

NANOPHASE TECHNOLOGIES CORPORATION  
Form SC 13D  
September 19, 2003

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

SCHEDULE 13D

UNDER THE SECURITIES EXCHANGE ACT OF 1934

Nanophase Technologies Corporation  
(Name of Issuer)

COMMON STOCK, par value \$.01  
(Title of Class of Securities)

630079101  
(CUSIP Number)

David J. Allen, Esquire  
290 South County Farm Road, Third Floor  
Wheaton, Illinois 60187-4526  
Telephone: (630) 588-7200  
(Name, Address and Telephone Number of Person Authorized to  
Receive Notices and Communications)

September 8, 2003  
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on  
Schedule 13G to report the acquisition which is the subject  
of this Schedule 13D, and is filing this schedule because  
of Section 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g),  
check the following box.  [X]

NOTE: Schedules filed in paper format shall include a  
signed original and five copies of the schedule, including  
all exhibits. See Section 240.13d-7(b) for other parties  
to whom copies are to be sent.

The remainder of this cover page shall be filled out for a  
reporting person's initial filing on this form with respect  
to the subject class of securities, and for any subsequent  
amendment containing information which would alter  
disclosures provided in a prior cover page.

The information required on the remainder of this cover  
page shall not be deemed to be "filed" for the purpose of  
Section 18 of the Securities Exchange Act of 1934 ("Act")  
or otherwise subject to the liabilities of that section of  
the Act but shall be subject to all other provisions of the  
Act (however, see the Notes).

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Schedule 13D

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1. Names of Reporting Person  
S.S. OR I.R.S. Identification No. of Above Persons  
Grace Brothers, Ltd.

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2. Check the Appropriate Box if a Member of a Group (See instructions)

- (a)   
(b)

3. SEC Use Only

4. Source of Funds (See instructions)  
00

5. Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e)

6. Citizenship or Place of Organization

Illinois Limited Partnership

	7 Sole Voting Power
Number of	0
Shares	8 Shared Voting Power
Beneficially	2,985,195 shares
Owned by	
Each	
Reporting	9 Sole Dispositive Power
Person	0
With	10 Shared Dispositive Power
	2,985,195 shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person

2,985,195 shares

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See instructions)

13. Percent of Class Represented by Amount in Row (11)

19.0%

14. Type of Reporting Person (See instructions)

PN, BD

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Schedule 13D

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1. Names of Reporting Person  
S.S. OR I.R.S. Identification No. of Above Persons  
Grace Investments, Ltd.

2. Check the Appropriate Box if a Member of a Group (See instructions)

- (a)   
(b)

3. SEC Use Only

4. Source of Funds (See instructions)

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5. Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e) [ ]

6. Citizenship or Place of Organization

Illinois Limited Partnership

	7 Sole Voting Power
Number of	0
Shares	8 Shared Voting Power
Beneficially	1,069,750 shares
Owned by	
Each	
Reporting	9 Sole Dispositive Power
Person	0
With	10 Shared Dispositive Power
	1,069,750 shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person

1,069,750 shares

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See instructions) [ ]

13. Percent of Class Represented by Amount in Row (11)

6.8%

14. Type of Reporting Person (See instructions)

PN,

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Schedule 13D

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1. Names of Reporting Person

S.S. OR I.R.S. Identification No. of Above Persons

Bradford T. Whitmore

2. Check the Appropriate Box if a Member of a Group (See instructions)

(a) [ ]

(b) [ ]

3. SEC Use Only

4. Source of Funds (See instructions)

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5. Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e) [ ]

6. Citizenship or Place of Organization

United States

7 Sole Voting Power

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Number of Shares 472,812 shares  
Beneficially Owned by Each Reporting Person 8 Shared Voting Power 4,054,945 shares  
With Reporting Person 9 Sole Dispositive Power 472,812 shares  
With 10 Shared Dispositive Power 4,054,945 shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person

4,527,757

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See instructions) [ ]

13. Percent of Class Represented by Amount in Row (11)

28.8%

14. Type of Reporting Person (See instructions)

IN

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Schedule 13D

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1. Names of Reporting Person  
S.S. OR I.R.S. Identification No. of Above Persons

