanoPierce Connections and ExypnoTech incurred $316,403 and $316,438 in research and development expenses from continuing operations. NanoPierce Card incurred $251,354 and $320,908 in 2003 and 2002, respectively, which is classified as a component of loss from discontinued operations in the Company's consolidated statements of operations.

COMPETITION

Competition in the electronic connector market is fierce. The principal competitive factors are product quality, performance, price and service. The Company and its licensees face competition from well-established firms with

other interconnect technologies.

The Company will face competition from the development of existing and future competing technologies. There currently exists approximately 28 different technologies that can be used to create interconnect solutions, including dendrite crystals, gold dot technology, anisotropic technology (technologies using materials whose behavior differs in the up/down and left/right directions), elastomerics (rubber-like synthetic materials) and Z-axis conductive adhesives. These technologies currently are produced by materials and chemical suppliers, flexible and rigid printed circuit board manufacturers, as well as electronics manufacturers who produce their own materials and interconnect systems. Many of these competitors have substantially greater financial and other resources than the Company. The Company believes that each existing technology currently has limitations with regard to electrical/mechanical performance, manufacturability or cost as compared to NCS. However, there are no assurances that the Company or the NCS can successfully compete with current or future technologies.

GOVERNMENT REGULATION

The Company believes that it is in compliance with all federal and state laws and regulations governing its limited operations. Further, the Company believes that it is in compliance with all German laws and regulations governing its limited operations in Germany. Compliance with federal and state environmental laws and regulations did not have a material effect on the Company's capital expenditures, earnings or competitive position during the fiscal year ended June 30, 2003.

4

EMPLOYEES

On June 30, 2003, the Company and its subsidiaries had 10 employees. Messrs. Metzinger, Neuhaus and Ms. Kampmann, key officers of the Company, have signed employment agreements with the Company or its subsidiaries. (See- Item 9- "Directors and Officers of the Company") None of the Company's employees are represented by a labor union or are subject to a collective bargaining agreement. The Company believes that its relations with its employees are excellent.

FACTORS AFFECTING FUTURE OPERATING RESULTS

Our future results may be affected by various risks and uncertainties including the following:

WE HAVE A HISTORY OF LOSSES

Developing our particle technology and its applications has been and we expect will continue to be expensive. Our operating expenses have consistently exceeded our revenues. We reported a net loss of $4,017,785, $4,729,072 and $3,598,543 for the fiscal years ended June 30, 2003, 2002 and 2001, respectively.

WE MAY NOT BE ABLE TO CONTINUE AS A GOING CONCERN

Our independent auditor's report of our financial statements as of June 30, 2003 includes an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. If we are unable to secure significant additional financing, we may be obligated to seek protection under the

bankruptcy laws and our shareholders may loose their investment.

OUR REVENUES DEPEND ON OUR ABILITY TO LICENSE COMPANIES TO APPLY OUR PARTICLE TECHNOLOGY TO PRODUCTS THAT THEY BRING TO THE MARKETPLACE WHICH WE HAVE BEEN UNABLE TO ACCOMPLISH TO DATE

We do not anticipate generating significant revenues until we are able to license companies to apply our particle technology to products that are brought to the marketplace. To date, we have not successfully licensed companies to apply our particle technology to products that are brought to the marketplace. Even if we are successful and products utilizing our particle technology are brought to the marketplace, we may still not generate enough revenue to offset our operating costs.

We do not have licensing relationships with manufacturers to develop and market products using our particle technology in place, and if we are unable to secure these agreements, we believe that we may not become profitable in the future

We believe that our long-term profitability and growth depends on entering into licensing or joint venture relationships with various manufacturers to develop and market products using the particle technology. We have not entered into any formal agreements to date, and even if we do enter into agreements in the future, we cannot assure you that the agreements will be profitable.

CONSUMERS MAY USE ALTERNATIVE TECHNOLOGIES UNLESS WE ESTABLISH A MARKET PRESENCE WITH OUR PARTICLE TECHNOLOGY

The interconnect market is subject to rapid technology changes. New products are introduced, old products are enhanced and others become obsolete. The entire interconnect market may be replaced by a newer form of technology. To be competitive, we believe that we must develop, market and sell our products on a

timely and cost-effective basis and respond to the ever changing requirements and demands of our customers, which in turn depends in part on our capability to upgrade our products and quality control procedures and to adapt to technological changes and advances in the electronics industry.

We cannot assure that we will be successful in selecting, developing, and marketing new technologies or that compatibility issues with an evolving generation of electronic components and manufacturing equipment and errors or flaws in the new technologies will not prevent or delay market acceptance. Any further delay in bringing our particle technology to the marketplace could cause prospective customers to use alternative technologies and could result in our inability to generate sufficient revenues to cover our operating costs.

