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DELTA REPORT

10-Q

REFR - RESEARCH FRONTIERS INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	396
CHANGES	3
DELETIONS	393
ADDITIONS	0

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) of
THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarter ended September 30, 2023 Commission File Number 000-14893

RESEARCH FRONTIERS INCORPORATED

(Exact name of registrant as specified in its charter)

DELAWARE	11-2103466
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
240 CROSSWAYS PARK DRIVE WOODBURY, NEW YORK	11797-2033
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (516)364-1902

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

Title of Class	Name of Exchange on Which Registered
Common Stock, $0.0001 Par Value	The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act: None

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 Section 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, 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐

Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	REFR	The NASDAQ Stock Market

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 2, 2023, there were outstanding 33,509,287 shares of Common Stock, par value $0.0001 per share.

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RESEARCH FRONTIERS INCORPORATED
Condensed Consolidated Balance Sheets

	September 30, 2023 (Unaudited)	December 31, 2022 (See Note 1)
Assets		
Current assets:		
Cash and cash equivalents	$ 524,985	$ 4,230,916
Marketable securities	2,499,625	-
Royalties receivable, net of reserves of $1,253,450 in 2023 and $1,158,450 in 2022	721,244	589,599
Prepaid expenses and other current assets	164,584	100,973
Total current assets	3,910,438	4,921,488
Fixed assets, net	46,164	65,388
Operating lease ROU assets	214,458	323,509
Deposits and other assets	56,066	56,066
Total assets	$ 4,227,126	$ 5,366,451
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of operating lease liability	$ 207,838	$ 196,405
Accounts payable	32,101	71,079
Accrued expenses and other	20,572	34,379
Deferred revenue	3,735	-
Total current liabilities	264,246	301,863
Operating lease liability, net of current portion	109,967	267,723
Total liabilities	374,213	569,586
Shareholders' equity:		
Common stock, par value $0.0001 per share; authorized 100,000,000 shares, issued and outstanding 33,509,287 in 2023 and 33,150,396 in 2022	3,351	3,315
Additional paid-in capital	127,634,493	127,150,027
Accumulated deficit	(123,784,931)	(122,356,477)
Total shareholders' equity	3,852,913	4,796,865
Total liabilities and shareholders' equity	$ 4,227,126	$ 5,366,451

See accompanying notes to condensed consolidated financial statements.

RESEARCH FRONTIERS INCORPORATED
Condensed Consolidated Statements of Operations
(Unaudited)

	Nine months ended June 30,		Three months ended September 30,	
	2023	2022	2023	2022
Fee income	$ 597,362	$ 409,783	$ 164,146	$ 150,443
Operating expenses	1,695,129	1,770,414	542,635	487,476
Research and development	430,150	444,413	135,319	149,156
Total expenses	2,125,279	2,214,827	677,954	636,632
Operating loss	(1,527,917)	(1,805,044)	(513,808)	(486,189)
Net investment income (loss)	99,463	(48,871)	41,642	2,460
Net loss	$ (1,428,454)	$ (1,853,915)	$ (472,166)	$ (483,729)
Basic and diluted net loss per common share	$ (0.04)	$ (0.06)	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding	33,435,074	31,710,179	33,509,287	31,829,744

See accompanying notes to condensed consolidated financial statements.

RESEARCH FRONTIERS INCORPORATED

Condensed Consolidated Statements of Shareholders' Equity

(Unaudited)

For the nine months ended September 30, 2022 and 2023

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, January 1, 2022	31,650,396	$ 3,165	$ 123,467,886	$ (119,687,128)	$ 3,783,923
Issuance of common stock and warrants	1,500,000	150	3,449,850	-	3,450,000
Net loss	-	-	-	(1,853,915)	(1,853,915)
Balance, September 30, 2022	33,150,396	$ 3,315	$ 126,917,736	$ (121,541,043)	$ 5,380,008
Balance, January 1, 2023	33,150,396	$ 3,315	$ 127,150,027	$ (122,356,477)	$ 4,796,865
Exercise of warrants	358,891	36	484,466	-	484,502
Net loss	-	-	-	(1,428,454)	(1,428,454)
Balance, September 30, 2023	33,509,287	$ 3,351	$ 127,634,493	$ (123,784,931)	$ 3,852,913

For the three months ended September 30, 2022 and 2023

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, July 1, 2022	31,650,396	$ 3,165	$ 123,467,886	$ (121,057,314)	$ 2,413,737
Issuance of common stock and warrants	1,500,000	150	3,449,850	-	3,450,000
Net loss	-	-	-	(483,729)	(483,729)
Balance, September 30, 2022	33,150,396	$ 3,315	$ 126,917,736	$ (121,541,043)	$ 5,380,008
Balance, July 1, 2023	33,509,287	$ 3,351	$ 127,634,493	$ (123,312,765)	$ 4,325,079
Net loss	-	-	-	(472,166)	(472,166)
Balance, September 30, 2023	33,509,287	$ 3,351	$ 127,634,493	$ (123,784,931)	$ 3,852,913

See accompanying notes to condensed consolidated financial statements.

