

NOCOPI TECHNOLOGIES INC/MD/  
Form 10-K  
March 30, 2016

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal years ended December 31, 2015

Or

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

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

**Nocopi Technologies, Inc.**

*(Exact name of registrant as specified in its charter)*

**Maryland**  
*State or other jurisdiction of incorporation or  
organization*

**87-0406496**  
*(I.R.S. Employer Identification No.)*

**480 Shoemaker Road, Suite 104, King of Prussia, PA 19406**

*(Address of principal executive offices) (Zip Code)*

Registrant's telephone number, including area code (610) 834-9600

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
None	Not Applicable

Securities registered pursuant to section 12(g) of the Act:

Common Stock \$0.01 par value

*(Title of class)*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. " Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. " Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$519,000 at June 30, 2015 closing price of \$0.01.

**(APPLICABLE ONLY TO CORPORATE REGISTRANTS)**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 58,599,016 shares of common stock, \$0.01 par value at March 15, 2016.

**DOCUMENTS INCORPORATED BY REFERENCE**

None

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**NOCOPI TECHNOLOGIES, INC.**

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## PART I

### ITEM 1. BUSINESS

#### Background

Nocopi Technologies, Inc. (hereinafter "Nocopi", "Registrant" or the "Company") is a Maryland corporation organized in 1983 that currently develops and markets specialty reactive inks that it believes have applications in the large educational and toy products market. Registrant also develops and markets technologies for document and product authentication which it believes can reduce losses caused by fraudulent document reproduction or by product counterfeiting and/or diversion. Registrant derives its revenues primarily from licensing its technologies on an exclusive or non-exclusive basis to licensees who incorporate the technologies into their product offering and from selling products incorporating its technologies to the licensees or to their licensed printers.

In the three years preceding 2014, Registrant experienced a period of decline in revenues resulting in significant operating losses and a decline in financial condition and a period of adverse liquidity that affected its business operations through mid-2014 when revenue increases generated from (1) higher license fees and royalties from two licensees in the entertainment and toy products market and (2) higher ink sales to the licensed printer of certain of the Company's licensees in the entertainment and toy products market began to positively impact Registrant's cash flow. This causes of the revenue decline and Registrant's remedial actions are more fully described in Registrant's Comprehensive Form 10-K for the three years ended December 31, 2012, 2013 and 2014 filed with the Securities and Exchange Commission on September 11, 2015. As a result of the aforementioned positive effects on its revenues during 2014, Registrant generated revenues of \$922,800 in 2014, an increase of 18% compared to \$750,200 in 2013. Registrant experienced further revenue growth in 2015 as revenues increased 3% in 2015 to \$950,800. Registrant's net loss in 2015 of \$18,000 compared to net income of \$7,900 in 2014 is attributable in part to (1) expenses incurred in filing the three year comprehensive Form 10-K in September 2015 and (2) accretion of interest related to the extension of the maturity dates of \$95,000 of subordinated debentures. During 2015 Registrant concluded a new multi-year license with one of its two major licensees in the entertainment and toy products market and signed a multi-year license with an Australia-based company in the entertainment and toy products market.

Registrant continues its efforts to raise additional capital, in the form of debt, equity or both to support its working capital requirements and to provide funding for other business opportunities. There are no assurances that Registrant will be able to attract such additional capital.

There can be no assurances that the marketing and product development activities of the Company's licensees will produce a significant increase in operating revenues for the Company, nor can the timing of any potential revenue increases be predicted.

### **Entertainment and Toy Technologies and Products**

Registrant's technology for the entertainment and toy products market consists of removable dyes that can be produced in a variety of colors and can be revealed by rubbing with a fingernail or other firm object such as a plastic pen cap. This technology, introduced in 2004, has been named Rub-it & Color. Registrant believes that this technology does not compromise the confidentiality of its security and authentication technologies whose chemistry is similar but the specific formulations are different for each application. Applications include children's activity products such as coloring books without crayons or restaurant place mats, educational instruction books and testing review manuals. Registrant has obtained certifications of non-toxicity from the Consumer Products Services, Inc. and the American Society for Testing and Materials Laboratories.

Since January 2012, Registrant has had a license agreement, expiring in 2017, with a licensee who has a significant presence in the entertainment and toy products market which permits this licensee to exclusively market (1) a specific line of products incorporating Registrant's technologies through a specific distribution channel but permitting Registrant to license the covered technologies to others (including Bendon, Inc., as noted below) for applications and sale through channels of distribution not available to this licensee under the terms of the license and (2) since January 2013, an additional technology on an exclusive basis in certain geographic areas of the world and on a non-exclusive basis in other geographic areas of the world. The licensee displayed products incorporating this additional technology to the marketplace at the American International Toy Fair in February 2015 and initial sales of products incorporating this technology were realized in the second quarter of 2015.



Registrant has a license agreement, expiring in 2019, containing guaranteed minimum royalties over the term of the license, with Bendon, Inc. (Bendon), an international, well-known children's coloring and activity book publishing company that permits Bendon to exclusively market products with other characteristics that incorporate Registrant's technologies through a distinctly different channel of distribution. The new four-year license agreement with Bendon was completed in June 2015, replacing a previous three-year license agreement.

These two licensees are well known and highly regarded participants in the entertainment and toy products market with significant market recognition and retail distribution. These two licensees have been distributing products incorporating Registrant's technologies for more than three years. Since the inception of these licenses, sales of ink to the licensed printer of the licensees have been increasing. The agreements with both licensees contain renewal options but there can be no assurances that the licenses will continue in force at the same or more favorable terms beyond their current termination dates nor can there be any assurances that the relationships with these two licensees will generate significant additional operating revenues for Registrant in the future.

Since March 2011, Registrant has had a license agreement with a privately-held designer of creative educational products for children granting the licensee the exclusive right to utilize Registrant's Rub-it & Color ink technology in a newly-created vertical market in the United States. In addition to an annual license fee, Registrant receives a royalty based on units of product produced. The license was renewed in July 2014 for a period of up to three years. There can be no assurances that the marketing efforts of Registrant's licensee will generate significant additional operating revenues for the Registrant in the future.

Since November 2012, Registrant has had a license agreement with a privately-held children's meal entertainment program provider that allows the licensee to use Registrant's Rub-it & Color ink technology in children's menus, placemats, butcher paper and certain other products for restaurant use and for sale in certain children's retail outlets. In December 2014, the license was renewed for a period of six years, expiring in December 2020. There can be no assurances that the marketing efforts of Registrant's licensee will generate significant additional operating revenues for the Registrant in the future.

Since April 2013, Registrant has had a license with a nationally known distributor of seasonal boxed greeting cards and other products which permits the licensee to market certain products distributed by the licensee that incorporate specific technologies of the Registrant. Unless renewed, the license terminates in December 2016. The licensee introduced products incorporating Registrant's technologies in late 2014. Revenues were realized by Registrant in both 2014 and 2015. There can be no assurances that the marketing efforts of Registrant's licensee will generate significant additional operating revenues for the Registrant in the future.

In October 2015, Registrant negotiated a multi-year license containing guaranteed minimum royalties with a privately-held international publisher of family products and publications based in Australia. Unless renewed, the

license terminates in December 2018. The license allows the licensee to market certain products that incorporate specific technologies of the Registrant on an exclusive basis in certain specific countries and on a non-exclusive basis in other countries with the exclusion of the United States, Canada and Mexico. The license agreement contains a renewal option but there can be no assurances that the license will continue in force at the same or more favorable terms beyond its current termination date nor can there be any assurances that the relationship with this new licensee will generate significant additional operating revenues for the Registrant in the future.

Registrant continues to pursue additional licensing opportunities for its technologies in the large worldwide entertainment and toy products market through direct marketing efforts and attendance at trade shows. During 2015, Registrant derived approximately 80% of its 2015 total revenues from its licensees and their licensed printers in the entertainment and toy products market compared to approximately 76% derived from this market in 2014. There can be no assurances that the Registrant's available resources, even with additional investment, if obtained, for marketing and further technical development of this product line will be sufficient to increase Registrant's revenues.

### **Anti-Counterfeiting and Anti-Diversion Technologies and Products**

Continuing developments in copying and printing technologies have made it ever easier to counterfeit a wide variety of documents. Product labels and packaging, retail receipts, event and transportation tickets and the like are all susceptible to counterfeiting, and Registrant believes that losses from such counterfeiting have increased substantially with improvements in the copying and printing technologies. Product counterfeiting has long caused losses to manufacturers of brand name products, and Registrant believes these losses have increased as the counterfeiting of labeling and packaging has become easier.

Registrant's proprietary document authentication technologies are useful to businesses desiring to authenticate a wide variety of printed materials and products. One product incorporating these technologies has the ability to print invisibly on certain areas of a document. When authentication of certain documents is required, the invisible printing can be activated or revealed by use of a special highlighter pen. This technology is marketed under the trademark COPIMARK. Other variations of the COPIMARK technology involve multiple color responses from a common pen, visible marks of one color that turn another color with the pen or visible and invisible marks that turn into a multicolored image. A related technology is Nocopi's RUB & REVEAL system, which permits the invisible printing of an authenticating symbol or code that can be revealed by rubbing a fingernail over the printed area. These technologies provide users with the ability to authenticate documents and detect counterfeit documents. Applications include the authentication of documents having intrinsic value, such as merchandise receipts, checks, travelers' checks, gift certificates and event tickets, and the authentication of product labeling and packaging. When applied to product labels and packaging such technologies allow detection of counterfeit products, the labels and packaging of which would not contain the authenticating marks invisibly printed on the packaging or labels of the legitimate product. Registrant has focused recent marketing efforts on specific industries it believes may be affected by product counterfeiting. These technologies also combat product diversion (i.e. sale of legitimate products through unauthorized distribution channels or in unauthorized markets). A related technology of Registrant, the invisible inkjet technology permits manufacturers and distributors to track the movement of products from production to ultimate consumption when coupled with proprietary software. Management believes that the track and trace capability provided by this technology can be attractive to brand owners and marketers. There are no assurances that its ongoing initiatives will result in additional revenues in the future.

Registrant currently participates in the retail receipt and document fraud market through licensing arrangements with seven printers and distributors in the United States and Canada who provide loss prevention products to retailers and other outlets. Registrant believes that these technologies are most efficiently marketed through the use of licensed printers and distributors. Registrant continues to use its available internal sales and technical resources to expand the number of licensees marketing its technologies in this market. During 2015, Registrant derived approximately 10% of its 2015 total revenues from its licensees in the retail loss prevention market compared to approximately 13% derived from this market in 2014. There can be no assurances that Registrant's strategy for the retail loss prevention market will result in significant additional revenues and cash flow for Registrant.

The following table illustrates the approximate percentage of Registrant's revenues accounted for by each type of its products for each of the two last fiscal years:

Product Type	Year Ended December 31,	
	2015	2014
Entertainment and Toy Technologies and Products	80%	76%
Anti-Counterfeiting and Anti-Diversion Technologies and Products	20%	24%

## Marketing

Registrant's marketing approach focuses on the sufficient flexibility in its products and technologies and its ability to provide innovative, cost effective technologies for the entertainment and toy products market as well as solutions to a wide variety of counterfeiting, diversion and copier fraud problems. As a technology company, Registrant generates revenues primarily by collecting license fees and royalties from market-specific businesses that incorporate Registrant's technologies into their products and, in certain cases, sales of Registrant's links to these licensees and their designated manufacturers. Registrant also licenses its technologies directly to end-users.