WE MAY BE UNABLE TO SUCCESSFULLY COMPETE IN THE MARKETPLACE

The interconnect market is highly competitive. Our success will depend in part on how quickly competitors can design and develop competing products and technologies. We will compete with suppliers of other interconnect technologies including Alien Technologies, Inc., Interconnect Technologies and major electronic technology manufacturing leaders including Philips, Siemens, Infineon and IBM. We are disadvantaged competing against these competitors in several different areas, including:

- financial resources;

- technological resources;

- manufacturing capabilities;

- diversity of revenue sources and business opportunities;

- personnel and human resources; and

- research and development capabilities.

Our larger competitors have long term advantages over us in research and new product development and have a greater ability to withstand periodic downturns in the interconnect market because they have diverse product lines that can provide revenue even when there is a downturn in the interconnect market.

WE CANNOT GUARANTEE THE QUALITY, PERFORMANCE OR RELIABILITY OF OUR PRODUCTS

We have no prior experience in taking technology to the manufacturing or production stage. We plan to have licensees or co-joint venturers manufacture products using the particle technology. We expect that the customers of these products will demand quality, performance and reliability. We cannot assure you that our future licensees or co-joint venturers will be able to meet the quality control standards that may be established by equipment manufacturers and other customers of products utilizing the particle technology.

THERE MAY BE INSUFFICIENT DEMAND FOR OUR PARTICLE TECHNOLOGY

We must convince our potential customers that the particle technology is technologically sound and can be manufactured efficiently and cost-effectively before connector manufacturers and electronic equipment manufacturers will be willing to use our technology. To create this consumer demand, we have to successfully market and sell our technology. Even after these efforts, our

particle technology may not be viewed by consumers as an improvement over existing technologies and may not achieve commercial acceptance.

WE MAY BE UNABLE TO MEET OUR ONGOING NEEDS FOR ADDITIONAL CAPITAL

We cannot accurately predict how much funding we will need to implement our strategic business plan or to continue operations. Our future capital requirements, the likelihood that we can obtain money and the terms of any financing will be influenced by many different factors, including:

- our revenues,

- the status of competing products in the marketplace,

- our performance in the marketplace,

- our overall financial condition,

- our business prospects,

- the perception of our growth potential by the public, including potential lenders,

- our ability to enter into joint venture or licensing relationships to achieve a market presence and

- our progress in developing, marketing and selling the particle technology.

If we cannot obtain adequate financing or if the terms on which we are able to acquire financing are unfavorable, our business and financial condition could be negatively affected. We may have to delay, scale back or eliminate some or all of our development and marketing programs, if any. We may also have to go to third parties to seek financing, and in exchange, we may have to give up rights to some of our technologies, patents, patent applications, potential products or other assets.

WE MAY BE UNABLE TO HIRE AND RETAIN KEY PERSONNEL

Our future success depends on our ability to attract qualified technical personnel capable of working with our technology. We may be unable to attract these necessary personnel. If we fail to attract or retain skilled employees, or if a key employee fails to perform in his or her current position, we may be unable to bring our particle technology to the marketplace and to generate sufficient revenues to offset our operating costs.

WE MAY BE UNABLE TO OBTAIN AND RETAIN APPROPRIATE PATENT, COPYRIGHT AND TRADEMARK PROTECTION OF OUR PRODUCTS

We protect our intellectual property rights through patents, trademarks, trade names, trade secrets and a variety of other measures. However, these measures may be inadequate to protect our intellectual property or other proprietary information.

- TRADE SECRETS MAY BECOME KNOWN BY THIRD PARTIES. Our trade secrets or proprietary technology may become known or be independently developed by competitors.

- RIGHTS TO PATENTS AND TRADE SECRETS MAY BE INVALIDATED. Disputes may arise with third parties over the ownership of our intellectual property rights. Our patents may be invalidated, circumvented or challenged, and the rights granted under those patents that provide us with a competitive advantage may be nullified.

- PROBLEMS WITH FUTURE PATENT APPLICATIONS. Our pending or future patent applications may not be approved, or the scope of the granted patent may be less than the coverage sought.

- INFRINGEMENT CLAIMS BY THIRD PARTIES. Infringement, invalidity, right to use or ownership claims by third parties or claims for indemnification may be asserted by third parties in the future. If any claims or actions are asserted against us, we can attempt to obtain a license for that third party's intellectual property rights. However, the third party may not provide a license under reasonable terms, or may not provide us with a license at all.

- THIRD PARTIES MAY DEVELOP SIMILAR PRODUCTS. Competitors may develop similar products, duplicate our products or may design around the patents that are owned by us.