RESEARCH FRONTIERS INCORPORATED
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the nine months ended September 30, 2023	2022
Cash flows from operating activities:		
Net loss	$ (1,428,454)	$ (1,853,915)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	20,489	21,614
Realized (gain) loss on marketable securities	(26,375)	60,143
Unrealized gain on marketable securities	(30,399)	
ROU asset amortization	109,051	109,660
Bad debt expense	95,000	151,772
Change in assets and liabilities:		
Royalty receivables	(226,645)	145,335
Prepaid expenses and other assets	(63,612)	(73,640)
Accounts payable and accrued expenses	(52,784)	(44,889)
Deferred revenue	3,735	3,586
Operating lease liability	(146,323)	(135,232)
Net cash used in operating activities	(1,746,317)	(1,615,566)
Cash flows from investing activities:		
Purchases of fixed assets	(1,265)	(1,216)
Purchases of marketable securities	(5,434,386)	-
Sales of marketable securities	2,991,535	2,694,968
Net cash (used in) provided by investing activities	(2,444,116)	2,693,752
Cash flows from financing activities:		
Proceeds from sale of common stock and warrants	-	3,450,000
Net proceeds from exercise of warrants	484,502	-
Net cash provided by financing activities	484,502	3,450,000
Net (decrease) increase in cash and cash equivalents	(3,705,931)	4,528,186
Cash and cash equivalents at beginning of period	4,230,916	269,964
Cash and cash equivalents at end of period	$ 524,985	$ 4,798,150

See accompanying notes to condensed consolidated financial statements.

RESEARCH FRONTIERS INCORPORATED
Notes to Condensed Consolidated Financial Statements
September 30, 2023
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023. The condensed consolidated balance sheet at December 31, 2022 has been derived from the audited consolidated financial statements at that date. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K relating to Research Frontiers Incorporated for the fiscal year ended December 31, 2022.

Note 2. Business

Research Frontiers Incorporated ("Research Frontiers" or the "Company") operates in a single business segment which is engaged in the development and marketing of technology and devices to control the flow of light. Such devices, often referred to as "light valves" or suspended particle devices ("SPDs"), use colloidal particles that are either incorporated within a liquid suspension or a film, which is usually enclosed between two sheets of glass or plastic having transparent, electrically conductive coatings on the facing surfaces thereof. At least one of the two sheets is transparent. SPD technology, made possible by a flexible light-control film invented by Research Frontiers, allows the user to instantly and precisely control the shading of glass/plastic manually or automatically. SPD technology has numerous product applications, including SPD-Smart™ windows, sunshades, skylights and interior partitions for homes and buildings; automotive windows, sunroofs, sun visors, sunshades, rear-view mirrors, instrument panels and navigation systems; aircraft windows; museum display panels; eyewear products; and flat panel displays for electronic products. SPD-Smart light control film is now being developed for, or used in, architectural, automotive, marine, aerospace and appliance applications.

The Company has primarily utilized its cash, cash equivalents, and investments generated from sales of our common stock, proceeds from the exercise of options and warrants, and royalty fees collected to fund its research and development of SPD light valves, for marketing initiatives, and for other working capital purposes. The Company's working capital and capital requirements depend upon numerous factors, including the results of research and development activities, competitive and technological developments, the timing and cost of patent filings, and the development of new licensees and changes in the Company's relationships with its existing licensees. The degree of dependence of the Company's working capital requirements on each of the foregoing factors cannot be quantified; increased research and development activities and related costs would increase such requirements; the addition of new licensees may provide additional working capital or working capital requirements; and changes in relationships with existing licensees would have a favorable or negative impact depending upon the nature of such changes. We have incurred recurring losses since inception and expect to continue to incur losses as a result of costs and expenses related to our research and continued development of our SPD technology and our corporate general and administrative expenses. Our capital requirements and operations to date have been substantially funded through sales of our common stock, exercise of options and warrants and royalty fees collected. As of September 30, 2023, we had working capital of approximately $3.6 million, cash, cash equivalents and marketable securities of approximately $3.0million, shareholders' equity of approximately $3.9 million and an accumulated deficit of approximately $123.8million. Our projected cash flow shortfall based on our current operations adjusted for any non-recurring cash expenses and adjusted for additional royalties expected to be received for use of our products in new production for the next 12 months is approximately $200,000 to $250,000 per quarter. Based on our current expectations of our cash flow shortfall for the next 12 months, our working capital would support our activities for at least the next 12 months from the issuance of these condensed consolidated financial statements.

