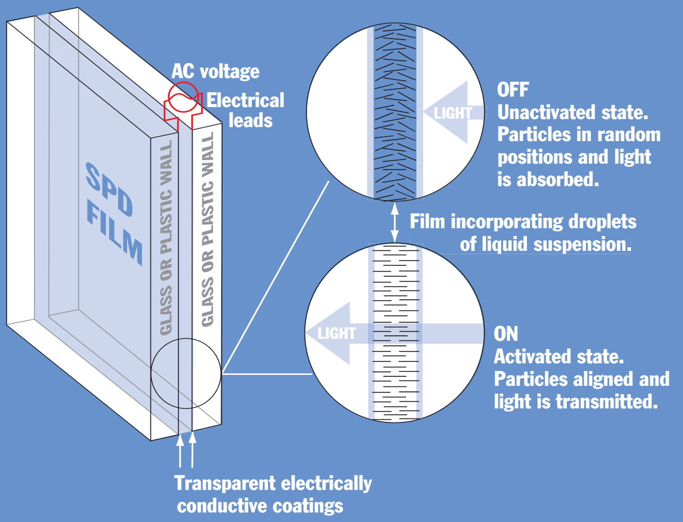
RESEARCH FRONTIERS

ANNUAL REPORT 2004



The illustration shows the structure and operation of a Suspended Particle Device (SPD).

Research Frontiers' Licensees

AGC Automotive Americas
Air Products and Chemicals, Inc.
American Glass Products
Asahi Glass Company
Avery Dennison
BOS Automotive Products
BRG Group, Ltd.
Cricursa Cristales Curvados S.A.
Custom Glass Corporation
Dainippon Ink and Chemicals Incorporated
DuPont
Film Technologies International, Inc.
General Electric Company
Glaverbel S.A.
Global Mirror GmbH & Co. KG
Hankuk Glass Industries/SPD, Inc.,
Hitachi Chemical Co., Ltd.
Innovative Glass Corporation
InspecTech Aero Service, Inc.
Isoclima S.p.A.
Kerros Ltd./IntelliTint
Laminated Technologies, Inc.
Leminur Ltd.
N.V. Bekaert S.A
Nippon Sheet Glass Co., Ltd.
Pilkington plc
Polaroid Corporation
Prelco Inc.
Saint-Gobain Glass France S.A.
SmartGlass Ireland Ltd.
SPD Systems, Inc.
SPD Technologies, Inc.
ThermoView Industries, Inc.
Traco, Inc.
Vision (Environmental Innovation) Ltd.

2004
Research Frontiers Annual Report

Letter to Our Shareholders

THE SPD INDUSTRY CAME OF AGE IN 2004. This past year, five new companies became licensed to use SPD technology, and our 34 licensees now include some of the world's largest chemical, film and glass companies. The customers that these licensees have been working with to introduce SPD-Smart™ products also include some of the world's largest aerospace and automotive companies.

With momentum building towards the rebirth of the new SPD industry, the first-ever industry conference devoted to SPD technology took place in Fort Lauderdale, Florida, April 15–17, 2004. At this Licensee Conference, more than 50 representatives from 22 companies from Asia, Europe and North America gathered to meet one another and listen to important presentations by Air Products and Chemicals, Dainippon Ink and Chemicals, and Hitachi Chemical Company, each of which described in detail its SPD materials development program and introduced their next-generation SPD light-control film utilizing cured emulsions invented at Research Frontiers. These next-generation SPD films have a very wide range of light transmission and low haze.

Because of the enthusiastic response to the new SPD films by many of our end-product licensees and their respective customers, several of our emulsion and film licensees have been working diligently since the Conference preparing to substantially scale up emulsion and film production. As this letter is being written in mid-April, several licensees are involved with the advanced testing, and in some cases even the fine-tuning of dedicated factory lines on high-speed coating equipment, to produce these next-generation films in Asia, North America, and Western Europe. Many of our end-product licensees are eagerly awaiting the opportunity to purchase mass-produced, commercial quality, second-generation SPD film as soon as it becomes available, as major customers of theirs have already specified SPD-Smart glass in their architectural, aerospace, automotive and marine projects. Inasmuch as a majority of the Company's 34 licensees are end-product licensees which will pay the Company between 5% and 15% of the net selling price of their sales of licensed products, Research Frontiers is working hard to expedite mass production of the new film so that significant earned royalties can be generated.

In order to assist our licensees, our research team is regularly engaged in scientific activities whose goal is to enable RFI licensees to successfully manufacture high-performance SPD-Smart emulsion, film and end-products. We are continually assisting our licensees regarding the large-scale coating and curing of film, and we have invented lamination procedures necessary for producing final products from the film. Research Frontiers also works with our licensees in the marketing of SPD-Smart products through market development initiatives, market research, competitive intelligence, joint presentations to customers, including some of the world's largest architectural firms, and generating and referring customer leads to our end-product licensees. Participation in home building, glass, air, and auto trade shows, and presentations to architects, lighting designers, and builders are ongoing.

The most important initial product applications for the new SPD film will likely be automotive sunroofs and windows, aircraft windows, and windows for a variety of architectural purposes. Typical of automotive interest in SPD is the previously reported highly successful use of SPD-Smart panoramic sunroofs in DaimlerChrysler's top-of-the-line Setra 415HD luxury touring bus. Since the public introduction of the Setra in September 2003, DaimlerChrysler has also incorporated an SPD-Smart sunroof in its Jeep Rescue concept vehicle which debuted in January 2004 at the Detroit Auto Show, and also subsequently appeared at the Chicago and New York Auto Shows. Based upon the reports from our licensees and our direct contact with the world's major automakers, the automotive industry is enthused over the possibility of selling SPD-equipped cars and awaits full-scale production of second generation SPD film.

We believe that the world can expect to see a growing number of concept and production vehicles use SPD technology in the near future because glass is being used as a larger percentage of vehicle content and SPD-Smart auto glazings provide a highly innovative solution to the heat and light-management needs of vehicle occupants. Currently about 25% of cars have sunroofs, which is double the number from just 3-4 years ago. In high-end vehicles, which are the primary initial target for SPD-Smart glass, 80-100% have sunroofs. In the automotive industry, the trend is towards larger sunroofs, as well as glass strips that go the length of the roof, and even all-glass roofs. Shading this increased amount of glass with variable light transmission is of paramount importance to control solar heat gain, protect the interior from damage from heat and UV (which can reduce the costs associated with fabrics and other interior materials), reduce vehicle emissions and increase fuel efficiency.

Research Frontiers is the technological leader in the field of electrically operated light control devices which use films containing droplets of orientable particle suspensions. These devices are usually called either "light valves" or suspended particle devices ("SPDs"). When voltage is applied to the SPD, particles in the film align, enabling the operator to rapidly vary and control the amount of light transmitted through the device over a wide range. The amount of light transmitted depends on the voltage applied.

With respect to aircraft, our licensee, InspecTech Aero Service Inc., has reported that it has either installed or has engineered SPD-Smart windows for many models of aircraft manufactured by numerous companies including Airbus, Boeing, Bombardier, Cessna, Dassault, Eurocopter, Gulfstream, Piaggio, Raytheon, Sikorsky and Textron. During 2004, SPD-equipped aircraft appeared at the Heli-Expo show in Las Vegas in March, the Aircraft Interiors show in Fort Lauderdale in April, and the European Business Aviation show in Geneva in May. In October, Sikorsky Aircraft Corporation and our licensee, InspecTech Aero Services, introduced Sikorsky's new S-92 helicopter, featuring a large bank of SPD-Smart electronic window shades with centralized passenger controls, at the National Business Aviation Association aircraft show in Las Vegas. SPD-Smart windows (including next-generation SPD film) also appeared on exhibit in early April 2005 at this year's Aircraft Interiors Expo in Hamburg.

In the long run, architectural windows for homes and commercial buildings, and automotive windows and sunroofs, will probably be the largest uses for SPDs, corresponding to the widespread use of conventional glass windows in those product areas.

During 2004 Research Frontiers added five new companies to its roster of licensees: Pilkington plc in the United Kingdom, which is one of the world's largest flat glass manufacturers and an acknowledged innovative leader, was granted a non-exclusive license to provide lamination and other services to Research Frontiers' licensees. With its associates, Pilkington has extraordinarily wide geographic reach and is one of the world's leaders in the building products and automotive original equipment and automotive glass replacement businesses. Pilkington is currently actively working with our SPD-Smart™ technology.