Registrant has identified two major markets for its technologies and products, the entertainment and toy product market and the anti-counterfeiting/anti-diversion market. Registrant's adverse financial condition in the years from 2011 to the present has limited its sales efforts to direct selling by Registrant's personnel. Sales travel, attendance at trade shows and marketing expenditures have been constrained. Current marketing efforts are focused on Registrant's developed technologies that can be utilized in geographic or market areas not contractually committed to an existing licensee on an exclusive basis. There can be no assurances that the limited resources Registrant can dedicate to its marketing activities will result in significant additional revenues in the future.

Registrant presently markets its technologies through its own employees. In Europe, certain of its security technologies are marketed by Contrast Technologies, formerly known as Euro-Nocopi, S.A., and a former affiliate of the Registrant, which holds certain European marketing rights with respect to those technologies.

## **Major Customers**

During 2015, Registrant made sales or obtained revenues equal to 10% or more of Registrant's 2015 total revenues from two non-affiliated customers who individually accounted for approximately 53% and 17%, respectively, of 2015 revenues of the Company. During 2014, Registrant made sales or obtained revenues equal to 10% or more of Registrant's 2014 total revenues from two non-affiliated customers who individually accounted for approximately 47% and 19%, respectively, of 2014 revenues of the Company.

## **Manufacturing**

Registrant has a small facility for the manufacture of its security inks. Except for this facility, Registrant does not maintain manufacturing facilities. Registrant presently subcontracts the manufacture of its applications (mainly printing and coating) to third party manufacturers and expects to continue such subcontracting. Because some of the processes that Nocopi uses in its applications are based on relatively common manufacturing technologies, there appears to be no technical or economic reason for Registrant to invest capital in its own manufacturing facilities.

Registrant has established a quality control program that currently entails laboratory analysis of developed technologies. When warranted, Registrant's specially trained technicians travel to third party production facilities to install equipment, train client staff and monitor the manufacturing process.

## **Patents**

Since its inception, Registrant has received various patents in the United States, Canada, South Africa, Saudi Arabia, Australia, New Zealand, Japan, France, the United Kingdom, Belgium, the Netherlands, Germany, Austria, Italy, Sweden, Switzerland, Luxembourg, and Liechtenstein. Registrant currently has obtained patent protection on substantially all of its security inks including the RUB & REVEAL system and the Rub-it & Color technology. Registrant's latest patent is on a certain newly developed technology that Registrant believes has applications in the entertainment and toy products market.

When a new product or process is developed, the developer may seek to preserve for itself the economic benefit of the product or process by applying for a patent in each jurisdiction in which the product or process is likely to be exploited. Generally speaking, in order for a patent to be granted, the product or process must be new and be inventively different from what has been previously patented or otherwise known anywhere in the world. Patents

generally have a duration of twenty years from the date of application depending on the jurisdiction concerned, after which time any person is free to exploit the product or process covered by a patent. A person who is the owner of a patent has, within the jurisdiction in which the patent is granted, the exclusive right, either directly or through licensees, to prevent any person from infringing on the patent.

The granting of a patent does not prevent a third party from seeking a judicial determination that the patent is invalid. Such challenges to the validity of a patent are not uncommon and are occasionally successful. There can be no assurance that a challenge will not be filed to one or more of Registrant's patents and that, if filed, such challenge(s) will not be successful.

In the United States and some other countries, patent applications are automatically published at a specified time after filing. Nocopi is required to pay annuities from time to time on patents to keep them in force; with this in mind, Nocopi makes an annual evaluation of its patents in order to determine which patents it will continue to maintain. In Europe, the territory of Contrast Technologies, formerly known as Euro-Nocopi, S.A. ( Contrast ), annuities for European patents are paid by Contrast.

## **Research and Development**

Registrant has been involved in research and development since its inception. Although Registrant's financial condition has forced it to limit funding for research and development in recent years, it intends to continue its research and development activities in three areas, to the extent feasible. First, Registrant will seek to continue to refine its present family of products. Second, Registrant will seek to develop specific customer applications. Finally, Registrant will seek to expand its technology into new areas of implementation. There can be no assurances that Registrant will continue to have funds available to maintain its research and development activities at current or increased levels.

During the years ended December 31, 2015, and December 31, 2014, Registrant expended approximately \$128,100 and \$121,600, respectively, on research and development.

## **Competition**

In the area of document and product authentication and serialization, Registrant is aware of other covert and overt surface marking technologies requiring decoding implements or analytical methods to reveal certain information. These technologies are offered by other companies for the same anti-counterfeiting and anti-diversion purposes for which the Registrant markets its covert technologies. These include, among others, biological DNA codes, microtaggants, thermochromic, UV and infrared inks as well as encryption, 2D symbology and laser engraving. Nonetheless, Registrant believes its patented and proprietary technologies provide a unique and cost-effective solution to the problem of counterfeiting and gray marketing in the document and product authentication markets it has traditionally sought to exploit.

The entertainment and toy products markets include numerous potential competitors who have significantly greater financial resources and presence in these markets than Registrant.

The loss prevention market includes numerous potential competitors, including large-publicly traded companies such as NCR Corporation and regional paper converters, many of whom have greater financial resources and presence in these markets than Registrant.

Registrant currently has limited resources and competes with businesses that have greater financial resources than Registrant. There can be no assurance that businesses with greater resources than Registrant will not enter Registrant's markets and compete successfully with Registrant.

### **Contrast Technologies (formerly Euro-Nocopi, S.A.)**

Contrast Technologies, formerly known as Euro-Nocopi, S.A., is a former affiliate of Registrant which, since June 2003, has held a perpetual royalty-free license to exploit certain of Registrant's technologies in Europe.

## **Employees**

At March 15, 2016 and December 31, 2015, Registrant had three full-time and two part-time employees.

## **Financial Information about Foreign and Domestic Operations**

Registrant conducts its operations solely in the United States; however, it does have licensees and customers in Asia and Australia. These licensees and customers accounted for approximately 54% of Registrant's gross revenues in 2015 and approximately 48% in 2014. Certain information concerning Registrant's foreign and domestic operations is contained in Note 14 to Registrant's Financial Statements included elsewhere in this Annual Report on Form 10-K.

### **ITEM 1A. RISK FACTORS**

Not required for a smaller reporting company.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 2. PROPERTIES**

Registrant's corporate headquarters, research and ink production facilities are located at 480 Shoemaker Road, Suite 104, King of Prussia, Pennsylvania 19406. Its telephone number is (610) 834-9600. These premises consist of approximately 6,100 square feet of space in a multi-tenant building leased by the Registrant from an unaffiliated third party pursuant to a lease that commenced in January 2014 and expires in April 2019. Current monthly rent under this lease is \$3,778; this amount escalates an amount of approximately three percent each year. In addition to rent, Registrant is responsible for its pro-rata share of the operating costs of the building. Registrant incurred leasehold improvement expenditures of approximately \$19,700 through March 15, 2016. Registrant believes that additional leasehold improvement expenditures will not be significant. Registrant believes that this space will be adequate for its current needs and that additional space will be available as needed.





**ITEM 3. LEGAL PROCEEDINGS**

Registrant is not aware of any pending litigation (other than ordinary routine litigation incidental to its business where, in management's view, the amount involved is not material) to which Registrant is or may be a party, or to which any of its properties is or may be subject, nor is it aware of any pending or contemplated proceedings against it by any governmental authority. Registrant knows of no material legal proceedings pending or threatened, or judgments entered against, any director or officer of Registrant in his capacity as such.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Registrant's Common Stock is currently traded on the OTC Pink tier of the over-the-counter ( OTC ) market under the symbol "NNUP". Investors can find Real-Time quotes and market information on the Company on [www.otcmarkets.com](http://www.otcmarkets.com). The table below presents the range of high and low sales prices of Registrant's Common Stock by calendar quarter for the last two full fiscal years and for a recent date, as reported by OTC Markets Group Inc.

	<b>High</b>	<b>Low</b>
January 1, 2014 to March 31, 2014	\$.150	\$.012
April 1, 2014 to June 30, 2014	\$.020	\$.012
July 1, 2014 to September 30, 2014	\$.021	\$.012
October 1, 2014 to December 31, 2014	\$.013	\$.006
January 1, 2015 to March 31, 2015	\$.047	\$.006
April 1, 2015 to June 30, 2015	\$.025	\$.009
July 1, 2015 to September 30, 2015	\$.021	\$.006
October 1, 2015 to December 31, 2015	\$.039	\$.004
January 1, 2016 to March 15, 2016	\$.078	\$.006

As of March 15, 2016, 58,599,016 shares of Registrant's Common Stock were outstanding. The number of holders of record of Registrant's Common Stock was approximately 600. However, Registrant estimates that it has a significantly greater number of common stockholders because a number of shares of Registrant's Common Stock are held of record by broker-dealers for their customers in street name. In addition to the 58,599,016 shares of Common Stock which are outstanding, Registrant, at March 15, 2016, has reserved for the issuance of approximately 5,832,000 shares of its Common Stock which underlie warrants to purchase Common Stock of the Registrant and the conversion of convertible debentures and interest into Common Stock of the Registrant.

The Company did not pay dividends in 2015 or 2014 and does not anticipate paying any such dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of the Company's Board of Directors and will be dependent upon the Company's results of operations, financial condition, contractual restrictions and other factors deemed relevant by the Board of Directors.

Information required with respect to Equity Compensation Plans in this Item 5 is included in Item 12 on page 20 of this report on Form 10-K.

### **Recent Sales of Unregistered Securities**

On July 8, 2014, the Company issued a convertible debenture for \$22,940 to Henry C. Friedman, brother-in-law of Michael A. Feinstein, the Company's Chairman of the Board, which included warrants to purchase 114,700 shares of the Company's Common Stock at \$0.02 per share. The warrant is exercisable two years after issuance and expires seven years after issuance. The debenture is due in two years. At the option of the lender, the debenture and accrued interest is convertible in whole or part into Common Stock of the Company at \$0.05 per share. The convertible debenture was issued in exchange for a \$20,000 short-term loan along with accrued interest in a transaction approved by the disinterested members of the Company's Board of Directors.

On July 8, 2014, the Company issued a convertible debenture for \$5,333 to Herman M. Gerwitz, a Director, which included warrants to purchase 26,665 shares of the Company's Common Stock at \$0.02 per share. The warrant is exercisable two years after issuance and expires seven years after issuance. The debenture is due in two years. At the option of the lender, the debenture and accrued interest is convertible in whole or part into Common Stock of the Company at \$0.05 per share. The convertible debenture was issued in exchange for a \$4,500 short-term loan along with accrued interest in a transaction approved by the disinterested members of the Company's Board of Directors.

On July 22, 2014, the Company issued a convertible debenture for \$5,000 to an individual accredited investor, which included warrants to purchase 25,000 shares of the Company's Common Stock at \$0.02 per share. The warrant is exercisable two years after issuance and expires seven years after issuance. The debenture is due in two years. At the option of the lender, the debenture and accrued interest is convertible in whole or part into Common Stock of the Company at \$0.05 per share.

The recipients of securities in these transactions had adequate access, through employment or business relationships, to information about the Company. No underwriters were involved in these transactions or received any commissions or other compensation. Proceeds of the sales of the convertible debentures were used to fund the Company's working capital requirements.

In July 2015, the common stock private placement was extended to December 31, 2016 by the Company's Board of Directors.

#### **Issuer Repurchases of Equity Securities**

None.