In the event that we are unable to generate sufficient cash from our operating activities or raise additional funds, we may be required to delay, reduce or severely curtail our operations or otherwise impede our on-going business efforts, which could have a material adverse effect on our business, operating results, financial condition and long-term prospects. The Company may seek to obtain additional funding through future equity issuances. There can be no assurance as to the availability or terms upon which such financing and capital might be available. The eventual success of the Company and generation of positive cash flow will be dependent upon the commercialization of products using the Company's technology by the Company's licensees and payments of continuing royalties on account thereof. To date, the Company has not generated sufficient revenue from its licensees to fund its operations.

Note 3. Patent Costs

The Company expenses costs relating to the development, acquisition or enforcement of patents due to the uncertainty of the recoverability of these items.

Note 4. Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers (Topic 606*). The standard provides a single comprehensive revenue recognition model for all contracts with customers and supersedes existing revenue recognition guidance. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services.

ASC 606 follows a five-step approach to determining revenue recognition including: 1) Identification of the contract; 2) Identification of the performance obligations; 3) Determination of the transaction price; 4) Allocation of the transaction price; and 5) Recognition of revenue.

The Company determined that its license agreements provide for three performance obligations which include: (i) the Grant of Use to its Patent Portfolio ("Grant of Use"), (ii) Stand-Ready Technical Support ("Technical Support") including the transfer of trade secrets and other know-how, production of materials, scale-up support, analytical testing, etc., and (iii) access to new Intellectual Property ("IP") that may be developed sometime during the course of the contract period ("New Improvements"). Given the nature of IP development, such New Improvements are on an unspecified basis and can occur and be made available to licensees at any time during the contract period.

When a contract includes more than one performance obligation, the Company needs to allocate the total consideration to each performance obligation based on its relative standalone selling price or estimate the standalone selling price if it is not observable. A standalone selling price is not available for our performance obligations since we do not sell any of the services separately and there is no competitor pricing that is available. As a consequence, the best method for determining standalone selling price of our Grant of Use performance obligation is through a comparison of the average royalty rate for comparable license agreements as compared to our license agreements. Comparable license agreements must consider several factors including: (i) the materials that are being licensed, (ii) the market application for the licensed materials, and (iii) the financial terms in the license agreements that can increase or decrease the risk/reward nature of the agreement.

Based on the royalty rate comparison referred to above, any pricing above and beyond the average royalty rate would relate to the Technical Support and New Improvements performance obligations. The Company focuses a significant portion of its time and resources to provide the Technical Support and New Improvements services to its licensees which further supports the conclusions reached using the royalty rate analysis.

The Technical Support and New Improvements performance obligations are co-terminus over the term of the license agreement. For purposes of determining the transaction price, and recognizing revenue, the Company combined the Technical Support and New Improvements performance obligations because they have the same pattern of transfer and the same term. We maintain a staff of scientists and other professionals whose primary job responsibilities throughout the year are: (i) being available to respond to Technical Support needs of our licensees, and (ii) developing improvements to our technology which are offered to our licensees as New Improvements. Since the costs incurred to satisfy the Technical Support and New Improvements performance obligations are incurred evenly throughout the year, the value of the Technical Support and New Improvements services are recognized throughout the initial contract period as these performance obligations are satisfied. If the agreement is not terminated at the end of the initial contract period, it will renew on the same terms as the initial contract for a one-year period. Consequently, any fees or minimum annual royalty obligations relating to this renewal contract will be allocated similarly to the initial contract over the additional one-year period.

We recognize revenue when or as the performance obligations in the contract are satisfied. For performance obligations that are fulfilled at a point in time, revenue is recognized at the fulfillment of the performance obligation. Since the IP is determined to be a functional license, the value of the Grant of Use is recognized in the first period of the contract term in which the license agreement is in force. The value of the Technical Support and New Improvements obligations is allocated throughout the contract period based on the satisfaction of its performance obligations. If the agreement is not terminated at the end of the contract period, it will renew on the same terms as the original agreement for a one-year period. Consequently, any fees or minimum annual royalties (“MAR”) relating to this renewal contract will be allocated similarly over that additional year.