Smartglass Ireland Ltd. of Dublin, Ireland, acquired a non-exclusive license to manufacture and sell SPD-Smart architectural windows. Smartglass Ireland got off to an excellent start by winning the Innovative Product of the Show award at 2004 Plan Expo, Ireland's premier construction industry event. In conjunction with Williaam Cox Ireland Ltd., Smartglass Ireland has introduced an exciting new SPD rooflight product called Glasslite.

Quebec's Prelco Inc. acquired a non-exclusive license to manufacture and sell SPD-Smart window products in Canada, Mexico and the United States. The license covers products such as architectural skylights, interior partitions and other residential and commercial windows, as well as windows for buses and trains. Prelco has four Canadian production facilities and currently manufactures insulating glass units as well as a broad variety of specialty glass products. In November, Prelco exhibited SPD-Smart products at the Build Boston show, one of the building industry's premier events.

E.I. duPont de Nemours and Company ("DuPont") acquired a non-exclusive license to manufacture and sell SPD-Smart emulsion and film, in addition to architectural windows and certain types of transportation vehicle windows which will incorporate SPD technology. DuPont is an important supplier to the automotive industry and currently also sells laminates to the architectural glass industry which are widely used to produce hurricane-resistant and security-enhancing windows.

Also in 2004, Nippon Sheet Glass Co., Ltd. ("NSG"), Japan's second largest flat glass manufacturer, acquired a worldwide non-exclusive license to manufacture and sell SPD-Smart film. NSG, through its UMU Division, currently produces and sells high-quality liquid crystal films. Its experience at mass producing liquid crystal film on large size commercial coating equipment puts NSG in an excellent position to mass produce SPD film.

In addition to the trade shows noted above, SPD-Smart windows for architectural products appeared at other major trade shows, and our licensees made other important marketing strides. In October, licensee Innovative Glass Corporation announced their partnership with Insula-Dome Skylights and Semco Windows, and displayed their Insula-Dome SPD-Smart glass skylight at the Annual Long Island AIA Product Fair. This skylight features Innovative Glass' SmartSensor™ system which automatically and continuously adjusts the tint of the skylight depending on ambient lighting conditions.

In November, SPD technology for architectural and automotive applications was a featured exhibit at several locations at the world's largest glass show, GlassTec 2004, which is held every two years in Düsseldorf, Germany.

Shortly after the GlassTec show, the Hotel/Motel & Restaurant show was held in New York City. There the largest smart window in the world, laminated by our licensee Laminated Technologies and framed by Innovative Glass Corp., made its debut at the booth of Hotel Technologies, which is acting as a sales agent for licensees to promote SPD-Smart products to the hotel industry.

With the current level of activity around the world, 2005 also promises to be a busy year for our licensees across the four major industries for SPD-Smart glass: architectural, automotive, aerospace and marine.

The Company took steps in 2004 to bolster its finances. In February 2005, these efforts proved successful when four U.S.-based funds invested $5 million in Research Frontiers, for which they received one million shares of Research Frontiers common stock and five-year warrants to purchase 200,000 shares of common stock at an exercise price of $7.50 per share. This investment has substantially strengthened the Company and, at current rates of expenditure, gives us sufficient working capital until 2007. The Company has remained debt free since its initial public offering in 1986.

For 2004, we incurred a loss of $4.26 million (0.33 per share), about $510,000 less than for 2003. This loss includes the remaining write off of our minority investment in SPD Inc. Operating expenses (other than higher accounting fees for 2004, which we expect to be lower in 2005) have declined in each of the last five years.

We are working diligently with our licensees to help them commercialize their very attractive second generation SPD film. We are keenly aware that the Company's future success depends on achieving mass production of second generation SPD film so that substantial royalty income can be earned. We thank our investors for their exceptional patience, and we thank our employees and licensees for the excellent work they have done and are doing. We are looking forward to the coming year with a strong sense of optimism based on our knowledge of how much has been achieved, and the skill of all those who are working so hard to make SPD-Smart products a commercial success.

Sincerely,

Robert L. Saxe

Robert L. Saxe
Chairman and Chief Executive Officer

Joe Harary

Joseph M. Harary
President and Chief Operating Officer

Common Stock Information

Market Information The Company's common stock is traded on the NASDAQ National Market. As of March 15, 2005, there were 13,812,559 shares of common stock outstanding.

The following table sets forth the range of the high and low selling prices (as provided by the National Association of Securities Dealers) of the Company's common stock for each quarterly period within the past two fiscal years:

These quotations may reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not necessarily represent actual transactions.

Quarter Ended	Low	High
March 31, 2003	4.28	9.51
June 30, 2003	5.82	14.09
September 30, 2003	11.09	17.20
December 31, 2003	8.33	12.66
March 31, 2004	8.28	13.98
June 30, 2004	6.94	11.55
September 30, 2004	5.13	7.60
December 31, 2004	5.65	7.96

Approximate Number of Security Holders As of March 15, 2005, there were 627 holders of record of the Company's common stock. The Company estimates that there are approximately 8,500 beneficial holders of the Company's common stock.

Dividends The Company did not pay dividends on its common stock in 2004 and does not expect to pay any cash dividends in the foreseeable future. There are no restrictions on the payment of dividends.

Issuer Purchases of Equity Securities None.

Selected Financial Data

The following table sets forth selected data regarding the Company's operating results and financial position. The data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto, all of which are contained in this Annual Report to shareholders.

Year ended December 31	2004	2003	2002	2001	2000
Statement of Operations Data					
Fee income	$ 201,321	$ 258,187	$ 217,519	$ 142,002	$ 333,652
Operating expenses (1)	2,633,534	2,537,317	2,631,139	3,155,305	3,375,638
Research and development (1)	1,682,624	1,908,753	1,859,030	2,223,425	2,270,584
Charge for reduction in value of investment in SPD Inc.(2)	165,501	615,200	—	—	—
Non-recurring non-cash compensation expense (3)	—	—	—	—	3,133,748
	4,481,659	5,061,270	4,490,169	5,378,730	8,779,970
Operating loss	(4,280,338)	(4,803,083)	(4,272,650)	(5,236,728)	(8,446,318)
Net investment income (4)	17,597	30,775	321,534	696,058	878,518
Net loss	(4,262,741)	(4,772,308)	(3,951,116)	(4,540,670)	(7,567,800)
Basic and diluted net loss per common share	(.33)	(.38)	(.33)	(.38)	(.63)
Dividends per share	—	—	—	—	—

As of December 31	2004	2003	2002	2001	2000
Balance Sheet Data					
Total current assets	$ 2,716,964	$ 5,322,083	$ 5,293,629	$ 8,272,677	$15,358,819
Total assets	2,860,673	5,690,270	6,267,051	9,324,902	15,729,127
Long-term debt, including accrued interest	—	—	—	—	—
Total shareholders' equity	2,392,303	5,469,427	5,974,466	9,049,920	14,737,917

(1) During 2002, the Company reclassified costs associated with patents and patent applications from research and development expenses to operating expenses. The amount of patent costs reclassified from research and development expense to operating expense for the years ended December 31, 2001 and 2000 was approximately $411,000 and $348,000, respectively.

(2) Reflects a non-cash charge against income of $615,200 recorded by the Company in the first quarter of 2003 to reflect a reduction in the value of its investment in SPD Inc. determined based upon recent financing activity of SPD Inc. The Company also recorded a further non-cash charge against income of $209,704 during the first quarter of 2004. During the fourth quarter of 2004, the Company received a payment of $44,203 as part of a liquidation distribution made by SPD Inc. to its shareholders, resulting in a total net non-cash charge against income of $165,501 in 2004.

(3) During 1999, the Company granted 237,800 contingent performance options to employees, which vested only if a certain performance milestone in the price of the Company's common stock was achieved during 2000. The charges recorded as a result of the issuance of these performance options were calculated based upon changes in the Company's stock price as of the end of each quarter until the vesting date, and are non-cash compensation charges.

(4) Net investment income for 2002 includes $64,608 of interest income received from officers of the Company upon payment of notes receivable.

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 consolidated financial statements, "Summary of Significant Accounting Policies."

The Company has entered into a number of license agreements covering potential products using the Company's SPD technology. The Company receives fees and minimum annual royalties under certain license agreements and records fee income on a ratable basis each quarter. In instances when sales of licensed products by its licensees exceed minimum annual royalties, the Company recognizes fee income as the amounts have been 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.

