Section 1: 10-Q

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

FORM 10-Q

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

For the quarter ended March 31, 2019 Commission File Number 000-14893

RESEARCH FRONTIERS INCORPORATED

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act: Title of Class	Name of Exchange on Which Registered
Common Stock, $0.0001 Par Value	The NASDAQ Stock Market

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

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

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

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

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

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

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ]
Smaller reporting company [X] Emerging growth company [ ]

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of May 13, 2019, there were outstanding 28,666,831shares of Common Stock, par value $0.0001 per share.

TABLE OF CONTENTS	Page(s)

RESEARCH FRONTIERS INCORPORATED
Consolidated Balance Sheets
(Unaudited)

	March 31, 2019 Unaudited	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 3,338,513	$ 2,969,416
Royalties receivable, net of reserves of $1,094,774 at March 31, 2019 and December 31, 2018	764,362	689,677
Prepaid expenses and other current assets	151,444	52,729
Total current assets	4,254,319	3,711,822
Fixed assets, net	268,812	313,177
Operating lease Right of Use assets	897,322	-
Deposits and other assets	33,567	33,567
Total assets	$ 5,454,020	$ 4,058,566
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of operating lease liability	$ 158,105	$ -
Accounts payable	70,007	133,486
Accrued expenses and other	92,134	273,606
Deferred revenue	51,221	50,570
Total current liabilities	371,467	457,662
Operating lease liability, net of current portion	936,174	-
Warrant liability	749,004	501,414
Total liabilities	2,056,645	959,076
Shareholders' equity:		
Common stock, par value $0.0001 per share; authorized 100,000,000 shares, issued and outstanding 28,666,831 as of March 31, 2019 and 27,665,211 as of December 31, 2018	2,867	2,767
Additional paid-in capital	115,889,339	114,787,657
Accumulated deficit	(112,494,831)	(111,690,934)
Total shareholders' equity	3,397,375	3,099,490
Total liabilities and shareholders' equity	$ 5,454,020	$ 4,058,566

See accompanying notes to consolidated financial statements.

RESEARCH FRONTIERS INCORPORATED
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Fee income	$ 418,657	$ 433,269
Operating expenses	751,166	1,009,825
Research and development	229,963	218,616
Total Expenses	981,129	1,228,441
Operating loss	(562,472)	(795,172)
Warrant market adjustment	(247,590)	-
Net investment income	6,165	1,405
Net loss	(803,897)	(793,767)
Basic and diluted net loss per common share	$ (0.03)	$ (0.03)
Weighted average number of common shares outstanding	28,221,975	24,691,996

See accompanying notes to consolidated financial statements.

RESEARCH FRONTIERS INCORPORATED
Consolidated Statements of Shareholders' Equity
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2017	24,043,846	$ 2,404	$ 111,627,789	$ (109,062,827)	$ 2,567,366
Adoption of ASC 606				58,021	58,021
Issuance of capital stock	1,388,893	139	1,249,861		1,250,000
Net Loss	-	-	-	(793,767)	(793,767)
Balance, March 31, 2018	25,432,739	$ 2,543	$ 112,877,650	$ (109,798,573)	$ 3,081,620
Balance, December 31, 2018	27,665,211	$ 2,767	$ 114,787,657	$ (111,690,934)	$ 3,099,490
Exercise of options and warrants	1,001,620	100	1,101,682		1,101,782
Net Loss				(803,897)	(803,897)
Balance, March 31, 2019	28,666,831	$ 2,867	$ 115,889,339	$ (112,494,831)	$ 3,397,375

RESEARCH FRONTIERS INCORPORATED
Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended March 31, 2019	2018
Cash flows from operating activities:		
Net loss	$ (803,897)	$ (793,767)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	48,919	44,879
Warrant market adjustment	247,590	-
Change in assets and liabilities:		
Royalty receivables	(74,685)	(81,741)
Prepaid expenses and other current assets	(98,715)	(61,355)
Accounts payable and accrued expenses	(52,414)	53,765
Deferred revenue	651	152,316
Net cash used in operating activities	(732,551)	(685,903)
Cash flows from investing activities:		
Purchases of fixed assets	(134)	(5,399)
Net cash used in investing activities	(134)	(5,399)
Cash flows from financing activities:		
Net proceeds from issuances of common stock and warrants and exercise of options and warrants	1,101,782	1,250,000
Net cash provided by financing activities	1,101,782	1,250,000
Net increase in cash and cash equivalents	369,097	558,698
Cash and cash equivalents at beginning of period	2,969,416	1,737,847
Cash and cash equivalents at end of period	$ 3,338,513	$ 2,296,545
Supplemental disclosure of non-cash activities:		
Right of use assets obtained in connection with the adoption of FASB ASC 842	941,284	-

See accompanying notes to consolidated financial statements.

Note 1. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2019. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K relating to Research Frontiers Incorporated (the "Company") for the fiscal year ended December 31, 2018.