The Company’s license agreements have a variable royalty fee structure (meaning that royalties are a fixed percentage of sales that vary from period to period) and frequently include a minimum annual royalty commitment. In instances when sales of licensed products by its licensees exceed the MAR, the Company recognizes fee income as the amounts have been earned. Typically, the royalty rate for such sales is 10-15% of the selling price. While this is variable consideration, it is subject to the sales/usage royalty exception to recognition of variable consideration in ASC 606 10-55-65 and therefore is not recognized until the subsequent sales or usage occurs or the MAR period commences.

Because of the immediate recognition of the Grant of Use performance obligation: (i) the first period of the contract term will generally have a higher percent allocation of the transaction price under ASC 606 than under the accounting guidance used prior to the adoption of ASC 606, and (ii) the remaining periods in the year will have less of the transaction price recognized under ASC 606 than under the accounting guidance used prior to the adoption of ASC 606. After the initial period in the contract term, the revenue for the remaining periods will be based on the satisfaction of the Technical Support and New Improvements obligations. Since most of our license agreements start as of January 1st, the revenue recognized for the contract under ASC 606 in our first quarter will tend to be higher than the accounting guidance used prior to the adoption of ASC 606.

As of September 30, 2023, the Company had $125,000 in unbilled revenue included in royalty receivables.

Certain of the contract fees are accrued by, or paid to, the Company in advance of the period in which they are earned resulting in deferred revenue (contract liabilities). Such excess amounts are recorded as deferred revenue and are recognized as revenue in future periods as earned. Contract assets represent unbilled receivables and are presented within accounts receivable, net on the condensed consolidated balance sheets.

The Company operates in a single business segment which is engaged in the development and marketing of technology and devices to control the flow of light. Our revenue source comes from the licensing of this technology and all of these license agreements have similar terms and provisions. The majority of the Company’s licensing fee income comes from the activities of several licensees participating in the automotive market. The Company currently believes that the automotive market will be the largest source of its royalty income over the next several years. The Company’s royalty income from this market may be influenced by numerous factors including various trends affecting demand in the automotive industry and the rate of introduction of new technology in OEM product lines. In addition to these macro factors, the Company’s royalty income from the automotive market could also be influenced by specific factors such as whether the Company’s SPD-SmartGlass technology appears as standard equipment or as an option on a particular vehicle, the number of additional vehicle models that SPD-SmartGlass appears on, the size of each window on a vehicle and the number of windows on a vehicle that use SPD SmartGlass, fluctuations in the total number of vehicles produced by a manufacturer, and in the percentage of cars within each model produced with SPD-SmartGlass, and changes in pricing or exchange rates.

As of September 30, 2023, the Company has one license agreement that is in its initial multiyear term (“Initial Term”) with continuing performance obligations going forward. The Initial Term of this agreement will end as of December 31, 2024. The Company currently expects this agreement will renew annually at the end of the Initial Term. As of September 30, 2023, the aggregate amount of the revenue to be recognized upon the satisfaction of the remaining performance obligations for this license agreement is $88,000. The revenue for the remaining performance obligations for this license agreement is expected to be recognized evenly throughout the remaining period of the Initial Term.

Note 5. Fee Income

Fee income represents amounts earned by the Company under various license and other agreements relating to technology developed by the Company.

During the first nine months of 2023, four licensees accounted for 10% or more of fee income of the Company; these licensees accounted for approximately 29%, 20%, 20%, and 18% of fee income recognized during such period. During the first nine months of 2022, four licensees accounted for 10% or more of fee income of the Company; these licensees accounted for approximately 29%, 25%, 11% and 10% of fee income recognized during such period.

During the three months ended September 30, 2023, three licensees accounted for 10% or more of fee income of the Company; these licensees accounted for approximately 47%, 19% and 19% of fee income recognized during such period. During the three months ended September 30, 2022, four licensees accounted for 10% or more of fee income of the Company; these licensees accounted for approximately 26%, 20%, 16% and 16% of fee income recognized during such period.

Note 6. Stock-Based Compensation

The Company has granted options/warrants to consultants. GAAP requires that all stock-based compensation be recognized as an expense in the condensed consolidated financial statements and that such costs be measured at the fair value of the award at the date of grant. These awards generally vest ratably over 12 to 60 months from the date of grant and the Company charges to operations quarterly the current market value of the options using the Black-Scholes method. During the nine months ended September 30, 2023 and 2022, there were no charges related to options or warrants granted to consultants.

During the nine months ended September 30, 2023 and 2022, the Company did not grant options to employees or directors.

There was no compensation expense recorded relating to restricted stock grants to employees and directors during the nine months ended September 30, 2023 and 2022.

As of September 30, 2023, there were 307,500 shares available for future grant under our 2019 Equity Incentive Plan, which was approved by the Company’s shareholders in June 2019.