#### **ITEM 6. SELECTED FINANCIAL DATA**

Not required for a smaller reporting company.

#### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

##### **Forward-Looking Information**

*This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, regarding, among other things, anticipated improvements in*

*operations, the Company's plans, earnings, cash flow and expense estimates, strategies and prospects, both business and financial. All statements other than statements of current or historical fact contained in this report are forward-looking statements. The words believe, expect, anticipate, should, plan, will, may, in continue and similar expressions, as they relate to the Company, are intended, where possible, to identify forward-looking statements.*

The Company has based these forward-looking statements largely on its current expectations and projections about future events, financial trends, market opportunities, competition, and the adequacy of the Company's available cash resources, which the Company believes may affect its financial condition, results of operations, business strategy and financial needs. This Form 10-K also contains forward-looking statements attributed to third parties. All such statements can be affected by inaccurate assumptions, including, without limitation, with respect to risks, uncertainties, anticipated operating efficiencies, new business prospects and the rate of expense increases. In light of these risks, uncertainties and assumptions, the forward-looking statements in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. For these reasons, and because of the uncertainty relating to the current financial conditions in today's economic environment and the potential reduction in demand for the Company's products, you should not consider this information to be a guarantee by the Company or any other person that its objectives and plans will be achieved. When you consider these forward-looking statements, you should keep in mind the Risk Factors and other cautionary statements set forth in this Item 7 and elsewhere in this Form 10-K. The Company's forward-looking statements speak only as of the date made. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the financial statements and related notes, and keeping in mind this cautionary statement regarding forward-looking information.

## 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 (i) products incorporating the Company's technologies, such as inks, security paper and pressure sensitive labels, and (ii) 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.

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 collectability 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) collectability is reasonably assured.

The Company believes that, as fixed cost reductions beyond those it has achieved in recent years 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 amount 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, revenue mix and overall financial performance. Such changes may result from a customer's product development delays, engineering changes, changes in product marketing strategies, production requirements 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 such terms, revenues from the customer may be affected.

### **Comparison of the Years ended December 31, 2015 and 2014**

Revenues for 2015 were \$950,800, an increase of approximately 3%, or \$28,000, from \$922,800 in 2014. Licenses, royalties and fees decreased in 2015 by approximately 6%, or \$20,100, to \$338,700 from \$358,800 in 2014. The decrease in licenses, royalties and fees is due primarily to lower licensing revenues from two existing licensees in the entertainment and toy products market, one of whom signed a new four-year license in the second quarter of 2015 and lower consulting revenue related to the expiration in 2014 of a consulting arrangement with a customer offset in part by higher licensing fees from two licensees in the entertainment and toy products market and initial licensing fees from a new licensee in the fourth quarter of 2015. Product and other sales increased by \$48,100, or approximately 9%, to \$612,100 in 2015 from \$564,000 in 2014. The higher level of ink sales in 2015 compared to 2014 is due primarily to higher ink requirements of the licensed third party printers used by the Company's licensees in the entertainment and toy products market. Sales of ink to the licensed printers of its licensees in the entertainment and toy products market were approximately \$73,800 higher in 2015 compared to 2014. Sales of security ink to the Company's licensees in the retail receipt and document fraud market decreased by approximately \$27,700 in 2015 compared to 2014. The Company derived \$757,300, or approximately 80% of total revenues, from licensees and their licensed printers in the entertainment and toy products market in 2015 compared to \$699,400, or approximately 76% of total revenues, in 2014. The Company's licensees in the entertainment and toy products market continue to develop new products for this market and improve their current offerings; however, their sales will be affected by marketplace reaction to the new and improved products, economic conditions that influence this market segment and the economy as a whole. Revenues that the Company derives from these licensees will be similarly affected. There can be no assurances that the marketing and product development activities of licensees in the entertainment and toy products market will produce increased revenues for the Company in future periods, nor can the timing of any potential revenue increases be predicted, particularly given the uncertain economic conditions currently being experienced worldwide.



Gross profit increased to \$617,800, or approximately 65% of revenues, in 2015 from \$598,500, or approximately 65% of revenues, in 2014. Licenses, royalties and fees have historically carried a higher gross profit than product sales, which generally consist of supplies or other manufactured products that 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 higher gross profit in 2015 compared to 2014 reflects higher product sales along with a favorable mix of product sales offset in part by lower licenses, royalties and fees.

As the variable component of cost of revenues related to licenses, royalties and fees is a low percentage of these revenues and the fixed component is not substantial, period to period changes in revenues from licenses, royalties and fees can significantly affect both gross profit from licenses, royalties and fees as well as overall gross profit. Due primarily to the lower revenues in 2015 compared to 2014, the gross profit from licenses, royalties and fees decreased to approximately 77% of revenues from licenses, royalties and fees in 2015 from approximately 79% in 2014.

Gross profit, expressed as a percentage of revenues, of product and other sales is dependent on both the overall sales volumes of product and other sales and on the mix of the specific goods produced and/or sold. As a result of both increased ink sales and favorable product mix, the gross profit from product and other sales increased to approximately 58% of revenues in 2015 compared to approximately 56% of revenues from product and other sales in 2014.

Research and development expenses were \$128,100 in 2015 compared to \$121,600 in 2014. The increase in 2015 compared to 2014 resulted primarily from higher employee salary and benefit expenses in 2015 compared to 2014.

Sales and marketing expenses of \$202,800 in 2015 compared to \$194,500 in 2014. The increase in 2015 compared to 2014 resulted primarily from higher commission expense in 2015 compared to 2014 resulting from a higher level of revenues in 2015 compared to 2014 and higher benefit expenses in 2015 compared to 2014.

General and administrative expenses increased to \$325,600 in 2015 from \$253,400 in 2014. The increase in 2015 compared to 2014 is due primarily to higher expenses incurred in 2015 compared to 2014 related to the Company's filing of the comprehensive annual report on Form 10-K and the first and second quarter 2015 Form 10-Q's that were filed during the third quarter of 2015. These expenses included legal and audit fees incurred in 2015 as well as expenses related to the electronic filing of the documents.

Other income (expenses) includes, in 2015, the reversal of approximately \$56,300 of accounts payable related to invoices received from 2001 through 2009 from a professional services business that provided legal services to the

Company and an individual that provided consulting services to the Company in 2009 that the Company, with legal counsel, has determined to be no longer statutorily payable as the statute of limitations to bring claims has expired. Additionally, other income (expenses) includes interest on unsecured loans from five individuals, on convertible debentures held by ten investors and, in 2014, on funds borrowed under the Company's promissory note with a bank. Also included in other income (expenses) is accretion of debt discounts related to the issuance of convertible debentures totaling \$128,400 and, in 2015, the extension of the maturity dates of \$95,000 of convertible debentures.

The net loss of \$18,000 in 2015 compared to net income of \$7,700 in 2014 resulted primarily from a higher gross profit on a higher level of revenues in 2015 compared to 2014 offset by higher overhead expenses in 2015 compared to 2014 along with higher accretion of interest in 2015 compared to 2014.

Management of the Company does not believe that inflation and changing prices have had a significant effect on its revenues and results of operations during the years ended December 31, 2015 and 2014.

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

The Company's cash decreased to \$11,400 at December 31, 2015 from \$28,000 at December 31, 2014. During 2015, the Company generated \$41,800 from its operating activities, used \$8,900 for capital equipment, repaid \$10,000 to a convertible debenture holder and repaid \$39,500 to two individual lenders.

During 2015, the Company's revenues increased primarily as a result of higher sales of ink to the authorized printer of four of the Company's licensees in the entertainment and toy products market and higher license fees from two licensees, one of whom is in the entertainment and toy products market. The Company's total overhead expenses increased 2015 compared 2014. As a result of these factors, the Company experienced a net loss of \$18,000 in 2015. The Company had positive operating cash flow of \$41,800 in 2015. At December 31, 2015, the Company had negative working capital of \$364,000 and a stockholders' deficiency of \$438,100. For the full year of 2014, the Company had net income of \$7,700 and had positive operating cash flow of \$14,500. At December 31, 2014, the Company had negative working capital of \$424,500 and a \$438,200 stockholders' deficiency.

From January 1, 2014 to December 31, 2015, the Company repaid \$44,500 of \$92,500 of short-term loans that had been outstanding at January 1, 2014 and converted \$24,500 of these short-term loans into convertible debentures maturing in 2016. In 2015, the Company repaid \$10,000 of convertible debentures and extended the maturity dates of \$95,000 of convertible debentures from 2015 to 2017. In 2014, the Company repaid the remaining balance of a \$100,000 promissory note with a bank. Borrowings and sales of common stock in recent years have allowed the Company to remain in operation through the current date. There can be no assurances that the Company will be able to secure sufficient additional funding through investments or borrowings that will allow the Company to fund losses that it presently believes may continue during 2016. The Company believes that without additional investment, it may be forced to cease operations at an undetermined date in the future. Information regarding the Company's financing activities in periods prior to this Annual Report on Form 10-K is included in prior filings including the Company's Comprehensive Annual Report on Form 10-K for the Years ended December 31, 2012, 2013 and 2014 filed with the Securities and Exchange Commission on September 11, 2015.

In July 2015, the common stock private placement was extended to December 31, 2016 by the Company's Board of Directors.

Management of the Company believes that it may need to obtain additional capital in the future to support the working capital requirements associated with its existing revenue base and to fund potential operating losses that it believes may occur as the state of the worldwide economy remains uncertain. 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 operate profitably in the future and develop new revenue sources 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 time in the future.

There can be no assurances that the Company will be successful in obtaining additional investment. There can be no assurances that revenues in future periods will be sustained at levels that will allow it to achieve and maintain positive cash flow.

The Company continues to maintain a cost containment program including curtailment, where possible, of discretionary research and development and sales and marketing expenses.

The Company's plan of operation for the twelve months beginning with the date of this annual report consists of concentrating available human and financial resources to continue to capitalize on the specific business relationships the Company has developed in the entertainment and toy products market including two licensees with a significant presence in the entertainment and toy products market that have been marketing products incorporating the Company's technologies since 2012. These two licensees in the entertainment and toy products market are well known and highly regarded participants in this market. The Company believes that these two licensees will expand their offerings incorporating the Company's technologies currently being marketed and will introduce new products incorporating available technologies covered by the license agreements that are not currently being marketed by them. The Company plans to continue developing applications for these licensees while expanding its licensee base in the entertainment and toy market. The Company has additional licensees marketing or developing products incorporating the Company's technologies in certain geographic and niche markets of the overall entertainment and toy products market. The Company maintains its presence in the retail loss prevention market and believes that revenue growth in this market can be achieved through increased security ink sales to its licensees in this market. The Company will continue to adjust its production and technical staff as necessary. The Company will also, subject to available financial resources, invest in capital equipment needed to support potential growth in ink production requirements beyond its current capacity. Additionally, the Company will pursue opportunities to market its current technologies in specific security and non-security markets. There can be no assurances that these efforts will enable the Company to generate additional revenues and positive cash flow.

The Company has received and continues to seek additional capital, in the form of debt, equity or both, to support its working capital requirements. There can be no assurances that the Company will be successful in raising additional capital, or that such additional capital, if obtained, will enable the Company to generate additional revenues and positive cash flow.

The Company generates a significant portion of its total revenues from licensees in the entertainment and toy products market. These licensees generally sell their products through retail outlets. During the year, such sales may be adversely affected by changes in consumer spending that may occur as a result of an uncertain economic environment. As a result, the Company's revenues, results of operations and liquidity may be negatively impacted as they were in previous years.