- LAWS IN OTHER COUNTRIES MAY INSUFFICIENTLY PROTECT INTELLECTUAL PROPERTY RIGHTS ABROAD. Foreign intellectual property laws may not adequately protect our intellectual property rights abroad. Our failure to protect these rights could adversely affect our business and financial condition.

- LITIGATION MAY BE REQUIRED TO PROTECT INTELLECTUAL PROPERTY RIGHTS. Litigation may be necessary to protect our intellectual property rights and trade secrets, to determine the validity of and scope of the rights of third parties or to defend against claims of infringement or invalidity by third parties. This litigation could be expensive, would divert resources and management's time from our sales and marketing efforts, and could have a materially adverse effect on our business, financial condition and results of operations and on our ability to enter into joint ventures or partnerships with others.

LICENSE RIGHTS TO PARTICLE TECHNOLOGY MAY LIMIT OUR ABILITY TO COMPETE

Before we acquired the patents, patent applications and licenses from the original owners of the particle technology, the inventor of the particle technology granted five companies exclusive and non-exclusive licenses to use the patents and patent applications relating to the particle technology. At this time, only two of the original five licensees are using our technology and none of these licenses relate to either smart card or smart label technology. A non-exclusive, two year license was also granted to the inventor of the particle technology in October 2002 in connection with the settlement of certain litigation with the inventor. These licenses restrict us as follows:

- EXCLUSIVE LICENSES PREVENT US FROM COMPETING AGAINST THE EXCLUSIVE LICENSES. We cannot compete in the fields in which exclusive licenses have been granted. An exclusive license was granted in the field of sockets for use in the automated handling and testing of integrated circuits, a type of semiconductor in which a number of transistors and other elements are combined to form a more complicated circuit.

- NON-EXCLUSIVE LICENSES ALLOW LICENSEES TO COMPETE AGAINST US IN CERTAIN AREAS. The licensees with non-exclusive licenses can compete directly with us or our other future licensees. Non-exclusive licenses have been granted to use the particle technology for electrically conductive components, laminate-based and metal-based products and semiconductor products. If the present licensees decide

to compete with us or our future licensees, this competition could adversely affect our business.

WE DO NOT EXPECT TO PAY DIVIDENDS IN THE FORESEEABLE FUTURE

We have never paid cash dividends on our common stock. We do not expect to pay cash dividends on our common stock at any time in the foreseeable future. The future payment of dividends directly depends upon our future earnings, capital requirements, financial requirements and other factors that our board of directors will consider. Since we do not anticipate paying cash dividends on our common stock, return on your investment, if any, will depend solely on an increase, if any, in the market value of our common stock.

ITEM 2. DESCRIPTION OF PROPERTIES

The Company's corporate headquarters are located at 370 17th Street, Suite 3640, Denver, Colorado 80202. The Company moved into its current office space on June 27, 2001 and has a 5-year lease on the property, expiring in September 2006. The base rent is $4,850 per month for the remaining term of the lease, plus certain occupancy costs. Intercell maintains an administrative office on the premises.

NanoPierce Connection is located at 4180 Center Park Drive, Colorado

Springs, Colorado 80916. The Company currently has a 3-year lease on the property, expiring in March 2006. The base rent is $2,600 per month for the year ending March 30, 2004, with a $100 per month increase in base rent each year thereafter for the remaining term of the lease, plus utilities and maintenance expenses. From these facilities research and development activities in connection with application development take place. The facility is approximately 4,800 square feet consisting of office space and a small laboratory. The facility also has a clean room for use in the WaferPierce process.

NanoPierce Card, during the fiscal year ended June 30, 2003, leased offices located at Lise-Meitner-Strasse 1, D-85662 Hohenbrunn, Germany. From these offices marketing, software development and additional research and development activities took place through March 31, 2003. As part of the self-liquidation of NanoPierce Card, the landlord has first priority on any funds received by NanoPierce Card.

ExypnoTech leases production space located at Professor-Hermann-Klare-Strasse 6, D-07407 Rudolstadt, Germany. ExypnoTech has a 5-year lease on the facilities, expiring in March 2007. The base rent is $821 per month for the remaining term of the lease, plus utilities, repairs, maintenance and tax expenses. The lease can be cancelled with a notice period of 6 months. ExypnoTech also used the facilities of NanoPierce Card for certain administrative tasks.

ITEM 3. LEGAL PROCEEDINGS

DIFRANCESCO LITIGATION

The Company and Louis DiFrancesco, the inventor of the PI Technology, were involved in litigation relating to NanoPierce's ownership of its intellectual property and the rights as to who should receive royalty payments from licenses, which were outstanding as of September 3, 1996. In October 2002, the Company and DiFrancesco signed a settlement agreement enforced by Court Order. The Court Order declares that the Company owns the entire, exclusive, incontestable ownership, right, title and interest in the patents. The Court Order further declares that Mr. DiFrancesco owns the sole, exclusive, and incontestable right to receive and collect all royalties and other payments from all licenses outstanding on September 3, 1996. Pursuant to the settlement agreement, Mr. DiFrancesco was also granted a

limited, two-year, non-transferable, royalty-bearing license with no right to sublicense.