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

All of our research and development costs are charged to operations as incurred. Our research and development expenses consist of costs incurred for internal and external research and development. These costs include direct and indirect overhead expenses.

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 accordance with Emerging Issues Task Force Issue 96-18, *Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling, Goods or Services,* the Company would be required to record consulting expenses based upon the fair value of such options or warrants on the date that such options or warrants vest as determined using a Black-Scholes option pricing model. Depending upon the difference between the exercise price and the market price of the Company's common stock on the date that such options or warrants vest, the amount of non-cash expenses that could be recorded as a result of the vesting of such options or warrants can be material.

The Company applied the cost method of accounting for its minority equity interest in SPD Inc., a subsidiary of Hankuk Glass Industries, Inc. Because no public market existed for the common stock of SPD Inc., the Company reviewed the operating performance, financing and forecasts for such entity in assessing the net realizable value of this investment. During 2003, the Company recorded total non-cash accounting charges of $615,200 against income to reflect a reduction in the value of its investment in SPD Inc. These non-cash charges were determined as follows: During the first quarter of 2003, the Company recorded a non-cash charge against income of $255,200 to reflect a reduction in the value of its investment in SPD Inc. determined based upon recent financing activity of SPD Inc. The Company also recorded a further non-cash charge against income of $360,000 as of the end of 2003 to reflect a reduction in the value of its investment in SPD Inc. determined based upon its review of the financial position and results of operations of SPD Inc. as of and for the year ended December 31, 2003. On April 28, 2004, SPD Inc. informed the Company that it was planning to sell its equipment and other assets and cease its business activities. As a result, the Company wrote off its entire remaining investment in SPD Inc. of $209,704 in the first quarter of 2004. During the fourth quarter of 2004, the Company received a payment of $44,203 as part of a liquidation distribution made by SPD Inc. to its shareholders, resulting in a total net non-cash charge against income of $165,501 in 2004.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the 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

2004 vs. 2003 The Company's fee income from licensing activities for 2004 was $201,321, as compared to $258,187 for 2003. This difference in fee income was primarily the result of the timing and amount of minimum annual royalties paid, and the date of receipt of such payment on certain license agreements, by end-product licensees. 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 may 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.

Operating expenses increased by $96,217 for 2004 to $2,633,534 from $2,537,317 for 2003. This increase was primarily the result of higher accounting fees (representing a $201,050 increase),insurance, partially offset by lower payroll, marketing, legal, patent, depreciation, consulting and directors expenses.

Research and development expenditures decreased by $226,129 to $1,682,624 for 2004 from $1,908,753 for 2003. This decrease was primarily the result of decreased payroll and depreciation expenses, partially offset by higher insurance expenses, and rent.

Investment income for 2004 was $17,597 as compared to a net gain from its investing activities of $30,775 for 2003. Investment income for 2004 was $30,097 prior to a write-down of $12,500 in the Company's investment in common stock of ThermoView Industries.

During 2004, the Company recorded total non-cash accounting charges of $165,501 against income to reflect a reduction in the value of its investment in SPD Inc. Of this, the Company recorded a non-cash charge against income of $209,704 during the first quarter of 2004. During the fourth quarter of 2004, the Company received a payment of $44,203 as part of a liquidation distribution made by SPD Inc. to its shareholders, resulting in a total net non-cash charge against income of $165,501 in 2004. During 2003, the Company recorded total non-cash accounting charges of $615,200 against income to reflect a reduction in the value of its investment in SPD Inc. These non-cash charges were determined as follows: During the first quarter of 2003, the Company recorded a non-cash charge against income of $255,200 to reflect a reduction in the value of its investment in SPD Inc. determined based upon recent financing activity of SPD Inc. The Company also recorded a further non-cash charge against income of $360,000 as of the end of 2003 to reflect a reduction in the value of its investment in SPD Inc. determined based upon its review of the financial position and results of operations of SPD Inc. as of and for the year ended December 31, 2003.

As a consequence of the factors discussed above, the Company's net loss was $4,262,741 ($0.33 per share) for 2004 as compared to $4,772,308 ($0.38 per share) for 2003.

2003 vs. 2002 The Company's fee income from licensing activities for 2003 was $258,187, as compared to $217,519 for 2002. This increase was primarily a result of new license agreements entered into in 2003 and scheduled increases in minimum annual royalties paid by some end-product licensees. 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. Such revenue will be recognized as fee income in future periods. Also, licensees may 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.

Operating expenses decreased by $93,822 for 2003 to $2,537,317 from $2,631,139 for 2002. This decrease was primarily the result of decreased expenses in connection with market research, public relations, consulting, travel and patent expenses, partially offset by increases in salaries, legal fees, reserves against the collection of future receivables, non-cash directors expenses resulting from the cashless exercise of stock options of $40,987, and insurance costs.

Research and development expenditures increased by $49,723 to $1,908,753 for 2003 from $1,859,030 for 2002. This increase was primarily the result of increased payroll expenses primarily from performance bonuses paid to non-management employees and higher insurance costs.

Investment income for 2003 was $30,775 as compared to a net gain from its investing activities of $256,926 for 2002. This difference was primarily due to a lower level of average investment balances in 2003 compared to 2002, and lower interest rates. In addition, during 2002 the Company recorded $64,608 of interest income on notes receivable from its officers which were repaid in the fourth quarter, while no such interest income was recorded for 2003 as no loans to officers were outstanding.

During 2003, the Company recorded total non-cash accounting charges of $615,200 against income to reflect a reduction in the value of its investment in SPD Inc. These non-cash charges were determined as follows: During the first quarter of 2003, the Company recorded a non-cash charge against income of $255,200 to reflect a reduction in the value of its investment in SPD Inc. determined based upon recent financing activity of SPD Inc. The Company also recorded a further non-cash charge against income of $360,000 as of the end of 2003 to reflect a reduction in the value of its investment in SPD Inc. determined based upon its review of the financial position and results of operations of SPD Inc. as of and for the year ended December 31, 2003.

As a consequence of the factors discussed above, the Company's net loss was $4,772,308 ($0.38 per share) for 2003 as compared to $3,951,116 ($0.33 per share) for 2002.

Financial Condition, Liquidity and Capital Resources

During 2004, the Company's cash and cash equivalent balance decreased by $2,470,227 principally as a result of cash used to fund the Company's operating activities of $3,609,070, offset by $1,162,602 of proceeds received, net of expenses, from the issuance of common stock upon the exercise of options and warrants. At December 31, 2004, the Company had working capital of $2,248,594 and its shareholders' equity was $2,392,303.

The Company occupies premises under an operating lease agreement which expires on January 31, 2014 and requires minimum annual rent which rises over the term of the lease to approximately $138,269.

On October 1, 1998, the Company announced that Ailouros Ltd., a London-based institutional money management fund, committed to purchase up to $15 million worth of common stock of the Company through December 31, 2001. This commitment was in the form of a Class A Warrant issued to Ailouros Ltd. which gave the Company the option in any three-month period to deliver a put notice to Ailouros requiring them to purchase an amount of common stock specified by the Company at a price equal to the greater of (A) 92% of the seven-day average trading price per share of common stock, or (B) a minimum or "floor" price per share set by the Company from time to time. The pricing was initially subject to an overall cap of $15 per share, which cap was eliminated by mutual agreement so that the Company could put stock to Ailouros at selling prices in excess of $15 per share. However, the Company was not required to sell any shares under the agreement. Before the beginning of each of a series of three-month periods specified by the Company, the Company determined the amount of common stock that the Company wished to issue during such three-month period. The Company also set the minimum selling or "floor" price, which could be reset by the Company in its sole discretion prior to the beginning of any subsequent three-month period. Therefore, at the beginning of each three-month period, the Company would determine how much common stock, if any, would be sold (the amount of which could range from $0 to $1.5 million during such three-month period), and the minimum selling price per share. In March 2000, Ailouros agreed to expand its commitment beyond the original $15 million, thereby giving the Company the right to raise additional funds from Ailouros so long as the Company did not have to issue more shares than were originally registered with the Securities and Exchange Commission, and in December 2001 the expiration date of the Class A Warrant was extended to December 31, 2003. In December 2003, this expiration date for the Class A Warrant was further extended to December 31, 2005. As of March 31, 2004, the Company issued the remaining 99,417 shares registered and available for issuance under the Class A Warrant, resulting in net proceeds of approximately $1 million in the quarter ended March 31, 2004. Thus, Ailouros has no further obligation to provide funding to the Company. As noted below, no additional funding is projected to be required by the Company in order to maintain its current levels of expenditures for research and development, market development and other operations until the first quarter of 2007.