## **Risk Factors**

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

*Limited Interim Historical Information.* The Company filed a comprehensive annual report on Form 10-K for the fiscal years ended December 31, 2012, 2013 and 2014 on September 11, 2015. The Form 10-K contained summarized quarterly financial information for each of the quarters ended June 30 and September 30, 2012 and for each of the quarters ended March 31, June 30 and September 30, 2013 and 2014. As the complete periodic filings for those periods have not been filed, certain financial information, disclosures and discussions normally contained in a Form 10-Q were not included in the Form 10-K. The omission of the information that would have been contained in these periodic filings leaves current and prospective investors, customers, employees and others without this source of information about the Company's business achievements and prospects and may negatively impact the Company's business opportunities and its ability to raise capital. There can be no assurances that the Company will be able to remain current with its required SEC filing obligations in the future.

*Access to Capital.* The Company anticipates that it may need to raise capital in the future to fund its historical and new business operations. Negative or uncertain global economic conditions could make it more difficult for the Company to raise capital. If the Company is unable to secure capital, if needed, in the future, in the form of debt, equity or both, it may be forced to cease operations. There can be no assurances that, if required, the Company will be successful in obtaining additional investment in sufficient amounts to fund its ongoing business operations.

*Dependency on Major Customers.* The Company is dependent on its licensees to develop new products and markets that will generate increases in its licensing and product revenues. The inability of the Company's licensees to maintain at least current levels of sales of products utilizing the Company's technologies could adversely affect the Company's operating results and cash flow. To the extent that the Company's licensees are adversely affected by negative economic conditions, the Company's revenues may also be negatively impacted. The Company has derived a significant percentage of its revenues through licensing relationships with two major customers. Revenues obtained directly from these customers and indirectly, through the customers' third party licensed printer, equaled approximately 73% of the Company's revenues in 2015. The Company also has, from time to time, substantial receivables from these businesses. The Company has a license agreement containing guaranteed minimum royalties expiring in 2019 with one of these two licensees and a license agreement with the second that expires in 2017. Products incorporating the Company's technologies that are sold by these two licensees have certain dissimilar characteristics and are marketed generally through distinctly different channels of distribution. These two licensees are well known and highly regarded participants in the entertainment and toy products market. The agreements with both licensees contain renewal options but there can be no assurances that the licenses will continue in force at the same or more favorable terms beyond their current termination dates, nor can there be any assurances that the relationships with these two new licensees will generate increased revenues for the Company in the future.

*Possible Inability to Develop New Business.* While the Company raised cash through additional capital investment, sales of convertible debentures and loans from individuals in 2012, 2013 and 2014, it limited increases in its operating expenses, reduced its operating expenses when possible and deferred payment of certain obligations to employees and service providers. Management of the Company believes that any significant improvement in the Company's cash flow must result from increases in 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, both of which are limited. There are no assurances that the resources that the Company can devote to marketing and to research and development will be sufficient to increase its revenues to levels that will enable it to return to and maintain positive operating cash flow in the future.

*Inability to Obtain Raw Materials and Products for Resale.* The Company's adverse financial condition has required it from time to time to significantly defer payments due to (i) vendors who supply raw materials and other components of its security inks, (ii) providers of professional and other services and (iii) certain employees to whom salary and sales commissions are owed. As a result, the Company is required to pay cash in advance of shipment to certain of its suppliers. The inability to obtain materials on a timely basis and the possibility that certain vendors may permanently discontinue supplying the Company with needed products and services may result in delayed shipments to customers and further impact the Company's ability to service its customers, thereby adversely affecting the Company's relationships with its customers and licensees. 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 sales of products incorporating its technologies as well as royalties from these products, are difficult to forecast; such forecasting difficulty is due to, among other reasons, the long sales cycle of the Company's technologies, the potential for customer delay or deferral of implementation of 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 the licensed products, modifications of customer budgets, and uneven patterns of royalty revenue and product orders. As the Company's revenue base is not substantial, delays in the finalization of license contracts, the implementation of the technology to initiate the revenue stream and the ordering decisions of customers can have a material adverse effect on the Company's quarterly and annual revenue expectations. As the Company's operating expenses are substantially fixed, income expectations will be subject to a similar adverse outcome. As licensees for the entertainment and toy products markets are added, the predictability of the Company's revenue stream may be further impacted.

*Volatility of Stock Price.* The market price for the Company's common stock has historically experienced significant fluctuations and may continue to do so. With the exception of 2007, 2013 and 2014 from its inception, the Company has 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. Additionally, securities analysts and traders do not extensively follow the Company's stock and its stock is thinly traded. The Company's 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 related to operating performance. Such fluctuations may adversely affect the market price of the Company's common stock.

*Intellectual Property.* The Company relies on a combination of protections as may be available under applicable domestic, foreign or international patent, trademark and trade secret laws. The Company also relies on confidentiality, non-analysis and licensing agreements to establish and protect its rights in its proprietary technologies. While the Company attempts to protect these rights, its technologies may be compromised through reverse engineering, independent invention 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 its adverse liquidity. There can be no assurances that the Company will be able to protect the basis of its technologies from discovery by third parties or to

preclude third parties from conducting activities that infringe on the Company's rights. The Company's adverse liquidity situation also impacts its ability to obtain patent protection on its intellectual property and to maintain protection on previously issued patents. 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 liquidation) could be substantially diminished.

*Economic Conditions.* The Company's revenue is susceptible to changes in general economic conditions. The Company's sales, liquidity and overall results of operations may be negatively affected by decreasing consumer confidence, slowdowns in consumer spending or other downturns in the U.S. economy as a whole or in any geographic markets from which the Company derives revenue. In addition, these factors may result in decreased customer and licensee demand for the Company's products and may negatively impact the Company's ability to develop new customers and licensees. Due to uncertainties surrounding the worldwide economy, the Company is unable to predict the effect of such conditions on its customers and licensees. Consequently, the Company cannot predict the scope or magnitude of the negative effect resulting from ongoing global financial uncertainties or economic slowdowns.

#### **Recently Adopted Accounting Pronouncements**

As of December 31, 2015 and for the year then ended, there were no recently adopted accounting pronouncements that had a material effect on the Company's financial statements.



### **Recently Issued Accounting Pronouncements Not Yet Adopted**

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*. The amendments in this Update provide guidance about management’s responsibility to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued and to provide related footnote disclosures. Substantial doubt about an entity’s ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. Management is assessing the impact of the adoption to the financial statements.

### **Off-Balance Sheet Arrangements**

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

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for a smaller reporting company.

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

For information required with respect to this Item 8, see index to Financial Statements and Schedules on page F-1 of this report on Form 10-K.

### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **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.

### **Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with U.S. GAAP. Internal control over financial reporting includes maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, that receipts and expenditures of the Company are being made only with management authorization and provide reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on the Company's financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements in the Company's financial statements on a timely basis.

Management assessed the effectiveness of the Company's internal control over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (1992). Based on this assessment, management believes that, as of December 31, 2015, the Company's internal control over financial reporting was effective.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. The attestation report requirement for non-accelerated filers was permanently removed from the Sarbanes-Oxley Act by Section 989C of the Dodd-Frank Act as adopted by the SEC.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal controls over financial reporting during the fourth quarter of 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

### **ITEM 9B. OTHER INFORMATION**

None.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The directors, officers and named executive of the Company, their ages, present positions with the Company, and a summary of their business experience are set forth below.

*Michael A. Feinstein, M.D.*, 69, Chairman of the Board of Directors since December 1999 and Nocopi's Chief Executive Officer since February 2000, has been a practicing physician in Philadelphia for more than thirty years, serving for more than twenty-five years as the President of a group medical practice which includes three physicians. He is a Fellow of the American College of Obstetrics and Gynecology and of the American Board of Obstetrics and Gynecology. He received his B.A. from LaSalle University and his M.D. from Jefferson Medical College. He has represented Nocopi in numerous licensing negotiations, governmental meetings and capital raises. The Board of Directors believes that Dr. Feinstein's considerable personal experience as a business owner and investor in publicly traded businesses makes him well suited to serve as a member of Nocopi Technologies' Board of Directors.

*Herman M. Gerwitz, CPA*, 62, a director since May 2005, is the Treasurer of Keystone Property Group. Mr. Gerwitz has been with Keystone full time since 1998 and has been responsible for all the financial matters of a Real Estate Development Company that has grown to over 3 million square feet of commercial real estate and a \$100,000,000 Real Estate Fund. Prior to joining Keystone, Mr. Gerwitz has spent 20 years as a partner in a public accounting firm. He has received a BBA from Temple University with master's coursework at Widener University. He has been a member of both the Pennsylvania and American Institutes of Certified Public Accountants since 1983. The Board of Directors believes that Mr. Gerwitz's many years as a Certified Public Accountant and his subsequent business management experience make him well suited to serve as a member of Nocopi Technologies' Board of Directors and to serve on its Audit Committee.

*Richard Levitt, 59*, a director since December 1999, has been engaged in the computer and services segment of the computer industry since 1981. Mr. Levitt is currently a Senior Account Executive for Dell Computer in Pittsburgh, PA. He is in the Large Enterprise Group and is responsible for developing major accounts in Western Pennsylvania. Mr. Levitt has been with Dell since November 2005. In 2009, Mr. Levitt was awarded the Circle of Excellence award by Dell which is Dell's highest corporate award given to less than 1% of its sales and support employees. In addition, he was awarded over the past three years the Top Team Performer and Regional Top Performer awards. In 1995, he participated in the founding of XiTech Corporation, a Pittsburgh, Pennsylvania-based provider of computing and computer networking hardware and network design and implementation services which in five years grew to over 100 employees and \$50 million in annual sales. Since founding XiTech, Mr. Levitt served as one of its corporate principals, as a Network Consultant and as the Manager of its Network Sales Force. Mr. Levitt left XiTech in 2004. Before joining XiTech, Mr. Levitt served as a network sales executive for Digital Equipment Corporation from 1988

to 1994 and as a network consultant for TriLogic Corporation during 1994 and 1995. Mr. Levitt holds a B.S. in Marketing from Kent State University. The Board of Directors believes that Mr. Levitt's sales and marketing experience in technology-based businesses, including start-ups and smaller businesses, makes him well suited to serve as a member of Nocopi Technologies' Board of Directors.

*Philip B. White, 77*, has been a director since August 2006. Mr. White is currently an international consultant in the private sector providing regulatory and industry standards advice to international companies regulated by the Food and Drug Administration, the Consumer Product Safety Commission, and the Environmental Protection Agency. He also served as a Technical Advisor and Regulatory Liaison to Nocopi from 2002 to 2005. Before establishing his own global consulting practice in 2000, Mr. White was, from 1994 to 2000, Director of Medical Device Consulting at the international firm of AAC Consulting Group (now Kendle), Rockville, MD. In 1994, Mr. White retired from a 33-year career with the U.S. Food and Drug Administration. His last FDA position was Director of the Office of Standards and Regulations in the Center for Devices and Radiological Health. Previous FDA positions included Regional Director of FDA's enforcement activities in the Southwestern Region, Deputy FDA Assistant Commissioner for Program Coordination, and Supervisory Food and Drug Inspector. He has served on the Board of Directors of the American National Standards Institute, the Association for Advancement of Medical Instrumentation, and the Regulatory Affairs Professionals Society. He is a 1961 graduate of Wilkes University, Wilkes-Barre, PA with a B.A. Degree in Biology. He also did graduate studies in 1967 and 1968 specializing in the Federal Food Drug and Cosmetic Act at the New York University Graduate Law School in New York City. The Board of Directors believes that Mr. White's considerable experience with consumer product safety and regulatory matters gained from his many years at the Food and Drug Administration makes him well suited to serve as a member of Nocopi Technologies' Board of Directors.