Spurgeon Corporation

2. Check the Appropriate Box if a Member of a Group (See instructions)

(a) [ ]

(b) [ ]

3. SEC Use Only

4. Source of Funds (See instructions)

00

5. Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e) [ ]

6. Citizenship or Place of Organization

Illinois Corporation

Number of Shares 7 Sole Voting Power 0  
Beneficially Owned by Each Reporting Person 8 Shared Voting Power 4,054,945 shares  
With Reporting Person 9 Sole Dispositive Power 0  
With

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10 Shared Dispositive Power  
4,054,945 shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person

4,054,945

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See instructions) [ ]

13. Percent of Class Represented by Amount in Row (11)

25.8%

14. Type of Reporting Person (See instructions)

CO

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Item 1. Security and Issuer

This Schedule 13D relates to the Common Stock, par value \$.01 per share (the "Common Stock") issued by Nanophase Technologies Corporation, a Delaware corporation (the "Company"), whose principal executive offices are located at 1319 Marquette Drive, Romeoville, IL 60446.

Item 2. Identity and Background

(a) The statement is filed by Grace Brothers, Ltd., an Illinois limited partnership ("Grace"), Grace Investments, Ltd., an Illinois limited partnership ("Grace Investments"), Bradford T. Whitmore ("Whitmore") and Spurgeon Corporation ("Spurgeon") (the "Filers"). Whitmore and Spurgeon are the general partners of Grace and Grace Investments.

(b) The business address of Grace, Grace Investments, and Whitmore is 1560 Sherman Avenue, Suite 900, Evanston, Illinois 60201. The business address of Spurgeon is 290 South County Farm Road, Third Floor, Wheaton, Illinois 60187.

(c) The principal business of Grace and Grace Investments is to purchase, sell, invest, and trade in securities. Whitmore's principal occupation is that of being a general partner of Grace. The principal business of Spurgeon is that of being a general partner of Grace. The names, business addresses, and present principal occupation or employment of each director and executive officer of Spurgeon are set forth in Exhibit A hereto.

(d) None of the persons referred to in this Item 2 has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) None of the persons referred to in this Item 2 has, during the last five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding

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was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to , federal or state securities laws or finding any violation with respect to such laws.

(f) Grace and Grace Investments is a Illinois limited partnership and Spurgeon is an Illinois corporation. Whitmore is a citizen of the United States.

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Item 3. Source and Amount of Funds

The Common Stock beneficially owned by the Filers was purchased with working capital and partnership funds.

Item 4. Purpose of Transaction.

The Filers previously have reported their Common Stock ownership on Schedule 13G, and are making this filing on Schedule 13D to reflect Grace Brothers' September 8, 2003 purchase from the Company of an additional 453,001 shares of Common Stock and a warrant to purchase an additional 453,001 shares of Common Stock. The purpose of this most recent acquisition of shares of Common Stock is for investment; the acquisition was made in the ordinary course of Grace's business and was not made for the purpose of acquiring control of the Company.

The Filers have no plans or proposals which relate to, or would result in, any of the matters referred to in Paragraphs (a) through (j), inclusive, of Item 4 of the Schedule 13D. The Filers may, at any time and from time to time, review or reconsider their investment in the Company and formulate plans or proposals with respect thereto, but have no present intention of doing so.

Item 5. Interest in Securities of the Issuer

(a) As of the date of this filing, if Grace exercised its warrants, it would beneficially own 2,985,195 shares of Common Stock, representing approximately 19.0% of the outstanding shares of Common Stock. Grace Investments beneficially owns 1,069,750 shares of Common Stock, representing approximately 6.8% of the outstanding shares of Common Stock. As general partner of Grace and Grace Investments, if Grace exercised its warrants, Spurgeon may be deemed the beneficial owner of 4,054,945 shares of Common Stock, or 25.8% of the outstanding shares of Common Stock, although they otherwise disclaim beneficial ownership. As general partner of Grace and Grace Investments, if Grace exercised its warrants, Whitmore may be deemed the beneficial owner of 4,054,945 shares of Common Stock, and 472,812 shares of Common Stock as direct beneficial owner, or 28.8% of the outstanding shares of Common Stock.