During the second quarter of 2001, the Company, through its wholly-owned subsidiary, SPD Enterprises, Inc., invested approximately $750,000 for a minority equity interest in SPD Inc., a subsidiary of Hankuk Glass Industries Inc., Korea's largest glass manufacturer, which was dedicated exclusively to the production of suspended particle device (SPD) light-control film and a wide variety of end-products using SPD film. In April 2003, the Company's wholly-owned subsidiary, SPD Enterprises, Inc., invested $74,902 in SPD Inc., raising its equity ownership from 6.67% to 6.91%. SPD Inc.'s parent company invested at the same time and at the same price, $748,931, raising its equity ownership in SPD Inc. from 66.67% to 69.09%. During 2003, the Company recorded total non-cash accounting charges of $615,200 against income to reflect a reduction in the value of its investment in SPD Inc. These non-cash charges were determined as follows: During the first quarter of 2003, the Company recorded a non-cash charge against income of $255,200 to reflect a reduction in the value of its investment in SPD Inc. determined based upon recent financing activity of SPD Inc. The Company also recorded a further non-cash charge against income of $360,000 as of the end of 2003 to reflect a reduction in the value of its investment in SPD Inc. determined based upon its review of the financial position and results of operations of SPD Inc. as of and for the year ended December 31, 2003. On April 28, 2004, SPD Inc. informed the Company that it was planning to sell its equipment and other assets and cease its business activities. As a result, the Company wrote off its entire remaining investment in SPD Inc. of $209,704 in the first quarter of 2004. During the fourth quarter of 2004, the Company received a payment of $44,203 as part of a liquidation distribution made by SPD Inc. to its shareholders, resulting in a total net non-cash charge against income of $165,501 in 2004.

In February 2005, the Company raised $5 million in net proceeds in connection with the registered sale to institutional investors of one million shares of its common stock and the issuance of five-year warrants to purchase 200,000 shares of common stock at an exercise price of $7.50 per share.

The Company expects to use its cash to fund its research and development of SPD light valves 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, 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. Based upon existing levels of cash expenditures, existing cash reserves and budgeted revenues, the Company believes that it would not require additional funding until the first quarter of 2007. There can be no assurance 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.

Inflation

The Company does not believe that inflation has a significant impact on its business.

New Accounting Standards

In December 2004, the Financial Accounting Standards Board, or FASB, issued SFAS No. 123R "Share Based Payment," which replaces SFAS No. 123 and supersedes APB No. 25. SFAS No. 123R requires that the cost resulting from all share-based payment transactions be recognized in the consolidated financial statements. This statement applies to all share-based payment transactions in which an entity acquires goods or services by issuing its shares, options or other equity instruments. This statement establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair-value-based measurement method in accounting for share-based payment transactions with employees, except for equity instruments held by employee share ownership plans. This statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005, which will be the Company's third quarter. The Company expects that the adoption of SFAS No. 123R could have a material effect on the Company's consolidated financial statements, depending upon the number and terms of stock options issued by the Company in the future.

Related Party Transactions

None.

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.

Quantitative and Qualitative Disclosure About Market Risk

The Company invests available cash and cash equivalents in money market funds or in short-term U.S. treasury securities with maturities that are generally two years or less. Although the rate of interest paid on such investments may fluctuate over time, each of the Company's investments, other than in money market funds whose interest yield varies, is made at a fixed interest rate over the duration of the investment. Accordingly, the Company does not believe it is materially exposed to changes in interest rates as it generally holds these treasury securities until maturity.

The Company does not have any sales, purchases, assets or liabilities determined in currencies other than the U.S. dollar, and as such, is not subject to foreign currency exchange risk.

Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures As of the end of the period covered by this Annual Report on Form 10-K, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiary) required to be included in the Company's periodic SEC filings. There were no significant changes in the Company's internal control over financial reporting during the quarterly period ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control –Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2004. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 has been audited by KPMG, an independent registered public accounting firm, as stated in their report, which is included herein.

Independent Auditors' Reports

The Shareholders and Board of Directors
Research Frontiers Incorporated:

We have audited the accompanying consolidated balance sheets of Research Frontiers Incorporated and subsidiary as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Research Frontiers Incorporated and subsidiary as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Research Frontiers Incorporated's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

KPMG LLP
Melville, New York
March 15, 2005

The Shareholders and Board of Directors
Research Frontiers Incorporated

We have audited management's assessment, included in the accompanying Management's Report on Internal Controls Over Financial Reporting, that Research Frontiers Incorporated and subsidiary (the Company) maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Research Frontiers Incorporated and subsidiary as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholdersc equity, and cash flows for each of the years in the three-year period ended December 31, 2004, and our report dated March 15, 2005 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

KPMG LLP
Melville, New York
March 15, 2005

Consolidated Financial Statements

Balance Sheets Years Ended December 31

		2004	2003
Assets			
Current assets:	Cash and cash equivalents	$ 2,602,063	5,072,290
	Marketable investment securities-available for sale	—	7,875
	Royalty receivables, net of reserves of $82,522 in 2004 and $50,000 in 2003	54,544	159,891
	Prepaid expenses and other current assets	60,357	82,027
	Total current assets	2,716,964	5,322,083
Investment in SPD Inc.		—	209,704
Fixed assets, net		121,104	135,878
Deposits		22,605	22,605
	Total assets	$ 2,860,673	5,690,270
Liabilities and Shareholders' Equity			
Current liabilities:	Accounts payable	$116,440	85,821
	Deferred revenue	10,000	23,683
	Accrued expenses and other	341,930	111,339
	Total current liabilities	468,370	220,843
Shareholders' equity:	Common stock, par value $0.0001 per share; authorized 100,000,000 shares, issued and outstanding 12,812,559 and 12,683,413 shares for 2004 and 2003	1,281	1,268
	Additional paid-in capital	57,576,388	56,395,409
	Accumulated other comprehensive loss	—	(4,625)
	Accumulated deficit	(55,185,366)	(50,922,625)
	Total shareholders' equity	2,392,303	5,469,427
Commitments (note 11)			
	Total liabilities and shareholders' equity	$ 2,860,673	5,690,270

See accompanying notes to consolidated financial statements.

Statements of Operations Years ended December 31

	2004	2003	2002
Fee income	$ 201,321	258,187	217,519
Operating expenses	2,633,534	2,537,317	2,631,139
Research and development	1,682,624	1,908,753	1,859,030
Charge for reduction in value of investment in SPD Inc.	165,501	615,200	—
	4,481,659	5,061,270	4,490,169
Operating loss	(4,280,338)	(4,803,083)	(4,272,650)
Net investment income	17,597	30,775	256,926
Interest income on notes receivable from officers	—	—	64,608
Net loss	$ (4,262,741)	(4,772,308)	(3,951,116)
Basic and diluted net loss per common share	$(0.33)	(0.38)	(0.33)
Weighted average number of common shares outstanding	12,792,091	12,436,879	12,152,506

See accompanying notes to consolidated financial statements.