*Terry W. Stovold*, 53, Chief Operating Officer, has been employed by Nocopi for more than twenty-five years. Mr. Stovold previously served as the Company's Director of Operations and Sales. Mr. Stovold received a Forestry Technician College degree from Algonquin College and studied business at McGill University. He holds numerous U.S. and foreign patents in the fields of printing technology and printing inks.

*Rudolph A. Lutterschmidt*, 69, has been Vice President and Chief Financial Officer of the Company for more than five years, serving in this capacity on a part-time basis since January 2000. Mr. Lutterschmidt has been a consultant to several southeast Pennsylvania businesses. He is a graduate of Syracuse University.

The terms of the current directors will expire at the 2016 annual meeting of stockholders of the Company.

## **Corporate Governance**

The Board of Directors has determined that all of the directors, with the exception of Michael A. Feinstein, M.D., who serves as Chief Executive Officer, are independent as that term is defined by the SEC. The Company did not make any material changes to the procedures by which stockholders may recommend nominees to the Company's Board of Directors during 2015.

## **Audit Committee Financial Expert**

The Company has established a standing audit committee in accordance with Section 3(a) (58) (A) of the Securities Exchange Act of 1934 that makes recommendations to the Company's Board of Directors regarding the selection of an independent registered public accounting firm, reviews the results and scope of the Company's audits and other accounting-related services and reviews and evaluates the Company's internal control functions. The audit committee does not presently have a written charter. The audit committee is comprised of Michael A. Feinstein, M.D., its Chairman of the Board, and Herman M. Gerwitz, CPA. The Board of Directors has determined that Mr. Gerwitz is an audit committee financial expert as currently defined under the SEC rules implementing Section 407 of the Sarbanes Oxley Act of 2002 and that Mr. Gerwitz meets the criteria for independence as defined by the SEC.

## **Code of Ethics**

The Company has adopted a Code of Ethics that applies to its Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer and persons performing similar functions. A copy of the Company's Code of Ethics is incorporated by reference to Exhibit 14.1 of this report on Form 10-K.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's executive officers and directors and any persons who beneficially own more than 10% of its Common Stock (collectively, Reporting Persons) to file reports of ownership and changes in ownership with the SEC. Reporting Persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on the Company's review of the copies of any Section 16(a) forms received by it, the Company believes that with respect to the fiscal year ended December 31, 2015, all Reporting Persons complied with all applicable filing requirements.

**ITEM 11. EXECUTIVE COMPENSATION**

The following table sets forth information concerning compensation for 2015 and 2014 earned by Michael A. Feinstein, M.D., the Company's Chairman who has served since February 2000 as the Company's Chief Executive Officer and Terry W. Stovold, the Company's Chief Operating Officer, the only employee to receive compensation in 2015 greater than \$100,000 (the "Named Executive").

**SUMMARY COMPENSATION TABLE**

<b>Name and principal position (a)</b>	<b>Year (b)</b>	<b>Salary (\$) (c)</b>	<b>Bonus (\$) (d)</b>	<b>Stock awards (\$) (e)</b>	<b>Option awards (\$) (f)</b>	<b>Nonequity incentive plan compensation (\$) (g)</b>	<b>Nonqualified deferred compensation earnings (\$) (h)</b>
Michael A. Feinstein, M.D. Chairman, President and Chief Executive Officer	2015	85,000					
	2014	85,000					
Terry W. Stovold Chief Operating Officer	2015	75,000	1,000				
	2014	75,000	1,000				

(1) Sales commissions

Dr. Feinstein entered into a written employment agreement effective June 1, 2008 under which he serves as President and Chief Executive Officer of the Company for an initial term of three years with successive one year renewal terms. In accordance with the terms of the employment agreement, the employment agreement renewed on December 1, 2015 for a period of one year effective June 1, 2016. The employment agreement provides for an annual base salary of \$85,000 which may be increased annually at the discretion of the Board of Directors and an annual performance bonus determined by the Board of Directors. In certain situations, including a change in control, Dr. Feinstein may be eligible to receive his base salary for a period of up to twelve months following the termination of employment. The employment agreement prohibits him from competing with the Company during the term of this agreement and for two years after the termination of his employment with the Company. In each of the years ended December 31, 2015 and 2014, Dr. Feinstein deferred \$85,000 of salary owed to him for each of those years. At December 31, 2015, Dr. Feinstein was owed a total of approximately \$290,400 of salary deferred by him.



Mr. Stovold entered into a written employment agreement effective April 1, 2011 under which he served as the Company's Director of Operations and Sales for an initial term of three years with successive one year renewal terms. The employment agreement provides for a base salary set by the Company's Board of Directors, which is currently set at \$75,000 per year beginning on January 1, 2012, along with a commission of seven percent on sales generated by his efforts. In certain situations, including but not limited to a change in control, Mr. Stovold may be eligible to receive his base salary for a period of up to six months following the termination of employment. The employment agreement prohibits him from competing with the Company during the term of the agreement and for one year after the termination of his employment with the Company. At December 31, 2015, Mr. Stovold was owed approximately \$33,500 of currently payable commissions related to sales realized in 2015 through his efforts. In July 2014, the Company's Board of Directors appointed Mr. Stovold Chief Operating Officer of the Company. There were no changes to the employment agreement with Mr. Stovold resulting from this appointment.

There are no outstanding stock or option awards at fiscal year end.

If Dr. Feinstein's employment is terminated as a result of a change in control, Dr. Feinstein is entitled to receive severance payments equal to twelve months of his then base salary. If Mr. Stovold's employment is terminated as a result of a change in control, Mr. Stovold is entitled to receive severance payments not to exceed six months of his then base salary.

**Director Compensation**

The following table summarizes compensation earned by the Company's non-executive directors for the year ended December 31, 2015. All directors have been and will be reimbursed for reasonable expenses incurred in connection with attendance at meetings of the Board of Directors or other activities undertaken by them on behalf of the Company.

**DIRECTOR COMPENSATION**

<b>Name</b>	<b>Fees earned or paid in cash</b>	<b>Stock awards</b>	<b>Option awards</b>	<b>Nonequity incentive plan compensation</b>	<b>Nonqualified deferred compensation earnings</b>	<b>All other compensation</b>	<b>Total</b>
<b>(a)</b>	<b>(\$) (b)</b>	<b>(\$) (c)</b>	<b>(\$) (d)</b>	<b>(\$) (e)</b>	<b>(\$) (f)</b>	<b>(\$) (g)</b>	<b>(\$) (h)</b>
Herman M. Gerwitz (1)	0	0	0	0	0	0	0
Richard Levitt	0	0	0	0	0	0	0
Philip B. White	0	0	0	0	0	0	0

(1) At December 31, 2015, Mr. Gerwitz held 26,665 warrants that become exercisable in July 2016.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth, as of March 15, 2016, the stock ownership of (1) each person or group known by the Registrant to beneficially own 5% or more of Registrant's Common Stock and (2) each director and Named Executive (as set forth under the heading "Executive Compensation") individually, and (3) all directors and executive officers of the Company as a group. To the Company's knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table below has sole voting and investment power with respect to the shares set forth opposite such person's name. Except as otherwise indicated, the address of each of the persons in the table below is c/o Nocopi Technologies, Inc., 480 Shoemaker Road, Suite 104, King of Prussia,

Pennsylvania, 19406.

### Common Stock

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Class (1)
<b>5% Stockholders</b>		
Philip N. Hudson	5,687,918	9.7%
P.O. Box 160892		
San Antonio, TX 78280-3092 (2)		
Westvaco Brand Security, Inc.	3,917,030	6.7%
One High Ridge Park		
Stamford, CT 06905 (3)		
Ross. L Campbell	3,264,457	5.6%
675 Lewis Lane		
Ambler, PA 19002 (4)		
<b>Directors, Officers and Named Executive</b>		
Michael A Feinstein, M.D. (5)	3,109,881	5.3%
Herman M. Gerwitz (6)	376,549	*
Richard Levitt	299,000	*
Philip B. White (7)	286,745	*
Terry W. Stovold	0	*
All Executive Officers and Directors as a Group (6 individuals)	4,069,775	6.9%

\* Less than 1.0%.

- (1) Where the Number of Shares Beneficially Owned (reported in the preceding column) includes shares which may be purchased upon the exercise of outstanding stock options and warrants which are or within sixty days will become exercisable ( presently exercisable options ) the percentage of class reported in this column has been calculated assuming the exercise of such presently exercisable options.
- (2) As reflected in a Schedule 13D dated August 11, 2008 filed on behalf of Philip N. Hudson and subsequent open market purchases as reported to the Company by Mr. Hudson.
- (3) As reflected in a Schedule 13D dated March 14, 2001 filed on behalf of Westvaco Brand Security, Inc.
- (4) As reflected in a Schedule 13D dated April 4, 2005 filed on behalf of Ross L. Campbell.
- (5) Includes 734,000 shares held by a pension plan of which Dr. Feinstein is the trustee and 100,000 shares held in an IRA.
- (6) Includes 50,000 shares held by a trust on behalf of a child of Mr. Gerwitz, 72,500 shares held by a child of Mr. Gerwitz and 6,000 shares held in an IRA.
- (7) Includes 5,000 shares held by Mr. White s wife.

EQUITY COMPENSATION PLAN INFORMATION AS OF DECEMBER 31, 2015

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights compensation plans (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Warrants issued in connection with convertible debentures, short-term loans and financing considerations (1)	756,365	\$ 0.022	-0-
Total	756,365	\$ 0.022	-0-

- (1) Warrants issued in connection with the sale of convertible debentures totaling \$138,273 in 2014 and 2013, the receipt of short term-notes totaling \$45,000 from 2011 through 2013, and, in 2011, to a professional services provider related to certain fee payment considerations were approved by the Board of Directors. The warrants expire from five to seven years from the date of issuance.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

During 2014, with the approval of the disinterested members of the Board of Directors, the Company exchanged a \$4,500 short-term loan held by Herman M. Gerwitz, a Director, together with accrued interest, for a \$5,333 convertible debenture which included warrants to purchase 26,665 shares of the Company's Common Stock at \$0.02 per share. The warrant is exercisable two years after issuance and expires seven years after issuance. The debenture is due in two years. At the option of the lender, the debenture and accrued interest is convertible in whole or part into Common Stock of the Company at \$0.05 per share.

During 2014, with the approval of the disinterested members of the Board of Directors, the Company exchanged a \$20,000 short-term loan held by Dr. Feinstein's brother-in-law together with accrued interest, for a \$22,940 convertible debenture which included warrants to purchase 114,700 shares of the Company's Common Stock at \$0.02 per share. The warrant is exercisable two years after issuance and expires seven years after issuance. The debenture is due in two years. At the option of the lender, the debenture and accrued interest is convertible in whole or part into Common Stock of the Company at \$0.05 per share.

The Board of Directors has determined that all the directors, with the exception of Michael A. Feinstein, M.D., who serves as President and Chief Executive Officer, are independent as that term is defined by the SEC.