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(b) Grace: shared voting power (with Whitmore and

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Spurgeon)  
2,532,194 Shares of Common Stock;  
and  
Warrants expiring on September 8, 2004 (\$4.415 strike price) presently exercisable for 453,001 shares of Common Stock

Grace Investments: shared voting power (with Whitmore and Spurgeon)  
1,069,750 Shares of Common Stock

Whitmore: shared voting power (with Grace, Grace Investments and Spurgeon)  
3,601,944 Shares of Common Stock;  
and  
Warrants expiring on September 8, 2004 (\$4.415 strike price) presently exercisable for 453,001 shares of Common Stock  
and  
sole voting power  
472,812 Shares of Common Stock

Spurgeon: shared voting power (with Grace, Grace Investments, and Whitmore)  
3,601,944 Shares of Common Stock;  
and  
Warrants expiring on September 8, 2004 (\$4.415 strike price) presently exercisable for 453,001 shares of Common Stock

(c) The Shares were purchased from the Company. Transactions in the Company's Common Stock effected by the Filer during the past 60 days are set forth in Schedule A.

(d) No person other than the Filers is known to have the right to receive, or the power to direct the receipt of, dividends from or the proceeds from the sale of the Shares.

(e) N/A

Item 6. Contracts, Arrangements, Understandings or Relationships with respect to Securities of the Issuer

Except as described herein, there are no contracts, arrangements, understandings or other relationships with respect to any securities of the Company.

Item 7. Items to be Filed as Exhibits

Exhibit A - Directors and Executive Officers of Spurgeon Corporation

SIGNATURE

After reasonable inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this Statement with respect to it is true, complete and correct.

Dated: September 17, 2003

Grace Brothers, Ltd.

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By: /s/ Bradford T. Whitmore  
Name: Bradford T. Whitmore  
Its: General Partner

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SCHEDULE A

TRADE ACTIVITY FOR NANOPHASE TECHNOLOGIES CORPORATION  
EFFECTED BY GRACE BROTHERS, LTD. FOR THE PREVIOUS 60 DAYS  
(PURCHASED FROM THE COMPANY).

Date	Security	Amount of Shares Purchased	Price per Share
09/08/2004	Common Stock	453,001	\$4.415

Exhibit A  
Director and Officers of Spurgeon Corporation

Judith M. Van Kampen  
Box 770  
101 Washington St.  
Grand Haven, MI 49417-0070  
Director of Spurgeon. Trustee of Judith M. Van Kampen  
Trust which is Manager of Van Kampen Asset Management  
Company, LLC.

Karla M. Van Kampen-Pierre  
Box 770  
101 Washington St.  
Grand Haven, MI 49417-0070  
Director of Spurgeon. Trustee of Judith M. Van Kampen  
Trust which is Manager of Van Kampen Asset Management  
Company, LLC.

David Wisen  
Box 770  
101 Washington St.  
Grand Haven, MI 49417-0070  
Director and President of Spurgeon. President of Van  
Kampen Asset Management Company, LLC.

David J. Allen  
290 South County Farm Road  
Third Floor  
Wheaton, IL 60187  
Vice President and Secretary of Spurgeon. Trustee of  
Judith M. Van Kampen Trust which is Manager of Van  
Kampen Asset Management Company, LLC. Senior Vice  
President and General counsel of Van Kampen Asset  
Management Company, LLC.

Jerald A. Trannel  
290 South County Farm Road  
Third Floor



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Wheaton, IL 60187

Vice President and Treasurer of Spurgeon. Controller of Grace Brothers, Ltd. and Senior Vice President and Treasurer of Van Kampen Asset Management Company, LLC.

All are United States Citizens.

The Business address of Van Kampen Asset Management Company, LLC is 290 South County Farm Road, Third Floor, Wheaton, IL 60187. The principal business of Van Kampen Asset Management Company, LLC is investment and asset management.