HARVEST COURT LITIGATION

In connection with a financing obtained in October 2000, the Company filed various actions in the United States District Court for the District of Colorado against, among others, Harvest Court, LLC, Southridge Capital Investments, LLC, Daniel Pickett, Patricia Singer and Thomson Kernaghan, Ltd. for violations of federal and state securities laws, conspiracy, aiding and abetting and common law fraud among other claims. The Company is seeking various forms of relief including actual, exemplary and treble damages. As a result of various procedural rulings in January 2002, the United States District Court for the District of Colorado transferred the case to the United States District Court for the Southern District of New York, New York City, New York. In July 2003, Harvest Court, LLC filed counterclaims, in this proceeding, against the Company, Mr. Metzinger, Ms. Kristi Kampmann, Dr. Herbert Neuhaus, Dr. Robert Shaw and unrelated third parties in the United States District Court for the Southern

District of New York, New York City, New York. The suit alleges violations of federal securities laws and common law fraud among other claims. Harvest Court is seeking various forms of relief including compensatory and punitive damages. The Company is preparing appropriate responsive pleadings.

In May 2001, Harvest Court, LLC filed suit against the Company in the Supreme Court of the State of New York, County of New York. The suit alleges that the Company breached an October 20, 2000 Stock Purchase Agreement, by not issuing 7,418,895 free trading shares of the Company's common stock in connection with the reset provisions of the Purchase Agreement due on the second reset date and approximately 4,545,303 shares due in connection with the third reset date. Harvest Court, LLC is seeking the delivery of such shares or damages in the alternative. In August 2001, the Supreme Court of the State of New York, County of New York issued a preliminary injunction ordering the Company to reserve and not transfer the shares allegedly due to Harvest Court. The Company has filed counterclaims seeking various forms of relief against Harvest Court, LLC.

OTHER LITIGATION

In September 2001, litigation was filed by Thomson Kernaghan & Co., Ltd. against the Company and certain officers/directors of the Company seeking damages for defamation. Thomson Kernaghan & Co., subsequently filed for protection under Canadian bankruptcy laws. In December 2002 this action was dismissed by the Trustee.

Other than the above mentioned lawsuits, to the knowledge of the management of the Company, there are no material legal proceedings pending or threatened (other than routine litigation incidental to business) to which the Company (or any officer, director, affiliate of beneficial owner of more than 5% of the Company's voting securities) is party, or to which property of the Company is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no meetings of security holders during the period covered by this report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF COMMON STOCK

The common stock is presently traded on the over-the-counter market on the OTC Bulletin Board maintained by the National Association of Securities Dealers, Inc. (the "NASD") The NASDAQ symbol for the Common Stock is "NPCT". The common stock of the Company is also traded on the Frankfurt Exchange and the Hamburg Exchange under the symbol "NPI".

The following table sets forth the range of high and low quotations for the common stock of each full quarterly period during the fiscal year or equivalent period for the fiscal periods indicated below. The quotations were obtained from information published by the NASD and reflect interdealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions.

2002 FISCAL YEAR	HIGH	LOW
September 30, 2001	$0.70	$0.64
December 31, 2001	0.70	0.67
March 31, 2002	1.54	1.42
June 30, 2002	0.96	0.91
2003 FISCAL YEAR		
September 30, 2002	0.60	0.56
December 31, 2002	0.63	0.61
March 31, 2003	0.30	0.28
June 30, 2003	0.32	0.28

As of June 30, 2003, there were approximately 339 holders of record of the Company's common stock.

DIVIDEND POLICY

The Company has not paid any cash dividends on its common stock in the past and does not anticipate paying any dividends in the foreseeable future. Earnings, if any, are expected to be retained to fund future operations of the Company. There can be no assurance that the Company will pay dividends at any time in the future.

RECENT SALES OF UNREGISTERED SECURITIES

The Company made the following unregistered sales of its securities from March 31, 2003 through June 30, 2003.

DATE	TITLE OF SECURITIES	NO. OF SHARES	CONSIDERATION	PURCHASER
4/3/03	Common Stock	1,333,334	$ 20,000 (1)	Neptune Investment Group, Ltd.
4/3/03	Warrant (2)	1,333,334	$ 20,000 (1)	Neptune Investment Group, Ltd.
6/20/03	Common Stock	240,842	$ 31,307	John Provazek