Statements of Shareholders' Equity Years ended December 31, 2004, 2003 and 2002

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Notes Receivable	Total
	Shares	Amount						
Balance, December 31, 2001	12,108,195	$1,211	51,359,036	(42,199,201)	—	41,835	(152,961)	9,049,920
Issuance of common stock	297,875	30	3,011,021	—	—	—	—	3,011,051
Purchase of treasury stock	—	—	—	—	(2,354,608)	—	—	(2,354,608)
Retirement of treasury stock	(190,441)	(19)	(2,354,589)	—	2,354,608	—	—	—
Comprehensive loss: Net loss	—	—	—	(3,951,116)	—	—	—	(3,951,116)
Unrealized loss on available for sale securities	—	—	—	—	—	(43,085)	—	(43,085)
Total Comprehensive Loss								(3,994,201)
Loan repayment from officers	—	—	—	—	—	—	152,961	152,961
Issuance of stock, options and warrants for services performed	250	—	109,343	—	—	—	—	109,343
Balance, December 31, 2002	12,215,879	$1,222	52,124,811	(46,150,317)	—	(1,250)	—	5,974,466
Issuance of common stock	460,025	46	4,201,711	—	—	—	—	4,201,757
Comprehensive loss: Net loss	—	—	—	(4,772,308)	—	—	—	(4,772,308)
Unrealized loss on available for sale securities	—	—	—	—	—	(3,375)	—	(3,375)
Total Comprehensive Loss								(4,775,683)
Issuance of stock, options and warrants for services performed	7,509	—	68,887	—	—	—	—	68,887
Balance, December 31, 2003	12,683,413	$1,268	56,395,409	(50,922,625)	—	(4,625)	—	5,469,427
Issuance of common stock	127,417	13	1,162,589	—	—	—	—	1,162,602
Comprehensive loss: Net loss	—	—	—	(4,262,741)	—	—	—	(4,262,741)
Unrealized loss on available for sale securities	—	—	—	—	—	4,625	—	4,625
Total Comprehensive Loss								(4,258,116)
Issuance of stock, options and warrants for services performed	1,729	—	18,390	—	—	—	—	18,390
Balance, December 31, 2004	12,812,559	$1,281	57,576,388	(55,185,366)	—	—	—	2,392,303

See accompanying notes to consolidated financial statements.

Statements of Cash Flows Years ended December 31	2004	2003	2002
Cash flows from operating activities:			
Net loss	$(4,262,741)	(4,772,308)	(3,951,116)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	82,736	112,092	114,170
Provision for uncollectible royalty receivables	32,522	50,000	—
Charge for reduction in value of investment in SPD Inc.	165,501	615,200	—
Expense relating to cashless exercise of stock options	15,707	40,987	—
Expense relating to issuance of stock, options and warrants for services performed	2,683	27,900	109,343
Impairment loss on marketable securities	12,500	—	37,500
Changes in assets and liabilities:			
Royalty receivables	72,825	(71,744)	(100,647)
Prepaid expenses and other current assets	21,670	(55,366)	107,389
Deferred revenue	(13,683)	11,683	(25,500)
Accounts payable and accrued expenses	261,210	(83,425)	43,103
Net cash used in operating activities	(3,609,070)	(4,124,981)	(3,665,758)
Cash flows from investing activities:			
Purchases of fixed assets	(67,962)	(47,155)	(35,367)
Proceeds from sale of available-for-sale securities	—	—	6,991,771
Proceeds from liquidation of SPD Inc.	44,203	—	—
Investment in SPD, Inc., at cost	—	(74,902)	—
Net cash (used in) provided by investing activities	(23,759)	(122,057)	6,956,404
Cash flows from financing activities:			
Proceeds from issuances of common stock and warrants	1,162,602	4,201,757	3,175,362
Repayment of principal on officer's loans	—	—	152,961
Purchase of treasury stock	—	—	(2,354,608)
Net cash provided by financing activities	1,162,602	4,201,757	973,715
Net (decrease) increase in cash and cash equivalents	(2,470,227)	(45,281)	4,264,361
Cash and cash equivalents at beginning of year	5,072,290	5,117,571	853,210
Cash and cash equivalents at end of year	$2,602,063	5,072,290	5,117,571

See accompanying notes to consolidated financial statements.

Notes to Financial Statements

1. 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; eyewear products; and flat panel displays for electronic products. SPD-Smart light control film is now being used in architectural, automotive, marine, aerospace and appliance applications.

The Company has historically utilized its cash and the proceeds from maturities of its investments to fund its research and development of SPD light valves 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. There can be no assurance 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 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.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents The Company considers securities purchased with original maturities of three months or less to be cash equivalents. Cash equivalents consist of short-term investments in money market accounts at December 31, 2004 and 2003.

Marketable Investment Securities Marketable investment securities at December 31, 2004 and 2003 consisted of an equity security. The Company classifies its securities into available-for-sale which are recorded at fair value with unrealized holding gains and losses excluded from earnings and are reported as a separate component of shareholders' equity until realized. Dividend and interest income are recognized when earned. Cost is maintained on a specific identification basis for purposes of determining realized gains and losses on sales of investments. A decline in the market value of any available-for-sale security below cost that is deemed to be other than temporary results in a reduction in carrying amount to fair market value. The impairment is charged to earnings and a new cost basis for this security is established. During the fourth quarter of 2002, the Company reduced the carrying amount of its equity security by $37,500 because of a sustained reduction in the market price of the stock. During the fourth quarter of 2004, the Company reduced the investment balance to $0 based upon a continued reduction in the market price of this equity security, and recorded a charge to net investment income of $12,500.

Royalties Receivable Royalties receivable are recorded at the amounts specified within the license agreements when the collectibility of the receivable is reasonably assured. The receivables do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing royalties receivable. The Company determines the allowance based on historical write off experience. The Company reviews its allowance for doubtful accounts periodically. Past due accounts are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Fixed Assets Fixed assets are carried at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

Fee Income Fee income represents amounts earned by the Company under various license and other agreements (note 10) relating to technology developed by the Company. During fiscal 2004, four licensees of the Company accounted for 25%, 19%, 13% and 12%, respectively of fee income recognized during the year. During fiscal 2003, four licensees of the Company accounted for 19%, 19%, 19% and 15%, respectively of fee income recognized during the year. During fiscal 2002, four licensees of the Company accounted for 23%, 23%, 17% and 11%, respectively of fee income recognized during the year.

Basic and Diluted Loss Per Common Share Basic earnings (loss) per share excludes any dilution. It is based upon the weighted average number of common shares outstanding during the period. Dilutive earnings (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 earnings (loss) per share equals basic earnings (loss) per share for each of the years in the three-year period ended December 31, 2004 because all common stock equivalents (i.e., options and warrants) were antidilutive in those periods. The number of options and warrants that was not included because their effect is antidilutive was 2,628,400, 2,686,975, and 2,662,950, for 2004, 2003, and 2002, respectively.

Research and Development Costs Research and development costs are charged to expense as incurred.

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

Use of Estimates The preparation of the Company's consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during this period. Significant items subject to such estimates and assumptions include the valuation of deferred income tax assets. Actual results could differ from those estimates.

Income Taxes Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Fair Value of Financial Instruments The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amounts of all financial instruments classified as a current asset or current liability are deemed to approximate fair value because of the short maturity of those instruments.

Stock-Based Compensation In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation as originally provided by SFAS No. 123, "Accounting for Stock-Based Compensation." Additionally, SFAS No. 148 amends the disclosure provisions of SFAS No. 123 to require prominent disclosure in both the annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The Company adopted the disclosure provisions of this statement in the fiscal quarter ended March 31, 2003.

The exercise price for stock options granted are generally set at the average of the high and low trading prices of the Company's common stock on the trading date immediately prior to the date of grant, and the related number of shares granted are fixed at the date of grant. Under the principles of APB Opinion No. 25, the Company does not recognize compensation expense associated with the grant of stock options. SFAS No. 123 requires the use of option valuation models to determine the fair value of options granted after 1995. Pro forma information regarding net loss and net loss per share shown below was determined as if the Company had accounted for its employee stock options and shares sold under its stock purchase plan under the fair value method set forth in SFAS No. 123.

The fair value of the options was estimated at the date of grant using a Black-Scholes option pricing model. For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options' vesting periods.

The following table illustrates the effect on net loss and earnings per share as if the fair value method had been applied:

	2004	2003	2002
Net loss, as reported	$(4,262,741)	$(4,772,308)	$(3,951,116)
Add: Stock-based employee compensation expense included in reported net loss	18,390	40,987	—
Deduct: Total stock-based employee compensation determined under fair-value based method for all awards	$(693,943)	(873,262)	(5,393,206)
Pro forma	$(4,938,294)	$(5,604,583)	$(9,344,322)
Basic and diluted net loss per common share As reported	$(0.33)	$(0.38)	$(0.33)
Pro forma	$(0.38)	$(0.45)	$(0.77)

The per share weighted average fair value of stock options granted during 2004, 2003, and 2002, was approximately $4.37, $7.45, and $7.41, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Expected Dividend Yield	Risk-Free Interest Rate	Expected Stock Volatility	Expected Life in Years
Grant Date				
January 2004	0 %	3.225%	79.580%	4.53
December 2004	0 %	3.521%	70.650%	4.53
June 2003	0 %	1.750%	82.050%	3.77
December 2002	0 %	3.268%	78.340%	3.77
September 2002	0 %	3.268%	78.340%	3.77
June 2002	0 %	3.754%	78.280%	3.77
September 2001	0 %	3.787%	90.190%	3.62
June 2001	0 %	4.768%	85.170%	3.62

Accumulated Other Comprehensive Income (loss) The change in accumulated other comprehensive income (loss) was a reclassification adjustment of $4,625 for the year-ended December 31, 2004 reflecting the write off of an equity investment for an other than temporary impairment (see note 2(b)).