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Registrant has retained the public accounting firm of Morison Cogen LLP, whose principal business address is 484 Norristown Road, Suite 100, Blue Bell, PA 19422, to perform its annual audit for inclusion of its report in Form 10-K and perform SAS 100 reviews of quarterly information in connection with Form 10-Q filings.

##### **Audit Fees**

During 2015 and 2014, the aggregate fees billed for professional services rendered by Registrant's principal accountant for the audit of Registrant's annual financial statements and review of its quarterly financial statements were \$47,000 and \$35,000, respectively.

##### **Audit-Related Fees**

During 2015 and 2014, there were no fees billed for audit-related services.

##### **Tax Fees**

During 2015 and 2014, the aggregate fees billed for professional services rendered by Registrant's principal accountant for tax compliance, tax advice and tax planning were \$9,000 and \$0, respectively.

##### **All Other Fees**

During 2015 and 2014, there were no fees billed for products and services provided by Registrant's principal accountant other than those set forth above.

##### **Audit Committee Approval**

The Audit Committee, consisting of Michael A. Feinstein, M.D., Chairman, President and Chief Executive Officer, and Herman M. Gerwitz, CPA, evaluate and approve, in advance, the scope and cost of the engagement of an auditor before the auditor renders audit and non-audit services. All non-audit services were approved by the audit committee. Registrant does not rely on pre-approval policies and procedures.

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

See Exhibit Index.

**SIGNATURES**

Pursuant to the requirements of Section 13 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: March 30, 2016	By:	/s/ Michael A. Feinstein, M.D. Michael A. Feinstein, M.D.
	Title:	Chairman of the Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Michael A. Feinstein, M.D. Michael A. Feinstein, M.D.	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 30, 2016
/s/ Rudolph A. Lutterschmidt Rudolph A. Lutterschmidt	Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial and Accounting Officer)	March 30, 2016
/s/ Herman M. Gerwitz Herman M. Gerwitz	Director	March 30, 2016
/s/ Richard Levitt Richard Levitt	Director	March 30, 2016
/s/ Philip B. White Philip B. White	Director	March 30, 2016





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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and Board of Directors

of Nocopi Technologies, Inc.

King of Prussia, Pennsylvania

We have audited the accompanying balance sheets of Nocopi Technologies, Inc. as of December 31, 2015 and 2014, and the related statements of operations, stockholders' deficiency, and cash flows for each of the two years in the period ended December 31, 2015. Nocopi Technologies, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nocopi Technologies, Inc. at December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company continues to have a working capital deficit which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ MORISON COGEN LLP

Blue Bell, Pennsylvania

March 30, 2016

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*Nocopi Technologies, Inc.**Balance Sheets\**

	<b>December 31.</b>	
	<b>2015</b>	<b>2014</b>
<i>Assets</i>		
<b>Current assets</b>		
Cash	\$ 11,400	\$ 28,000
Accounts receivable less \$5,000 allowance for doubtful accounts	253,300	287,800
Inventory	36,600	43,500
Prepaid and other	22,600	18,800
<b>Total current assets</b>	<b>323,900</b>	<b>378,100</b>
<b>Fixed assets</b>		
Leasehold improvements	19,700	19,700
Furniture, fixtures and equipment	176,900	176,800
	196,600	196,500
Less: accumulated depreciation and amortization	175,700	178,400
	20,900	18,100
<b>Total assets</b>	<b>\$ 344,800</b>	<b>\$ 396,200</b>
<i>Liabilities and Stockholders Deficiency</i>		
<b>Current liabilities</b>		
Demand loans	\$ 23,500	\$ 63,000
Convertible debentures	32,800	102,900
Accounts payable	76,200	160,300
Accrued expenses	443,000	383,000
Deferred revenue	112,400	93,400
<b>Total current liabilities</b>	<b>687,900</b>	<b>802,600</b>
Commitments and contingencies		
Convertible debentures, net of unaccreted discount of \$0 at December 31, 2015 and \$1,400 at December 31, 2014	95,000	31,800
<b>Stockholders deficiency</b>		
Series A preferred stock, \$1.00 par value		
Authorized - 300,000 shares		
Issued and outstanding - none		
Common stock, \$0.01 par value		
Authorized - 75,000,000 shares		
Issued and outstanding - 58,599,016 shares	586,000	586,000

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Paid-in capital	12,426,600	12,408,500
Accumulated deficit	(13,450,700)	(13,432,700)
	(438,100)	(438,200)
<b>Total liabilities and stockholders deficiency</b>	<b>\$ 344,800</b>	<b>\$ 396,200</b>

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

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*Nocopi Technologies, Inc.**Statements of Operations\**

	<b>Years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenues</b>		
Licenses, royalties and fees	\$ 338,700	\$ 358,800
Product and other sales	612,100	564,000
	950,800	922,800
<b>Cost of revenues</b>		
Licenses, royalties and fees	77,000	75,600
Product and other sales	256,000	248,700
	333,000	324,300
<b>Gross profit</b>	<b>617,800</b>	<b>598,500</b>
<b>Operating expenses</b>		
Research and development	128,100	121,600
Sales and marketing	202,800	194,500
General and administrative	325,600	253,400
	656,500	569,500
<b>Net income (loss) from operations</b>	<b>(38,700)</b>	<b>29,000</b>
<b>Other income (expenses)</b>		
Reversal of accounts payable	56,300	
Interest income		300
Interest expense, bank charges, financing cost and accretion of interest	(35,600)	(21,600)
	20,700	(21,300)
<b>Net income (loss)</b>	<b>\$ (18,000)</b>	<b>\$ 7,700</b>
<b>Net income (loss) per common share</b>		
Basic	\$ (.00)	\$ .00
Diluted	\$ (.00)	\$ .00
<b>Weighted average common shares outstanding</b>		
Basic	58,599,016	58,599,016
Diluted	58,599,016	58,600,690

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

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*Nocopi Technologies, Inc.**Statement of Stockholders Deficiency\***For the Period January 1, 2014 through December 31, 2015*

	Common stock Shares	Common stock Amount	Paid-in Capital	Accumulated Deficit	Total
<b>Balance - January 1, 2014</b>	58,599,016	\$ 586,000	\$ 12,406,600	\$ (13,440,400)	\$ (447,800)
Fair value of warrants issued to convertible debenture holders			1,900		1,900
Net income				7,700	7,700
<b>Balance - December 31, 2014</b>	58,599,016	586,000	12,408,500	(13,432,700)	(438,200)
Debt discount to convertible debentures			18,100		18,100
Net loss				(18,000)	(18,000)
<b>Balance - December 31, 2015</b>	58,599,016	\$ 586,000	\$ 12,426,600	\$ (13,450,700)	\$ (438,100)

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

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*Nocopi Technologies, Inc.**Statements of Cash Flows\**

	<b>Years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating Activities</b>		
Net income (loss)	\$ (18,000)	\$ 7,700
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	6,100	4,000
Reversal of accounts payable	(56,300)	
Accretion of interest convertible debentures	21,200	4,600
	(47,000)	16,300
(Increase) decrease in assets		
Accounts receivable	34,500	(50,700)
Inventory	6,900	(15,000)
Prepaid and other	(3,800)	12,700
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	32,200	71,600
Deferred revenue	19,000	(20,400)
	88,800	(1,800)
<b>Net cash provided by operating activities</b>	<b>41,800</b>	<b>14,500</b>
<b>Investing Activities</b>		
Additions to fixed assets	(8,900)	(20,600)
<b>Net cash used in investing activities</b>	<b>(8,900)</b>	<b>(20,600)</b>
<b>Financing Activities</b>		
Repayment of borrowings under promissory note		(18,800)
Repayment of demand loans	(39,500)	(5,000)
Proceeds from convertible debenture		5,000
Repayment of convertible debenture	(10,000)	
<b>Net cash used in financing activities</b>	<b>(49,500)</b>	<b>(18,800)</b>
<b>Decrease in cash</b>	<b>(16,600)</b>	<b>(24,900)</b>
<b>Cash</b>		
Beginning of year	28,000	52,900
End of year	\$ 11,400	\$ 28,000
Cash paid for interest	\$ 7,700	\$ 300

**Supplemental disclosure of Non Cash Investing Activities**

Write-off of fully depreciated leasehold improvements and furniture fixtures and equipment

Accumulated depreciation and amortization	\$	(8,800)	\$	(82,900)
Leasehold improvements			\$	72,500
Furniture, fixtures and equipment	\$	8,800	\$	10,400

**Supplemental Disclosure of Non Cash Financing Activities**

Conversion of demand loans and interest to convertible debentures				
Demand loans			\$	(24,500)
Accrued expenses			\$	(3,800)
Convertible debentures			\$	26,400
Paid-in capital			\$	1,900

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

**NOCOPI TECHNOLOGIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**1.**

**Organization of the Company**

Nocopi Technologies, Inc. (the Company) is organized under the laws of the State of Maryland. Its main business activities are the development and distribution of document security products and the licensing of its patented reactive ink technologies for the Entertainment and Toy and the Document and Product Authentication markets in the United States and foreign countries. The Company operates in one principal industry segment.

**2.**

**Significant Accounting Policies**

**Financial Statement Presentation** - Amounts included in the accompanying financial statements have been rounded to the nearest hundred, except for number of shares and per share information.

**Estimates** - The preparation of the financial statements in conformity with Accounting Principles Generally Accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the dates of financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

**Cash** consists of demand deposits with a major U.S. bank.

**Accounts receivable and credit policies** - Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. Customer account balances with invoices dated over 90 days old are considered delinquent.

The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

**Inventory** consists primarily of ink components and is stated at the lower of cost (determined by the first-in, first-out method) or market.

**Fixed assets** are carried at cost less accumulated depreciation and amortization. Furniture, fixtures and equipment are generally depreciated on the straight-line method over their estimated service lives. Leasehold improvements are amortized on a straight-line basis over the shorter of five years or the term of the lease. Major renovations and betterments are capitalized. Maintenance, repairs and minor items are expensed as incurred. Upon disposal, assets and related depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

**Patent costs** are charged to expense as incurred due to the uncertainty of their recoverability as a result of the Company's adverse liquidity situation.

**Revenues** - In accordance with Financial Accounting Standards Board Accounting Standards Codification ( FASB ASC ) 605, Revenue Recognition, the Company recognizes revenue when (i) persuasive evidence of a customer or distributor arrangement exists or acceptance occurs, (ii) a retailer, distributor or wholesaler receives the goods, (iii) the price is fixed or determinable, and (iv) collectability of the sales revenue is reasonably assured. Subject to these criteria, the Company will generally recognize revenue upon shipment of product. Revenue from license fees and royalties will be recognized as earned over the license term.

**Income taxes** - Deferred income taxes are provided for all temporary differences and net operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.



**NOCOPI TECHNOLOGIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**Fair value** - The carrying amounts reflected in the balance sheets for cash, receivables, accounts payable and accrued expenses approximate fair value due to the short maturities of these instruments. The carrying amount of the demand loans and the convertible debentures approximates fair value since the interest rate associated with the debt approximates the current market interest rates.

**Convertible debentures**, for which the embedded conversion feature does not qualify for derivative treatment, are evaluated to determine if the effective or actual rate of conversion per the terms of the convertible note agreement is below market value. In these instances, the Company accounts for the value of the beneficial conversion feature as a debt discount, which is then accreted to interest expense over the life of the related debt using the straight-line method, which approximates the effective interest method.