Note 7. Income Taxes

Since inception, the Company has incurred losses from operations and as a result has not recorded income tax expense. Benefits related to net operating loss carryforwards and other deferred tax items have been fully reserved since it was more likely than not that the Company would not achieve profitable operations and be able to utilize the benefit of the net operating loss carryforwards.

Note 8. Basic and Diluted Loss Per Common Share

Basic net loss per share excludes any dilution. It is based upon the weighted average number of common shares outstanding during the period. Dilutive net loss per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. The Company’s dilutive loss per share equals basic loss per share for the periods ended September 30, 2023 and 2022, respectively, because all common stock equivalents (i.e., options and warrants) were antidilutive in those periods. The number of options and warrants that were not included (because their effect is antidilutive) were 3,314,030 and 3,968,951 for the periods ended September 30, 2023 and 2022, respectively.

Note 9. Equity

During the nine months ended September 30, 2023, the Company received proceeds of $484,502 in connection with the exercise of warrants covering 358,891 shares of common stock. No options or warrants were exercised during the three-month period ended September 30, 2023. No options or warrants were exercised during the three and nine month periods ended September 30, 2022.

On September 16, 2022, the Company entered into subscription agreements from a group of private accredited investors to sell them 2.0 million shares of common stock of the Company at a price of $2.30 per share (which represents the closing market price of the Company's common stock on September 14, 2022 which was the date that the transaction was agreed to). For each share received, the investor also received one warrant (expiring on September 30, 2027) to purchase one share of common stock at an exercise price of $2.76/share. The shares were issued to the investors in a private placement and, along with the shares issued in connection with the exercise of any warrants in the future, are not registered and therefore subject to at least a six-month holding period by the investor from the date of issuance. As of September 30, 2022, the Company received $3,450,000 under these subscription agreements and has issued 1,500,000 common shares and issued 1,500,000 warrants. In addition, the Company has an outstanding commitment from a potential investor for the remaining $1,150,000 under these subscription agreements. The Company did not sell any other equity securities during the three and nine month periods ended September 30, 2023 and 2022.

As of September 30, 2023, there were 2,079,143 warrants and 1,234,887 options outstanding.

Note 10. Leases

The Company determines if an arrangement is a lease at its inception. This determination generally depends on whether the arrangement conveys the right to control the use of an identified fixed asset explicitly or implicitly for a period of time in exchange for consideration. Control of an underlying asset is conveyed if the Company obtains the rights to direct the use of, and to obtain substantially all of the economic benefits from the use of, the underlying asset. Lease expense for variable leases and short-term leases is recognized when the obligation is incurred.

The Company has operating leases for certain facilities and equipment with a weighted average remaining lease term of 1.5 years as of September 30, 2023. Operating leases are included in right-of-use lease assets, other current liabilities and long-term lease liabilities on the condensed consolidated balance sheets. Right-of-use lease assets and liabilities are recognized at each lease's commencement date based on the present value of its lease payments over its respective lease term. The Company does not have an established incremental borrowing rate as it does not have any debt. The Company uses the stated borrowing rate for a lease when readily determinable. When the interest rates implicit in its lease agreements is not readily determinable, the Company used an interest rate based on the marketplace for public debt. The weighted average discount rate associated with operating leases as of September 30, 2023 is 5.5%.

Operating lease expense for the three and nine month periods ended September 30, 2023 was approximately $54,000 and $163,000, respectively. The Company has no material variable lease costs or sublease income for the periods ended September 30, 2023.

Maturities of operating lease liabilities as of September 30, 2023 were as follows:

		September 30, 2023
For the year ending December 31, 2023	$	54,000
For the year ending December 31, 2024		222,000
For the year ending December 31, 2025 and beyond		56,000
Total lease payments		332,000
Less: imputed lease interest		(14,195)
Present value of lease liabilities	$	317,805

Note 11. Marketable Securities

The Company classifies investments in marketable securities as trading, available-for-sale or held-to-maturity at the time of purchase and periodically re-evaluates such classification. Trading securities are carried at fair value, with unrealized holding gains and losses included in earnings. Held-to-maturity securities are recorded at cost and are adjusted for the amortization or accretion of premiums or discounts over the life of the related security. Unrealized holding gains and losses of available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized. In determining realized gains and losses, the cost of the securities sold is based on the specific identification method. Interest and dividends on the investments are accrued at the condensed consolidated balance sheet date.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. Fair value measurements are broken down into three levels based on the reliability of inputs as follows: Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

At December 31, 2022, the Company had no investments in marketable securities. During the three and nine months ended September 30, 2023, the Company sold investments in marketable securities consisting of a US Treasury Security, that resulted in a realized gain of $26,375. During the nine months ended September 30, 2022, the Company sold investments in marketable securities including short term bond funds, that resulted in a realized loss of $60,143.