The change in accumulated other comprehensive income (loss) was $3,375 for the year-ended December 31, 2003 for the unrealized holding losses on available-for-sale securities for the period, and $43,085 for the year ended December 31, 2002 which was comprised of reclassification adjustments for gains realized in net income of $80,585 and an impairment loss in the amount of $37,500 for a decline in value that is other than temporary.

Revenue Recognition The Company has entered into a number of license agreements covering its light control technology. The Company receives minimum annual royalties under certain license agreements and records fee income on a ratable basis each quarter. In instances when sales of licensed products by its licensees exceed minimum annual royalties, the Company recognizes fee income as the amounts have been 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. Such excess amounts are recorded as deferred revenue and recognized into income in future periods as earned.

Reclassifications During 2002, the Company has reclassified costs associated with patents and patent applications from research and development expenses to operating expenses. The amount of patent costs for the year ended December 31, 2002 was approximately $372,000.

Impairment of Long-Lived Assets In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company reviews long-lived assets to determine whether an event or change in circumstances indicates the carrying value of the asset may not be recoverable. The Company bases its evaluation on such impairment indicators as the nature of the assets, the future economic benefit of the assets and any historical or future profitability measurements, as well as other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, the Company determines whether an impairment has occurred through the use of an undiscounted cash flows analysis at the lowest level for which identifiable cash flows exist. If impairment has occurred, the Company recognizes a loss for the difference between the carrying amount and the fair value of the asset. Fair value is the amount at which the asset could be bought or sold in a current transaction between a willing buyer and seller other than in a forced or liquidation sale and can be measured as the asset's quoted market price in an active market or, where an active market for the asset does not exist, the Company's best estimate of fair value based on discounted cash flow analysis. Assets to be disposed of by sale are measured at the lower of carrying amount or fair value less estimated costs to sell. The implementation of SFAS No. 144 had no impact on the Company's financial position or results of operations.

3. Investment in SPD Inc.

During the second quarter of 2001, the Company, through its wholly-owned subsidiary, SPD Enterprises, Inc., invested approximately $750,000 for a minority equity interest in SPD Inc., a subsidiary of Hankuk Glass Industries Inc., Korea's largest glass manufacturer, which was dedicated exclusively to the production of suspended particle device (SPD) light-control film and a wide variety of end-products using SPD film. In April 2003, the Company's wholly-owned subsidiary, SPD Enterprises, Inc., invested $74,902 in SPD Inc., raising its equity ownership from 6.67% to 6.91%. SPD Inc.'s parent company invested at the same time and at the same price, $748,931, raising its equity ownership in SPD Inc. from 66.67% to 69.09%. During 2003, the Company recorded total non-cash accounting charges of $615,200 against income to reflect a reduction in the value of its investment in SPD Inc. These non-cash charges were determined as follows: During the first quarter of 2003, the Company recorded a non-cash charge against income of $255,200 to reflect a reduction in the value of its investment in SPD Inc. determined based upon the April 2003 financing, and the Company recorded a further non-cash charge against income of $360,000 as of the end of 2003 to reflect a reduction in the value of its investment in SPD Inc. determined based upon its review of the financial position and results of operations of SPD Inc. as of and for the year ended December 31, 2003. On April 28, 2004, SPD Inc. informed the Company that it was planning to sell its equipment and other assets and cease its business activities. As a result, the Company wrote off its entire remaining investment in SPD Inc. of $209,704 in the first quarter of 2004. During the fourth quarter of 2004, the Company received a payment of $44,203 as part of a liquidation distribution made by SPD Inc. to its shareholders, resulting in a total net non-cash charge against income of $165,501 in 2004. The Company's license agreement with Hankuk Glass Industries provided for the payment of minimum annual royalties to the Company in 2002 and 2003. These amounts were all paid in full in 2004.

4. Marketable Investment Securities

The fair value of marketable investment securities is based upon quoted market prices. The amortized cost, gross unrealized holding gains and fair value for the Company's investment security at December 31, 2003 were as follows:

	Amortized Cost	Gross Unrealized Holding Gains	(Losses)	Fair Value
Available-for-sale securities:				
Equity security available-for-sale	$12,500	—	($4,625)	$7,875

During the fourth quarter of 2004, the Company charged the remaining value ($7,875) of this security to net investment income as the result of an impairment that was deemed other than temporary.

5. Notes Receivable from Officers

During the fourth quarter of 2002, executive officers Joseph M. Harary and Robert L. Saxe repaid loans made previously by the Company in the principal amount of $152,961, plus all accrued interest through the date of payment. These loans were repaid in cash by these individuals. In connection with the aforementioned loan repayments, the Company recorded $64,608 in interest income in 2002.

6. Fixed Assets

Fixed assets and their estimated useful lives, are as follows:

	2004	2003	Estimated useful life
Equipment and furniture	$1,167,771	1,126,348	5 years
Leasehold improvements	309,199	282,660	Life of lease or estimated life if shorter
	1,476,970	1,409,008	
Less accumulated depreciation and amortization	1,355,866	1,273,130	
	$ 121,104	135,878	

7. Accrued Expenses and Other

Accrued expenses consist of the following at December 31, 2004 and 2003:

	2004	2003
Payroll, bonuses and related benefits	$103,406	56,269
Professional services	206,674	38,450
Deferred rent	10,691	—
Other	21,159	16,620
	$341,930	111,339

8. Income Taxes

There was no income tax expense in 2004, 2003 and 2002 due to losses incurred by the Company.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2004 and 2003 are presented below.

	2004	2003
Deferred tax assets:		
Depreciation	$ 100,000	78,615
Impairment of investment	0	246,080
Capital loss carryforward	312,000	0
Allowance for bad debts	33,000	0
Net operating loss carryforwards	17,118,000	15,823,741
Research and other credits	951,000	939,962
Other temporary differences	15,000	0
Total gross deferred tax assets	18,529,000	17,088,398
Less valuation allowance	18,529,000	17,088,398
	$ —	$ —

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon future taxable income during the period in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon its historical operating losses, the Company believes that it is more likely than not that deferred tax assets will not be realized. Accordingly, the Company has recorded a full valuation allowance against the deferred tax assets, as they will not be realized unless the Company achieves profitable operations in the future.

At December 31, 2004, the Company had a net operating loss carryforward for federal income tax purposes of $42,796,000, varying amounts of which will expire in each year from 2005 through 2024. Research and other credit carryforwards of $951,000 are available to the Company to reduce income taxes payable in future years principally through 2024. Net operating loss carryforwards of $702,000 and research and other credit carryforwards of $38,000 are scheduled to expire during fiscal 2005, if not utilized.

9. Shareholders' Equity

Sale of Common Stock and Warrants During 2002, the Company received $3,175,362 of net cash proceeds from (i) the issuance of 33,875 shares of common stock issued upon the exercise of options resulting in net proceeds of $243,767; (ii)253,500 shares of common stock issued upon the exercise of warrants, principally related to the Class A Warrant, resulting in net proceeds of $2,728,084; and (iii) $164,311 of cash received in early January for the settlement of a warrant exercised in late December 2001. In addition, 2,816 shares with a value of $39,200 were delivered to the Company and immediately retired in payment of the exercise price of options to purchase 10,500 shares, and 250 shares of common stock were issued in connection with the acquisition by the Company of the domain name "SmartGlass.com" resulting in non-cash marketing expenses of $1,518.

During 2003, the Company received $4,201,757 of net cash proceeds from (i) the issuance of 25,000 shares of common stock of the Company (along with a ten-year warrant to purchase 25,000 shares of common stock of the Company at an exercise price of $9.00 per share) in a private placement to a director of the Company resulting in net proceeds of $165,000; (ii) 364,300 shares of common stock issued upon the exercise of warrants resulting in net proceeds of $3,527,148; and (iii) the issuance of 69,475 shares of common stock issued upon the exercise of options resulting in net proceeds of $509,590. In addition, 3,754 shares were issued through the cashless exercise of certain options and warrants, resulting in non-cash directors expense of $40,987 being recorded, and 9,995 shares with a value of $108,995 were delivered to the Company and immediately retired in payment of the exercise price of options to purchase 15,000 shares.

