

NANOPHASE TECHNOLOGIES CORPORATION  
Form SC 13D/A  
September 03, 2004

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

SCHEDULE 13D/A

UNDER THE SECURITIES EXCHANGE ACT OF 1934  
(Amendment No. 2)

Nanophase Technologies Corporation  
(Name of Issuer)

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

630079101  
(CUSIP Number)

Jerald A. Trannel  
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 2, 2004  
(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. [ ]

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/A

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

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Grace Brothers, 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)

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)

16.7%

14. Type of Reporting Person (See instructions)

PN, BD

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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

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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	300,000 shares
Owned by	
Each	
Reporting	9 Sole Dispositive Power
Person	0
With	10 Shared Dispositive Power
	300,000 shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person  
300,000 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)

1.7%

14. Type of Reporting Person (See instructions)

PN,

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Schedule 13D/A

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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)

00

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 272,812 shares  
Beneficially Owned by Each Reporting Person 8 Shared Voting Power 3,285,195 shares  
With 9 Sole Dispositive Power 272,812 shares  
10 Shared Dispositive Power 3,285,195 shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person  
3,558,007 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)

19.9%

14. Type of Reporting Person (See instructions)

IN

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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 3,285,195 shares  
With 9 Sole Dispositive Power 0  
10 Shared Dispositive Power

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3,285,195 shares

11. Aggregate Amount Beneficially Owned by Each Reporting Person  
3,285,195 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)

18.4%

14. Type of Reporting Person (See instructions)  
CO

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The undersigned hereby amends its Schedule 13D as filed on September 19, 2003 and amended on April 6, 2004 relating to the Common Stock of Nanophase Technologies Corporation. Unless otherwise indicated, all capitalized terms used herein but not defined herein shall have the same meaning as set forth in the Schedule 13D. Except as set forth herein, the Schedule 13D remains unchanged.

Item 5. Interest in Securities of the Issuer

(a) As of the date of this filing, Grace exercised its warrants for 453,001 shares of Common Stock at an exercise price of \$4.415, and beneficially own 2,985,195 shares of Common Stock, representing approximately 16.7% of the outstanding shares of Common Stock. Grace Investments beneficially owns 300,000 shares of Common Stock, representing approximately 1.7% of the outstanding shares of Common Stock. As general partner of Grace and Grace Investments, Spurgeon may be deemed the beneficial owner of 3,285,195 shares of Common Stock, or 18.4% of the outstanding shares of Common Stock, although they otherwise disclaim beneficial ownership. As general partner of Grace and Grace Investments, Whitmore may be deemed the beneficial owner of 3,285,195 shares of Common Stock, and 272,812 shares of Common Stock as direct beneficial owner, or 19.9% of the outstanding shares of Common Stock.

(b) Grace: shared voting power (with Whitmore and Spurgeon)  
2,985,195 Shares of Common Stock

Grace Investments: shared voting power (with Whitmore and Spurgeon)  
300,000 Shares of Common Stock

Whitmore: shared voting power (with Grace, Grace Investments and Spurgeon)  
3,285,195 Shares of Common Stock;  
and  
sole voting power  
272,812 Shares of Common Stock

Spurgeon: shared voting power (with Grace, Grace

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Investments, and Whitmore)  
3,285,195 Shares of Common Stock

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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 3, 2004

Grace Brothers, Ltd.

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

Grace Investments, Ltd.

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

Bradford T. Whitmore

By: /s/ Bradford T. Whitmore  
Name: Bradford T. Whitmore

Spurgeon Corporation

By: /s/ Jerald A. Trannel  
Name: Jerald A. Trannel  
Its: Vice President