At September 30, 2023, the Company had the following investment in a marketable security:

	Investment	September 30, 2023 Value of trading Investments
United States Treasury Security	US Treasury Bill $2.5 million face Dated 06-06-2023 Due 10-03-2023	$ 2,499,625
		$ 2,499,625
	Unrealized gain	$ 30,399

Note 12. Related Party

Effective June 4, 2023, the Chairman and CEO of Gauzy, Ltd. one of the Company’s licensees, joined the Board of the Company. Gauzy’s license agreement has been in effect since September 17, 2017 and provides for minimum annual royalties and earned royalties relating to sales of SPD-SmartGlass architectural window products. Because the Company collects a 10-15% percentage royalty from the higher-priced end product sales by Gauzy’s customers purchasing their SPD-Smart light control film, under its license agreement with Gauzy, the Company does not collect a royalty on sales by Gauzy of SPD-Smart light control film to these licensee customers. For the three and nine months ended September 30, 2023, fee income related to Gauzy represented less than 5% of the Company’s total fee income. In addition, as of September 30, 2023 the Company’s accounts receivable from Gauzy represented less than 5% of the Company’s total royalty receivables, net of reserves.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

The following accounting policies are important to understanding our financial condition and results of operations and should be read as an integral part of the discussion and analysis of the results of our operations and financial position. For additional accounting policies, see Note 2 to our December 31, 2022 consolidated financial statements, "Summary of Significant Accounting Policies."

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. The Company determined that its license agreements provide for three performance obligations: (i) Grant of Use, (ii) Technical Support, and (iii) New Improvements.

The best method for determining standalone selling price of our Grant of Use performance obligation is through a comparison of the average royalty rate for comparable license agreements as compared to our license agreements. Based on the royalty rate comparison referred to above, any pricing above and beyond the average royalty rate would relate to the Technical Support and New Improvements performance obligations.

We recognize revenue when or as the performance obligations in the contract are satisfied. For performance obligations that are fulfilled at a point in time, revenue is recognized at the fulfillment of the performance obligation. Since the IP is determined to be a functional license, the value of the Grant of Use is recognized in the first period of the contract term in which the license agreement is in force. Since the costs incurred to satisfy the Technical Support and New Improvements performance obligations are incurred evenly throughout the year, the value of the Technical Support and New Improvements services are recognized throughout the contract period as these performance obligations are satisfied.

The Company operates in a single business segment which is engaged in the development and marketing of technology and devices to control the flow of light. Our revenue source comes from the licensing of this technology and all of these license agreements have similar terms and provisions.

The Company has entered into license agreements covering products using the Company's SPD technology. When royalties from the sales of licensed products by a licensee exceed its contractual minimum annual royalties, the excess amount is recognized by the Company as fee income in the period that it was earned. Certain of the fees are accrued by, or paid to, the Company in advance of the period in which they are earned resulting in deferred revenue.

Royalty receivables are stated less allowance for doubtful accounts. The allowance represents estimated uncollectible receivables usually due to licensees' potential insolvency. The allowance includes amounts for certain licensees where risk of default has been specifically identified. The Company evaluates the collectability of its receivables on at least a quarterly basis and records appropriate allowances for uncollectible accounts when necessary.

The Company has historically used the Black-Scholes option-pricing model to determine the estimated fair value of each option grant. The Black-Scholes model includes assumptions regarding dividend yields, expected volatility, expected lives, and risk-free interest rates. These assumptions reflect our best estimates, but these items involve uncertainties based on market conditions generally outside of our control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Furthermore, if management uses different assumptions in future periods, stock-based compensation expense could be materially impacted in future years.

On occasion, the Company may issue to consultants either options or warrants to purchase shares of common stock of the Company at specified share prices. These options or warrants may vest based upon specific services being performed or performance criteria being met. In accounting for equity instruments that are issued to other than employees for acquiring, or in conjunction with selling, goods or services, the Company is required to record consulting expenses based upon the fair value of such options or warrants on the earlier of the service period or the period that such options or warrants vest as determined using a Black-Scholes option pricing model and are marked to market quarterly using the Black-Scholes option valuation model.

The preparation of condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. An example of a critical estimate is the full valuation allowance for deferred taxes that was recorded based on the uncertainty that such tax benefits will be realized in future periods.