During 2004, the Company received $1,162,602 of net cash proceeds from the issuance of (i) 104,917 shares of common stock issued upon the exercise of warrants resulting in net proceeds of $987,037; and (ii) 22,500 shares of common stock issued upon the exercise of options resulting in net proceeds of $175,565. In addition, 1,729 shares were issued through the cashless exercise of an option to purchase 17,500 shares. In connection therewith, the Company recorded a non-cash compensation expense of $15,707 in 2004.

Options and Warrants / *Options* In 1992, the shareholders approved a stock option plan (1992 Stock Option Plan) which provides for the granting of both incentive stock options at the fair market value at the date of grant and nonqualified stock options at or below the fair market value at the date of grant to employees or non-employees who, in the determination of the Board of Directors, have made or may make significant contributions to the Company in the future. The Company initially reserved 468,750 shares of its common stock for issuance under this plan. In 1994 and 1996, the Company's shareholders approved an additional 300,000 shares and 450,000 shares, respectively, for issuance under this plan. As of December 31, 2001, no options were available for issuance under this Plan and this Plan expired during 2002.

In 1998, the shareholders approved a stock option plan (1998 Stock Option Plan) which provides for the granting of both incentive stock options at the fair market value at the date of grant and nonqualified stock options at or below the fair market value at the date of grant to employees or non-employees who, in the determination of the Board of Directors, have made or may make significant contributions to the Company in the future. The Company may also award stock appreciation rights or restricted stock under this plan. The Company initially reserved 540,000 shares of its common stock for issuance under this plan. In 1999, the Company's shareholders approved an additional 545,000 shares for issuance under this Plan, and in each of 2000 and 2002, the Company's shareholders approved an additional 600,000 shares for issuance under this Plan. As of December 31, 2004, awards for 410,072 shares of common stock were available for issuance under this Plan.

At the discretion of the Board of Directors, options expire in ten years or less from the date of grant and are generally fully exercisable upon grant but in some cases may be subject to vesting in the future. Full payment of the exercise price may be made in cash or in shares of common stock valued at the fair market value thereof on the date of exercise, or by agreeing with the Company to cancel a portion of the exercised options. When an employee exercises a stock option through the surrender of options held, rather than of cash for the option exercise price, compensation expense is recorded in accordance with APB Opinion No. 25. Accordingly, compensation expense is recorded for the difference between the quoted market value of the Company's common stock at the date of exchange and the exercise price of the option. During 2004 and 2003, the Company recorded non-cash expenses of $15,707 and $40,987, respectively, related to cashless exercises of options.

Activity in stock options is summarized below:

	Number of Shares Subject to Option	Weighted Average Exercise Price
Balance at December 31, 2001	2,312,125	$11.88
Granted	168,000	$12.76
Cancelled	—	—
Exercised	(44,375)	$ 6.38
Balance at December 31, 2002	2,435,750	$12.04
Granted	86,500	$12.62
Cancelled	(3,000)	$15.41
Exercised	(84,475)	$ 7.32
Balance at December 31, 2003	2,434,775	$12.22
Granted	148,750	$7.34
Cancelled	(134,325)	$9.16
Exercised	(40,000)	$7.97
Balance at December 31, 2004	2,409,200	$12.16

The following table summarizes information about stock options at December 31, 2004:

Range of Exercise Price	Options Out-standing	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Shares Exercis-able	Weighted Average Exercise Price
$3.00—$6.00	86,800	2.44	$ 6.00	86,800	$ 6.00
$6.01—$7.50	704,850	4.23	$ 7.12	704,850	$ 7.12
$7.51—$9.00	469,800	4.44	$ 8.38	469,800	$ 8.38
$9.01—$12.00	290,400	5.22	$ 10.18	290,400	$10.18
$12.01—$15.00	411,050	6.17	$13.32	411,050	$13.32
$15.01—$19.00	111,000	5.91	$18.99	104,000	$19.00
$19.01—$37.03	335,300	6.20	$27.72	335,300	$27.72
	2,409,200	5.01	$12.16	2,402,200	$12.14

During 2004, the Company issued options to a consultant to purchase 750 shares of common stock at an exercise price of $6.175 per share. The Company recorded $2,683 of non-cash expense in connection with the issuance of these options.

During 2003, the Company issued options to a consultant to purchase 5,000 shares of common stock at an exercise price of $9.54 per share. The Company recorded $27,900 of non-cash expense in connection with the issuance of these options.

During 2002, the Company issued options to its five Advisory Board members to purchase a total of 5,000 shares of common stock at an exercise price of $12.775 per share. The Company recorded $37,050 of non-cash expense with the issuance of these options. In addition, the Company issued options to purchase 1,250 shares of common stock in connection with the acquisition by the Company of the domain name "SmartGlass.com,"and for web design services, resulting in non-cash marketing expense of $6,775. The fair value of options described above was determined using the Black-Scholes option pricing model.

Warrants Activity in warrants is summarized below, excluding the effect of the warrants discussed in note 9:

	Number of Shares Underlying Warrants Granted	Exercise Price
Balance at December 31, 2001	225,700	$5.88–13.50
Exercised	(8,500)	7.99–8.98
Terminated	—	—
Issued	10,000	2.19
Balance at December 31, 2002	227,200	5.88–13.50
Exercised	—	—
Terminated	—	—
Issued	25,000	9.00
Balance at December 31, 2003	252,200	5.88–13.50
Exercised	5,500	5.88
Terminated	(27,500)	5.88–9.35
Issued	–	–
Balance at December 31, 2004	219,200	5.88–13.50

Warrants generally expire from two to ten years from the date of issuance. At December 31, 2004, the number of warrants exercisable was 214,200 at a weighted average exercise price of $8.48 per share.

During 2003, a warrant to purchase 25,000 shares of common stock at an exercise price of $9.00 per share was issued to a director of the Company in connection with a private placement.

During 2002, the Company issued warrants to SPD Inc. to purchase 10,000 shares of common stock at an exercise price of $12.19 per share as an award for being the first licensee of the Company to produce and sell commercial quantities of SPD film. The Company recorded $64,000 of non-cash expense in connection with the issuance of these warrants.

Treasury Stock The Company did not repurchase any of its stock during 2004 or 2003. During 2002, the Company purchased in the open market and subsequently retired 187,625 shares of treasury stock with an aggregate cost of $2,315,408. In addition, 2,816 shares with a value of $39,200 was delivered to the Company and immediately retired in payment of the exercise price of options to purchase 10,500 shares.

Class A and Class B Warrants On October 1, 1998, the Company announced that Ailouros Ltd., a London-based institutional money management fund, committed to purchase up to $15 million worth of common stock of the Company through December 31, 2001. This commitment was in the form of a Class A Warrant issued to Ailouros Ltd. which gave the Company the option in any three-month period to deliver a put notice to Ailouros requiring them to purchase an amount of common stock specified by the Company at a price equal to the greater of (A) 92% of the seven-day average trading price per share of common stock, or (B) a minimum or "floor" price per share set by the Company from time to time. The pricing was initially subject to an overall cap of $15 per share, which cap was subsequently eliminated by mutual agreement so that the Company could put stock to Ailouros at selling prices in excess of $15 per share. The Company was not required to sell any shares under the agreement. Before the beginning of each of a series of three-month periods specified by the Company, the Company determined the amount of common stock that the Company wished to issue during such three-month period. The Company also set the minimum selling or "floor" price, which could be reset by the Company in its sole discretion prior to the beginning of any subsequent three-month period. Therefore, at the beginning of each three-month period, the Company could determine how much common stock, if any, was to be sold (the amount of which could range from $0 to $1.5 million during such three-month period), and the minimum selling price per share. In March 2000, Ailouros agreed to expand its commitment beyond the original $15 million, thereby giving the Company the right to raise additional funds from Ailouros so long as the Company did not have to issue more shares than were originally registered with the Securities and Exchange Commission, and in December 2001 the expiration date of the Class A Warrant was extended to December 31, 2003. In December 2003, this expiration date for the Class A Warrant was further extended to December 31, 2005. As of March 15, 2004, no shares remained registered for future issuance under the Class A Warrant.