**Stock-based payments** - the Company accounts for stock-based compensation under the provisions of FASB ASC 718, "Compensation - Stock Compensation" which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors based on estimated fair values on the grant date. The Company estimates the fair value of stock-based awards on the date of grant using the Black-Scholes model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods using the straight line method. The Company accounts for stock-based compensation awards to nonemployees in accordance with FASB ASC 505-50, "Equity-Based Payments to Non-Employees ( ASC 505-50 ). Under ASC 505-50, the Company determines the fair value of the warrants or stock-based compensation awards granted as either the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable. All issuances of stock options or other equity instruments to non-employees as consideration for goods or services received by the Company are accounted for based on the fair value of the equity instruments issued. Any stock options issued to non-employees are recorded as an expense and additional paid in capital in stockholders equity over the applicable service periods. Non-employee equity based payments that do not vest immediately upon grant are recorded as an expense over the service period, as if the Company had paid cash for the services. At the end of each financial reporting period, prior to vesting or prior to the completion of the services, the fair value of the equity based payments will be re-measured and the non-cash expense recognized during the period will be adjusted accordingly. Since the fair value of equity based payments granted to non-employees is subject to change in the future, the amount of the future expense will include fair value re-measurements until the equity based payments are fully vested or the service completed.

**Earnings (loss) per share** - The Company follows FASB ASC 260 resulting in the presentation of basic and diluted earnings per share. Basic earnings per common share are based on the weighted average number of shares outstanding during the periods presented. Diluted earnings per share are computed using weighted average number of common shares plus dilutive common share equivalents outstanding during the period. Potential common shares that would



have the effect of increasing diluted earnings per share are considered to be anti-dilutive, i.e. the exercise prices of the outstanding stock options were greater than the market price of the common stock.

The table below presents the computation of basic and diluted weighted average common shares outstanding:

	<b>2015</b>	<b>2014</b>
Basic shares outstanding	58,599,016	58,599,016
Incremental shares from assumed conversion of warrants		1,674
Diluted shares outstanding	58,599,016	58,600,690

**Comprehensive income (loss)** - The Company follows FASB ASC 220 in reporting comprehensive income. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. Since the Company has no items of other comprehensive income, comprehensive income (loss) is equal to net income (loss).

**NOCOPI TECHNOLOGIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

**Recoverability of Long-Lived Assets**

The Company follows FASB ASC 360-35, Impairment or Disposal of Long-Lived Assets. The Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Company is not aware of any events or circumstances which indicate the existence of an impairment which would be material to the Company's annual financial statements.

**Recently Adopted Accounting Pronouncements**

As of December 31, 2015 and for the year then ended, there were no recently adopted accounting pronouncements that had a material effect on the Company's financial statements.

**Recently Issued Accounting Pronouncements Not Yet Adopted**

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The amendments in this Update provide guidance about management's responsibility to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued and to provide related footnote disclosures. Substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. Management is assessing the impact of the adoption to the financial statements.

**3.**

**Going Concern**

Since its inception, with the exception of the years ended December 31, 2007 and December 31, 2013 and December 13, 2014, during which it generated net income of \$386,000 and \$10,300 and \$7,700, respectively, the Company has incurred significant losses and, as of December 31, 2015, had accumulated losses of \$13,450,700. For the year ended December 31, 2015, the Company had a net loss from operations of \$38,700. For the year ended December 31, 2014 Company s had net income from operations of \$29,000. The Company had negative working capital of \$364,000 at December 31, 2015 and \$424,500 at December 31, 2014. Due in part to uncertainties in the US economy, the Company, which is substantially dependent on its licensees to generate licensing revenues, 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 sustain profitability and return to positive cash flow in the future.

During 2014, the Company sold a \$5,000 convertible debenture to an investor. Receipt of funds in earlier periods from investors and from demand loan holders have allowed the Company to remain in operation through the current date. Management of the Company believes that it may need 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 from traditional and new product lines 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 impact its revenues 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.

**NOCOPI TECHNOLOGIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

The Company's independent registered public accountants have included a going concern explanatory paragraph in their audit report accompanying the 2015 financial statements. The paragraph states that the Company's continuing working capital deficit raises substantial doubt about the Company's ability to continue as a going concern and cautions that the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**4.**

**Concentration of Credit Risk**

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and accounts receivables. At December 31, 2015, the Company did not have deposits with a financial institution that exceed the FDIC deposit insurance coverage of \$250,000. There is a concentration of credit risk with respect to accounts receivable due to the number of major customers.

**5.**

**Demand Loans**

At December 31, 2015 and December 31, 2014, the Company had unsecured loans totaling \$23,500 from two individuals and \$63,000 from three individuals, respectively, outstanding. The loans bear interest at 8%. During the year ended December 31, 2015, the Company repaid \$39,500 of the unsecured loans along with approximately \$6,300 of accrued interest. During the year ended December 31, 2014, the Company repaid \$5,000 of the unsecured loans.

**6.**

**Promissory Note**

In early July 2014, the Company repaid the \$6,250 remaining balance of a \$100,000 promissory note with a bank. The promissory note resulted from the conversion in September 2010 of an outstanding line of credit with the bank. The promissory note was payable in forty-eight equal monthly installments, beginning in October 2010, of \$2,083, plus interest at the bank's prime rate of interest plus 0.5%. The interest rate throughout the term of the promissory note was 3.75%.

7.

### **Convertible Debentures**

At December 31, 2015, the Company had convertible debentures totaling \$127,800 outstanding, of which \$32,800 are due during the third quarter of 2016 and \$95,000 are due during the third quarter of 2017. The convertible debentures bear interest at 7%. At the option of the lender, \$95,000 principal of the debentures and accrued interest are convertible in whole or part into common stock of the Company at \$0.025 per share and \$32,800 principal of the debentures and accrued interest are convertible in whole or part into common stock of the Company at \$0.05 per share. In July 2015, the Company repaid, with interest, a \$10,000 convertible debenture that had matured. During the third quarter of 2015, the Company's Board of Directors approved and the holders of \$95,000 of convertible debentures maturing during the third quarter of 2015 accepted an offer of extension whereby the maturity dates of the convertible debentures are extended for two years and the conversion rate of the debentures and accrued interest into Common Stock of the Company is reduced from \$0.05 to \$0.025. In accordance with FASB ASC 470, this modification of the convertible debentures was recorded as a debt discount to the notes payable of approximately \$18,100 with an offsetting credit to additional-paid in capital. In the year ended December 31, 2015, the entire \$18,100 was accreted through interest expense.

During the third quarter of 2014, the Company, with the approval of its Board of Directors, exchanged two demand loans totaling \$24,500 including one demand loan in the amount of \$4,500 held by Herman M. Gerwitz, a Director, along with approximately \$3,800 of accrued interest for convertible debentures totaling approximately \$28,300. The debentures bear interest at 7% and are due and payable two years from the date of issuance. At option of the lender, the debentures and accrued interest are convertible in whole or part into common stock of the Company at \$0.05 per share. The Company also granted warrants to purchase 141,365 shares of common stock of the Company at \$0.02 per share to the debenture holders. The warrants are exercisable two years after issuance and expire seven years after issuance.

**NOCOPI TECHNOLOGIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

During the third quarter of 2014, the Company received \$5,000 through the issuance of a convertible debenture to an investor. The debenture bears interest at 7% and is due and payable two years from the date of issuance. At option of the lender, the debenture and accrued interest are convertible in whole or part into common stock of the Company at \$0.05 per share. The Company also granted warrants to purchase 25,000 shares of the Company's common stock at \$0.02 per share to the holder of the debenture. The warrants are exercisable two years after issuance and expire seven years after issuance.

Additionally, the Company has warrants to purchase 525,000 shares of the Company's common stock at \$0.02 per share outstanding that were granted in conjunction with the issuance of \$105,000 of convertible debentures to seven investors in 2013. The warrants are exercisable two years after issuance and expire seven years after issuance.

The fair value of the warrants was determined using the Black-Scholes pricing model. The relative fair value of the warrants was recorded as a discount to the notes payable with an offsetting credit to additional paid-in capital since the Company determined that the warrants were an equity instrument in accordance with FASB ASC 815. The debt discount related to the warrant issuances is being accreted through interest expense over the term of the notes payable. For the years ended December 31, 2015 and December 31, 2014, approximately \$3,100 and \$4,600, respectively, was accreted through interest expense.

**8.**

**Stockholders' Deficiency**

In July 2015, the common stock private placement was extended to December 31, 2016 by the Company's Board of Directors.

**9.**

**Other Income (Expenses)**

Other income (expenses) includes, in 2015, the reversal of approximately \$56,300 of accounts payable related to invoices received from 2001 through 2009 from a professional services business that provided legal services to the Company and an individual that provided consulting services to the Company in 2009 that the Company, with legal counsel, has determined to be no longer statutorily payable as the statute of limitations to bring claims has expired. Additionally, other income (expenses) includes interest on unsecured loans from five individuals, on convertible debentures held by ten investors and, in 2014, on funds borrowed under the Company's promissory note with a bank. Also included in other income (expenses) is accretion of debt discounts related to the issuance of convertible debentures totaling \$128,400 and, in 2015, the extension of the maturity dates of \$95,000 of convertible debentures.

## 10.

### Income Taxes

There is no income tax benefit for the year ended December 31, 2015 due to the availability of net operating loss carryforwards (NOLs) for which the Company had previously established a 100% valuation allowance for deferred tax assets due to the uncertainty of their recoverability. There is no provision for income taxes for the year ended December 31, 2014 due to the availability of net operating loss carryforwards. At December 31, 2015 and December 31, 2014, the Company had NOLs approximating \$4,627,000 and \$4,601,000, respectively. The operating losses at December 31, 2015 are available to offset future taxable income; however, if not utilized, they expire in varying amounts through the year 2035. As a result of the sale of the Company's common stock in an equity offering in late 1997 and the issuance of additional shares, the amount of the NOLs may be limited. Additionally, the utilization of these NOLs, if available, to reduce future income taxes will depend on the generation of sufficient taxable income prior to their expiration. There were no material temporary differences for the years ended December 31, 2015 and December 31, 2014. The Company has established a 100% valuation allowance of approximately \$1,943,000 and \$1,933,000 at December 31, 2015 and December 31, 2014, respectively, for the deferred tax assets due to the uncertainty of their realization.

The Company has adopted the provisions of FASB ASC 740-10-50-15, Unrecognized Tax Benefit Related Disclosures. There were no unrecognized tax benefits as of the date of adoption and no unrecognized tax benefits at December 31, 2015. There was no change in unrecognized tax benefits during the year ended December 31, 2015 and there was no accrual for uncertain tax positions as of December 31, 2015.

**NOCOPI TECHNOLOGIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

There were no interest and penalties recognized in the statement of operations and in the balance sheet. Tax years from 2011 through 2015 remain subject to examination by U.S. federal and state tax jurisdictions.

**11.**

**Related Party Transactions**

In each of the years ended December 31, 2015 and December 31, 2014, Michael A. Feinstein, M.D., the Company's Chairman of the Board and Chief Executive Officer, deferred \$85,000 of salary owed to him under an employment agreement with the Company. At December 31, 2015 and December 31, 2014, Dr. Feinstein was owed \$290,400 and \$215,400, respectively, of salary that was deferred by him in response to the adverse liquidity experienced by the Company beginning in 2012. There are no formal terms or arrangements for repayment of the deferred salary. In December 2015 and January 2016, the Company made payments of \$10,000 and \$15,000, respectively, to Dr. Feinstein, representing a portion of amounts owed to him. There is no interest payable on the deferred salary.