Results of Operations

Overview

The majority of the Company's fee income comes from the activities of several licensees participating in the automotive market. The Company currently believes that the automotive market will be the largest source of its royalty income over the next several years. The Company's royalty income from this market may be influenced by numerous factors including various trends affecting demand in the automotive industry and the rate of introduction of new technology in OEM product lines. In addition to these macro factors, the Company's royalty income from the automotive market could also be influenced by specific factors such as whether the Company's SPD-SmartGlass technology appears as standard equipment or as an option on a particular vehicle, the number of additional vehicle models that SPD-SmartGlass appears on, the size of each window on a vehicle and the number of windows on a vehicle that use SPD-SmartGlass, fluctuations in the total number of vehicles produced by a manufacturer, and in the percentage of cars within model produced with SPD-SmartGlass, and changes in pricing or exchange rates.

Certain license fees, which are paid to the Company in advance of the accounting period in which they are earned resulting in the recognition of deferred revenue for the current accounting period, will be recognized as fee income in future periods. Also, licensees offset some or all of their royalty payments on sales of licensed products for a given period by applying these advance payments towards such earned royalty payments.

The Company has received royalty revenues from sales of products using the Company's technology that were accretive to the Company's royalty revenue. Production efficiencies are expected to continue and accelerate with the introduction of the higher vehicle production volumes for various car models going forward, and the Company expects that lower pricing per square foot of the Company's technology could expand the market opportunities, adoption rates, and revenues for its technology in automotive and non-automotive applications. The Company expects to generate additional royalty income from the near-term introduction of additional new car and aircraft models from other OEMs (original equipment manufacturers), continued growth of sales of products using the Company's technology for the marine industry in yachts and other watercraft, in trains, in museums, and in larger architectural projects.

Because the Company's license agreements typically provide for the payment of royalties by a licensee on product sales within 45 days after the end of the quarter in which a sale of a licensed product occurs (with some of the Company's more recent license agreements providing for payments on a monthly basis), and because of the time period which typically will elapse between a customer order and the sale of the licensed product and installation in a home, office building, automobile, aircraft, boat or any other product, there could be a delay between when economic activity between a licensee and its customer occurs and when the Company gets paid its royalty resulting from such activity.

Three months ended September 30, 2023 compared to the three months ended September 30, 2022

The Company's fee income from licensing activities for the three months ended September 30, 2023 was $164,146 as compared to $150,443 for the three months ended September 30, 2022. This increase in fee income was primarily the result of higher royalties from the automotive markets as compared to the third quarter of 2022 partially offset by lower revenue in the aircraft market. The Company expects revenue in all market segments to increase further as new car models and other products using the Company's SPD-SmartGlass technology are introduced into the market.

Operating expenses increased by $55,159 for the three months ended September 30, 2023 to $542,635 from $487,476 for the three months ended September 30, 2022. This increase is the result of higher bad debts ($105,000) partially offset by lower legal and professional fees ($16,000), as well as lower payroll and related costs ($27,000).

Research and development expenditures decreased by $13,837 to $135,319 for the three months ended September 30, 2023 from $149,156 for the three months ended September 30, 2022. This decrease is a result of lower allocated facilities and utility costs ($8,000) as well as lower allocated insurance costs ($3,000).

The Company's net investment income for the three months ended September 30, 2023 was $41,642 as compared to income of $2,460 for the three months ended September 30, 2022. This difference was primarily due to changes in market values of a marketable security and higher interest rates paid on investments.

As a consequence of the factors discussed above, the Company's net loss was $472,166 ($0.01 per common share) for the three months ended September 30, 2023 as compared to net loss of $483,729 ($0.02 per common share) for the three months ended September 30, 2022.

Nine months ended September 30, 2023 compared to the nine months ended September 30, 2022

The Company's fee income from licensing activities for the nine months ended September 30, 2023 was $597,362 as compared to $409,783 for the nine months ended September 30, 2022. This increase in fee income was primarily the result of higher royalties from the automotive markets as compared to the first nine months of 2022. The Company expects revenue in all market segments to increase further as new car models and other products using the Company's SPD-SmartGlass technology are introduced into the market.

Operating expenses decreased by $75,285 for the nine months ended September 30, 2023 to $1,695,129 from $1,770,414 for the nine months ended September 30, 2022. This decrease is a result of lower bad debts expense ($57,000) as well as lower patent, legal and professional fees ($13,000) and lower investor relations expenses ($19,000) and lower foreign tax withholdings ($16,000), partially offset by higher payroll and compensation costs ($23,000).

Research and development expenditures decreased by $14,263 to $430,150 for the nine months ended September 30, 2023 from $444,413 for the nine months ended September 30, 2022. This decrease is a result of lower allocated facilities and utilities costs ($19,000) partially offset by higher allocated insurance costs ($6,000).

The Company's net investment income for the nine months ended September 30, 2023 was $99,463 as compared to a loss of $48,871 for the nine months ended September 30, 2022. This difference was primarily due to changes in market values of marketable securities and higher interest rates payable on balances available for investment as well as the sale of marketable securities at a loss in the prior year partially offset by gains on marketable securities in the current year.