In connection with the financing, the Company also issued Ailouros Ltd. a Class B Warrant which expires on September 30, 2008. The Class B Warrant is exercisable at $8.25 per share which represents 120% of average of the closing bid and ask price of the Company's common stock on the date of the Class B Warrant's issuance. The Class B Warrant is exercisable into 65,500 shares. Ailouros paid the Company $10,000 upon issuance of the Class A Warrant and the Class B Warrant.

10. License and Other Agreements

The Company has entered into a number of license agreements covering various products using the Company's SPD technology. Licensees of Research Frontiers who incorporate SPD technology into end products will pay Research Frontiers an earned royalty of 5-15% of net sales of licensed products under license agreements currently in effect, and may also be required to pay Research Frontiers fees and minimum annual royalties. To the extent that products have been sold resulting in earned royalties under these license agreements in excess of these minimum advance royalty payments, the Company has recorded additional royalty income. Licensees who sell products or components to other licensees of Research Frontiers do not pay a royalty on such sale and Research Frontiers will collect such royalty from the licensee incorporating such products or components into their own end-products. Research Frontiers' license agreements typically allow the licensee to terminate the license after some period of time, and give Research Frontiers only limited rights to terminate before the license expires. Most licenses are non-exclusive and generally last as long as our patents remain in effect. To date, revenues from license agreements have not been sufficient to fund the Company's costs of operation.

11. Commitments

The Company has an employment agreement with one of its officers which provides for an annual base salary of $436,968 through December 31, 2005.

The Company has a defined contribution profit sharing (401K) plan covering employees who have completed one year of service. Contributions are made at the discretion of the Company. The Company did not make any contributions to this plan for 2004, 2003 or 2002.

The Company occupies premises under an operating lease agreement which expires on January 31, 2014 and requires minimum annual rent which rises over the term of the lease to approximately $138,000. At December 31, 2004, the approximate minimum annual future rental commitment under this lease for the next five years are as follows:

2005: $119,000
2006: $121,000
2007: $124,000
2008: $126,000
2009: $129,000
Thereafter: $538,000

Rent expense, including other occupancy related expenses, amounted to approximately $168,000, $152,000, and $148,000, for 2004, 2003, and 2002, respectively.

12. Rights Plan

In February 2003, the Company's Board of Directors adopted a Stockholders' Rights Plan and declared a dividend distribution of one Right for each outstanding share of Company common stock to stockholders of record at the close of business on March 3, 2003. Subject to certain exceptions listed in the Rights Plan, if a person or group has acquired beneficial ownership of, or commences a tender or exchange offer for, 15% or more of the Company's common stock, unless redeemed by the Company's Board of Directors, each Right entitles the holder (other than the acquiring person) to purchase from the Company $120 worth of common stock for $60. If the Company is merged into, or 50% or more of its assets or earning power is sold to, the acquiring company, the Rights will also enable the holder (other than the acquiring person) to purchase $120 worth of common stock of the acquiring company for $60. The Rights will expire at the close of business on February 18, 2013, unless the Rights Plan is extended by the Company's Board of Directors or unless the Rights are earlier redeemed by the Company at a price of $.0001 per Right. The Rights are not exercisable during the time when they are redeemable by the Company.

13. Selected Quarterly Financial Data (Unaudited)

Quarters in 2004	First	Second	Third	Fourth
Fee income	$37,319	$56,008	$41,648	$66,346
Operating loss	(1,335,797)	(1,013,267)	(879,020)	(1,052,254)
Net loss	(1,328,814)	(1,007,038)	(870,809)	(1,056,080)
Basic and diluted net loss per common share (1)	(.10)	(.08)	(.07)	(.08)
Quarters in 2003	**First**	**Second**	**Third**	**Fourth**
Fee income	$86,128	$63,189	$80,308	$28,562
Operating loss	(1,322,764)	(1,068,785)	(937,918)	(1,473,616)
Net loss	(1,312,927)	(1,061,590)	(931,185)	(1,466,606)
Basic and diluted net loss per common share (1)	(.11)	(.09)	(.07)	(.11)

(1) Since per share information is computed independently for each quarter and the full year, based on the respective average number of common shares outstanding, the sum of the quarterly per share amounts does not necessarily equal the per share amounts for the year.

14. Subsequent Event

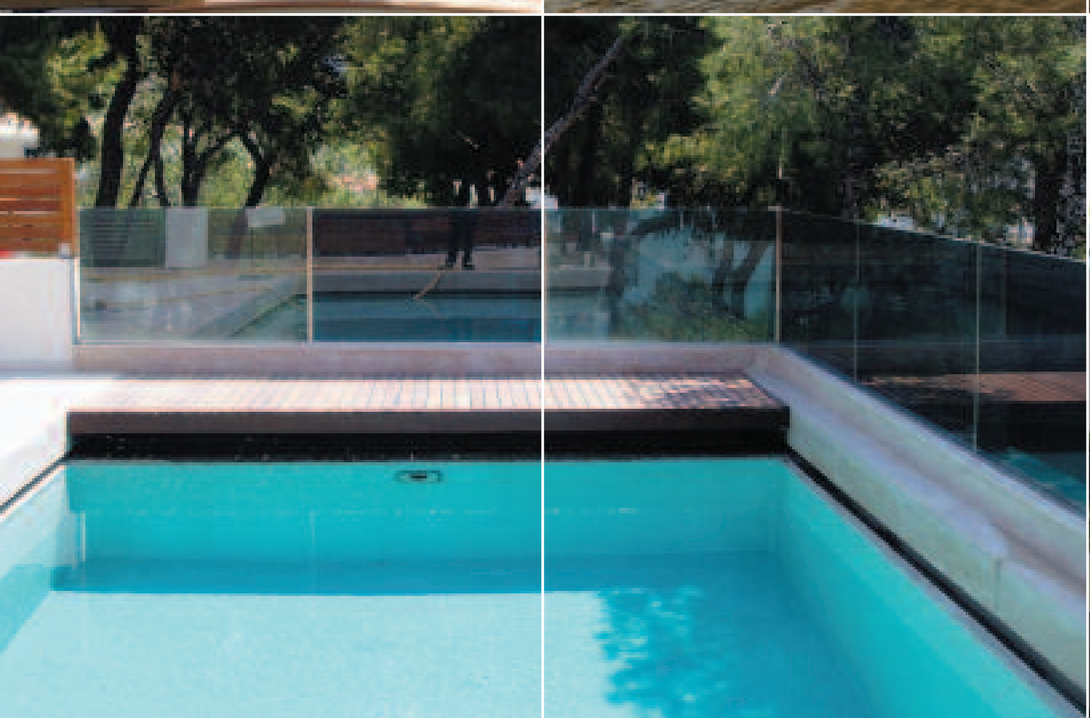
In February 2005, the Company raised $5 million in net proceeds in connection with the registered sale to institutional investors of one million shares of its common stock and the issuance of five-year warrants to purchase 200,000 shares of common stock at an exercise price of $7.50 per share.

Corporate Directory

Officers and Directors	**Robert L. Saxe** Chairman of the Board of Directors Chief Executive Officer *Saxe@SmartGlass.com*
	Joseph M. Harary Director, President and Chief Operating Officer General Counsel, Treasurer, Assistant Secretary *Harary@SmartGlass.com*
	Michael R. LaPointe Vice President–Marketing *LaPointe@SmartGlass.com*
	Robert M. Budin Director
	Victor F. Keen Director, Corporate Secretary
	Albert P. Malvino Director
Investor Relations	**Patricia A. Bryant** Manager of Investor Relations *Bryant@SmartGlass.com*
Patent Counsel	**Ostrolenk, Faber, Gerb & Soffen, LLP** 1180 Avenue of the Americas New York NY 10036
Auditors	**BDO Seidman, LLP** 401 Broadhollow Road, 2nd floor Melville NY 11747
Transfer Agent and Registrar	**Continental Stock Transfer & Trust Company** 17 Battery Place, 8th floor New York NY 10004 *www.continentalstock.com*
Headquarters	**Research Frontiers Incorporated** 240 Crossways Park Drive Woodbury NY 11797-2033 Tel: 516.364.1902 / 888.SPD.REFR Fax: 516.364.3798 info@SmartGlass.com www.SmartGlass.com








Research Frontiers Incorporated
240 Crossways Park Drive
Woodbury NY 11797-2033

Tel: 516.364.1902 / 888.SPD.REFR
Fax: 516.364.3798
info@SmartGlass.com
www.SmartGlass.com

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