**12.**

**Commitments and Contingencies**

The Company conducts its operations in leased facilities under a non-cancelable operating lease expiring in 2019.

Future minimum lease payments under non-cancelable operating leases with initial or remaining terms of one year or more at December 31, 2015 are: \$46,200 2016; \$47,400 2017; \$48,600 2018 and \$16,300 2019.

Total rental expense under operating leases was \$44,800 and \$45,100 in 2014 and 2015, respectively.



The Company has an employment agreement, expiring in May 2017, with Michael A. Feinstein, M.D., its Chairman of the Board and Chief Executive Officer. The employment agreement contains one-year renewal provisions that became effective after the original term. Dr. Feinstein receives base compensation of \$85,000 per year plus a performance bonus determined by the Company's Board of Directors. The Company has an employment agreement, expiring in March 2017, with Terry W. Stovold, its Chief Operating Officer, whereby Mr. Stovold receives a salary set by the Company's Board of Directors, currently set at \$75,000, along with a commission of seven percent on sales generated by his efforts. The employment agreement contains one-year renewal provisions that became effective after the original term. Future minimum compensation payments under these employment agreements are: \$160,000 to be paid in 2016 and \$54,200 to be paid in 2017.

From time to time, the Company may be subject to legal proceedings and claims that arise in the ordinary course of its business.

### 13.

#### **Stock Options, Warrants and 401(k) Savings Plan**

The Company follows FASB ASC 718, *Share Based Payment*, which requires that the cost resulting from all share-based payment transactions be recognized in the Company's financial statements. FASB ASC 718 requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statement of operations based on their fair values.

The 1999 Stock Option Plan provided for the granting of up to 2,000,000 incentive and non-qualified stock options to employees, non-employee directors, consultants and advisors to the Company. In the case of options designated as incentive stock options, the exercise price of the options granted must be not less than the fair market value of such shares on the date of grant. Non-qualified stock options may be granted at any amount established by the Stock Option Committee or, in the case of Discounted Options issued to non-employee directors in lieu of any portion of an Annual Retainer, in accordance with a formula designated in the Plan. The 1999 Stock Option Plan terminated in February 2009 and no further stock options can be granted under the plan; however, options granted before the termination date could be exercised through their expiration date.

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an award. There was no compensation expense recognized during the years ended December 31, 2015 and December 31, 2014 and there was no unrecognized portion of expense at December 31, 2015.



## NOCOPI TECHNOLOGIES, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

A summary of stock options under the Company's stock option plans follows:

	<b>Number of Shares</b>	<b>Exercise Price Range Per Share</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2013	245,000	0.12	0.12
Options expired	245,000	0.12	0.12
Outstanding at December 31, 2014 and 2015	0		
	<b>Option Shares</b>		
Exercisable options at year end: 2015	0		
Weighted average remaining contractual life (years)			
Options available for future grant: 2015	0		

At December 31, 2015, the Company had 756,365 warrants to purchase common stock of the Company outstanding at exercise prices ranging from \$0.01 to \$0.07 and expiring at various dates through July 2021. The warrants are held by ten investors who acquired convertible debentures from the Company in 2013 and 2014 and by three individuals who provided loans and professional services to the Company.

A summary of outstanding warrants follows:

	<b>Number of Shares</b>	<b>Exercise Price Range Per Share</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2013	660,500	0.01 to 0.07	0.026

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Warrants granted	166,365	0.02	0.02
Warrants canceled	24,500	0.03 and 0.07	0.037
Outstanding at December 31, 2014	802,365	0.01 to 0.07	0.025
Warrants expired	46,000	0.06 and 0.07	0.068
Outstanding at December 31, 2015	756,365	\$0.01 to \$0.07	\$0.022

Weighted average remaining contractual life (years) 4.51

	<b>Shares</b>	<b>Exercise Price Range Per Share</b>	<b>Weighted Average Exercise Price</b>
Exercisable warrants at year end: 2015	590,000	\$0.01 to \$0.07	\$0.023
Weighted average remaining contractual life (years)	4.23		

At December 31, 2015, the Company has reserved 5,846,989 shares of common stock for possible future issuance upon exercise of 756,365 warrants and for the conversion of approximately \$128,300 of convertible debentures and accrued interest into 5,090,624 shares of common stock.

**NOCOPI TECHNOLOGIES, INC.****NOTES TO FINANCIAL STATEMENTS****December 31, 2015 and 2014**

The Company sponsors a 401(k) savings plan, covering substantially all employees, providing for employee and employer contributions. Employer contributions are made at the discretion of the Company. There were no contributions charged to expense during 2015 or 2014.

**14.****Major Customer and Geographic Information**

The Company's revenues, expressed as a percentage of total revenues, from non-affiliated customers that equaled 10% or more of the Company's total revenues were:

	<b>Year ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Customer A	53%	47%
Customer B	17%	19%

The Company's non-affiliate customers whose individual balances amounted to more than 10% of the Company's net accounts receivable, expressed as a percentage of net accounts receivable, were:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Customer A	31%	46%
Customer B	25%	35%

The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company also maintains allowances for potential credit losses. The loss of a major customer could have a material adverse effect on the Company's business operations and financial condition.

The Company's revenues by geographic region are as follows:

	<b>Year ended December 31</b>	
	<b>2015</b>	<b>2014</b>
North America	\$ 433,000	\$ 477,100
Asia	511,600	445,700
Australia	6,200	
	\$ 950,800	\$ 922,800

**15.**

**Subsequent Event**

In March 2016, the Company repaid \$4,000 of the principal of the outstanding demand loans.

## Exhibit Index

The following Exhibits are filed as part of this Annual Report on Form 10-K:

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation (17)
3.2	Amended and Restated Bylaws (18)
4.1	Form of Certificate of Common Stock (14)
10.1	Summary Plan Description for Nocopi Technologies, Inc. 401(k) Profit Sharing Plan (1)
10.2	Nocopi Technologies, Inc. 1998 Stock Incentive Plan (2)
10.3	Amended Summary Plan Description for Nocopi Technologies, Inc. 401(k) Profit Sharing Plan (3)
10.4	Director Indemnification Agreement (4)
10.5	Officer Indemnification Agreement (5)
10.6	Stock Purchase Agreement with Westvaco Brand Security, Inc. (6)
10.7	Registration Rights Agreement with Westvaco Brand Security, Inc. (7)
10.8	Subscription Agreement with Entrevest I Associates (8)
10.9	Lease Agreement dated March 19, 2003 relating to premises at 9 Portland Road, West Conshohocken, PA 19428 (9)
10.10	Settlement Agreement with Euro-Nocopi, S.A. (10)
10.11	Agreement of Terms with Entrevest I Associates (11)
10.12	Conversion Agreement (12)
10.13	Amendment dated July 18, 2007 to Lease Agreement dated March 19, 2003 relating to premises at 9 Portland Road, West Conshohocken, PA 19428 (15)
10.14	Employment Agreement with Michael A. Feinstein, M.D. (16)
10.15	Business Loan Agreement, Promissory Note and Commercial Security Agreement dated August 19, 2008 between the Company and Sovereign Bank (19)
10.16	Amended Summary Plan Description for Nocopi Technologies, Inc. 401(k) Profit Sharing Plan (20)
10.17	Employment Agreement with Terry W. Stovold (21)
10.18	Conversion Agreement (22)
10.19	Form of Convertible Debenture Purchase Agreement and Exhibits (23)
10.20	Lease Agreement dated December 12, 2013 relating to premises at 480 Shoemaker Road, King of Prussia, PA 19406 (24)
14.1	Code of Ethics (13)
31.1*	Certification of Chief Financial Officer required by Rule 13a-14(a)
31.2*	Certification of Chief Executive Officer required by Rule 13a-14(a)
32.1*	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

101.LAB\* XBRL Taxonomy Extension Label Linkbase  
101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document

\* Exhibit filed with this Report.

Compensation plans and arrangements for executives and others.

- (1) Incorporated by reference to Registrant's Annual Report on Form 10-K for the Year Ended December 31, 1993
  - (2) Incorporated by reference to Exhibit 10.14 of the Registrant's Annual Report on Form 10-KSB for the Year Ended December 31, 1998 filed on April 15, 1999
  - (3) Incorporated by reference to Exhibit 10.15 of the Registrant's Annual Report on Form 10-KSB for the Year Ended December 31, 1998 filed on April 15, 1999
  - (4) Incorporated by reference to Exhibit 10.19 of the Registrant's Quarterly Report on Form 10-QSB for the Three Months Ended September 30, 1999 filed on November 15, 1999
  - (5) Incorporated by reference to Exhibit 10.20 of the Registrant's Quarterly Report on Form 10-QSB for the Three Months Ended September 30, 1999 filed on November 15, 1999
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- (6) Incorporated by reference to Exhibit 10.17 of the Registrant's Annual Report on Form 10-KSB for the Year Ended December 31, 2000 filed on April 17, 2001
- (7) Incorporated by reference to Exhibit 10.18 of the Registrant's Annual Report on Form 10-KSB for the Year Ended December 31, 2000 filed on April 17, 2001
- (8) Incorporated by reference to Exhibit 10.18 of the Registrant's Annual Report on Form 10-KSB for the Year Ended December 31, 2002 filed on April 14, 2003
- (9) Incorporated by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-KSB for the Year Ended December 31, 2002 filed on April 14, 2003
- (10) Incorporated by reference to Exhibit 10.17 of the Registrant's Annual Report on Form 10-KSB for the Year Ended December 31, 2003 filed on April 14, 2004
- (11) Incorporated by reference Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on September 16, 2004
- (12) Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-QSB for the Three Months Ended September 30, 2004 filed on November 15, 2004
- (13) Incorporated by reference to Exhibit 14.1 of the Registrant's Annual Report on Form 10-KSB for the Year Ended December 31, 2004 filed on March 31, 2005
- (14) Incorporated by reference to Exhibit 4.1 of the Registrant's Annual Report on Form 10-KSB for the Year Ended December 31, 2005 filed on April 7, 2006
- (15) Incorporated by reference to Exhibit 10.16 of the Registrant's Quarterly Report on Form 10-QSB for the Three Months Ended September 30, 2007 filed on November 14, 2007
- (16) Incorporated by reference to Exhibit 10.17 of the Registrant's Quarterly Report on Form 10-Q for the Three Months Ended June 30, 2008 filed on August 14, 2008
- (17) Incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q for the Three Months Ended September 30, 2008 filed on November 14, 2008
- (18) Incorporated by reference to Exhibit 3.2 of the Registrant's Quarterly Report on Form 10-Q for the Three Months Ended September 30, 2008 filed on November 14, 2008
- (19) Incorporated by reference to Exhibit 10.18 of the Registrant's Quarterly Report on Form 10-Q for the Three Months Ended September 30, 2008 filed on November 14, 2008
- (20) Incorporated by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-K for the Year Ended December 31, 2009 filed on March 31, 2010
- (21) Incorporated by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-K for the Year Ended December 31, 2011 filed on March 30, 2012
- (22) Incorporated by reference to Exhibit 10.20 of the Registrant's Annual Report on Form 10-K for the Year Ended December 31, 2011 filed on March 30, 2012
- (23) Incorporated by reference to Exhibit 10.21 of the Registrant's Annual Report on Form 10-K for the Year Ended December 31, 2014 filed on September 11, 2015
- (24) Incorporated by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the Year Ended December 31, 2014 filed on September 11, 2015