As a consequence of the factors discussed above, the Company's net loss was $1,428,454 ($0.04 per common share) for the nine months ended September 30, 2023 as compared to net loss of $1,853,915 ($0.06 per common share) for the nine months ended September 30, 2022.

Financial Condition, Liquidity and Capital Resources

The Company has primarily utilized its cash, cash equivalents, marketable securities, short-term investments, and the proceeds from its investments to fund its research and development, for marketing initiatives, and for other working capital purposes. The Company's working capital and capital requirements depend upon numerous factors, including, but not limited to, the results of research and development activities, competitive and technological developments, the timing and costs of patent filings, and the development of new licensees and changes in the Company's relationship with existing licensees. The degree of dependence of the Company's working capital requirements on each of the foregoing factors cannot be quantified; increased research and development activities and related costs would increase such requirements; the addition of new licensees may provide additional working capital or working capital requirements, and changes in relationships with existing licensees would have a favorable or negative impact depending upon the nature of such changes.

During the nine months ended September 30, 2023, the Company's cash and cash equivalents balance decreased by $3,705,931 as a result of cash used to fund operations of $1,746,318 as well as cash used to purchase marketable securities of $5,434,386 partially offset by cash generated from sale of marketable securities of $2,991,535, as well as the exercise warrants of $484,502. As of September 30, 2023, the Company had cash and cash equivalents and marketable securities of approximately $3.0 million, working capital of $3.6 million and total shareholders' equity of $3.9 million.

Our quarterly projected cash flow shortfall, based on our current operations, adjusted for any non-recurring cash expenses for the next 12 months and adjusted for additional royalties expected to be received for use of our products in new production, for the next 12 months, is approximately $200,000 to $250,000 per quarter. We may eliminate some operating expenses in the future, which will further reduce our cash flow shortfall if needed. Based on these assumptions, we currently expect to have sufficient working capital for more than the next five years of operations.

The Company expects to use its cash to fund its research and development of SPD light valves, its expanded marketing initiatives, and for other working capital purposes. The Company believes that its current cash and cash equivalents and marketable securities would fund its operations at least through the next twelve months. There can be no assurances that expenditures will not exceed the anticipated amounts or that additional financing, if required, will be available when needed or, if available, that its terms will be favorable or acceptable to the Company. Eventual success of the Company and generation of positive cash flow will be dependent upon the extent of commercialization of products using the Company's technology by the Company's licensees and payments of continuing royalties on account thereof. To date, the Company has not generated sufficient revenue from its licensees to fully fund its operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by Item 3 has been disclosed in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2022. There has been no material change in the disclosure regarding market risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We designed our disclosure controls and procedures to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, to allow timely decisions regarding required disclosure. Our Chief Executive Officer and acting interim Chief Financial Officer, with assistance from other members of our management, has reviewed the effectiveness of our disclosure controls and procedures as of September 30, 2023, and, based on his evaluation, has concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Forward-Looking Statements

The information set forth in this Report and in all publicly disseminated information about the Company, including the narrative contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” above, includes “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and is subject to the safe harbor created by that section. Readers are cautioned not to place undue reliance on these forward-looking statements as they speak only as of the date hereof and are not guaranteed.

PART II. OTHER INFORMATION

Item 6. Exhibits

31.1	Rule 13a-14(a)/15d-14(a) Certification of Joseph M. Harary - Filed herewith.
32.1	Section 1350 Certification of Joseph M. Harary - Filed herewith.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunder duly authorized.

RESEARCH FRONTIERS INCORPORATED

(Registrant)

/s/ Joseph M. Harary

Joseph M. Harary, President, CEO, acting interim CFO and Treasurer

(Principal Executive Officer and Principal Financial Officer)

Date: November 2, 2023

EXHIBIT 31.1

CERTIFICATION

I, **Joseph M. Harary,** certify that:

1. I have reviewed this quarterly report on Form 10-Q of Research Frontiers Incorporated (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the condensed consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing

the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 2, 2023 May 9, 2024

/s/ Joseph M. Harary

Joseph M. Harary
President, Chief Executive Officer and acting interim Chief Financial Officer

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EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Research Frontiers Incorporated (the "Company") on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph M. Harary, President and Chief Executive Officer and Principal Executive Officer and acting interim Chief Financial Officer and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph M. Harary

Joseph M. Harary
President, Chief Executive Officer and Principal
Executive Officer and acting interim Chief Financial
Officer and Principal Financial Officer
November 2, 2023 May 9, 2024

DISCLAIMER

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