Note 2. Business

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

The Company has historically utilized its cash, cash equivalents, short-term investments, and the proceeds from the sale of its investments to fund its research and development of SPD light valves, for marketing initiatives, and for other working capital purposes. The Company's working capital and capital requirements depend upon numerous factors, including the results of research and development activities, competitive and technological developments, the timing and cost of patent filings, and the development of new licensees and changes in the Company's relationships with its existing licensees. The degree of dependence of the Company's working capital requirements on each of the foregoing factors cannot be quantified; increased research and development activities and related costs would increase such requirements; the addition of new licensees may provide additional working capital or working capital requirements, and changes in relationships with existing licensees would have a favorable or negative impact depending upon the nature of such changes. We have incurred recurring losses since inception and expect to continue to incur losses as a result of costs and expenses related to our research and continued development of our SPD technology and our corporate general and administrative expenses. Our limited capital resources and operations to date have been substantially funded through sales of our common stock, exercise of options and warrants and royalty fees collected. As of March 31, 2019, we had working capital of approximately $3.9 million, cash of approximately $3.3 million, shareholders' equity of approximately $3.4 million and an accumulated deficit of approximately $112.5 million. Our quarterly projected cash flow shortfall, based on our current operations adjusted for any non-recurring cash expenses for the next 12 months, is approximately $450,000 per quarter. We may eliminate some operating expenses in the future, which will further reduce our cash flow shortfall if needed. We expect to have sufficient working capital for the next 18 months of operations. Since last year we have reduced our cash shortfall and are working to further reduce it and may seek new sources of financing.

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

Note 3. Recently Adopted Accounting Pronouncement

Effective January 1, 2019, the Company adopted the Financial Accounting Standards Board's Standard, *Leases (Topic 842)*, as amended. The standard requires all leases to be recorded on the balance sheet as a right of use asset and a lease liability. The standard provides practical expedients in order to simplify adoption, including the following:

- An entity need not reassess whether any expired or existing contracts are or contain leases.
- An entity need not reassess the lease classification for any expired or existing leases. Instead, any leases previously classified as operating leases will continue to be classified as operating leases, while any leases previously classified as capital leases will be classified as finance leases.
- An entity need not reassess initial direct costs for any leases.

The Company used the above practical expedients as the transition method in the application of the new lease standard at January 1, 2019. The Company applied a policy election to exclude short-term leases from balance sheet recognition and also elected certain practical expedients at adoption. As permitted, the Company did not reassess whether existing contracts are or contain leases, the lease classification for any existing leases, initial direct costs for any existing lease, which were not previously accounted for as leases, are or contain a lease. At adoption on January 1, 2019, an operating lease liability of $1,134,000 and an operating lease right of use asset of $941,000 was recorded. The operating lease liability was $193,000 more than the operating lease right of use asset due to unamortized lease incentive from periods prior to the adoption of the new lease standard. There was no cumulative earnings effect adjustment.

Note 4. Patent Costs

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

Note 5. Revenue Recognition

In May 2014, the FASB issued guidance on revenue recognition (ASC 606). The standard provides a single comprehensive revenue recognition model for all contracts with customers and supersedes existing revenue recognition guidance. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services.

This new ASC 606 guidance was adopted by the Company beginning January 1, 2018. ASC 606 was applied using the modified retrospective method, with the cumulative effect of the initial adoption being recognized as an adjustment to opening retained earnings at January 1, 2018.

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

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

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

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

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

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

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

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

The Company does not have any contract assets under ASC 606 as of March 31, 2019.

Certain of the contract fees are accrued by, or paid to, the Company in advance of the period in which they are earned resulting in deferred revenue. Such excess amounts are recorded as deferred revenue and are recognized into income in future periods as earned.

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

As of March 31, 2019, the Company has six license agreements that are in their initial multiyear term ("Initial Term") with continuing performance obligations going forward. The Initial Term of four of these agreements will end as of December 31, 2019, one will end as of December 31, 2021, and one will end as of December 31, 2022. The Company currently expects that all six of these agreements will renew annually at the end of the Initial Term. As of March 31, 2019, the aggregate amount of the revenue to be recognized upon the satisfaction of the remaining performance obligations for the six license agreements is $309,867. The revenue for these remaining performance obligations for each of the six license agreements is expected to be recognize evenly throughout their remaining period of the Initial Term.

As of March 31, 2018, the Company had five license agreements that are in their initial multiyear term ("Initial Term") with continuing performance obligations going forward. The Initial Term of three of these agreements will end as of December 31, 2019, one will end as of December 31, 2021, and one will end as of December 31, 2022. The aggregate amount of the revenue to be recognized as of March 31, 2018 upon the satisfaction of the remaining performance obligations for the four license agreements is $364,812. The revenue for these remaining performance obligations for each of the five license agreements is expected to be recognize evenly throughout their remaining period of the Initial Term.

Note 6. Fee Income

Fee income represents amounts earned by the Company under various license and other agreements relating to technology developed by the Company. During the first three months of 2019, five licensees accounted for 10% or more of fee income of the Company; these licensees accounted for approximately 31%, 14%, 13%, 11 and 10%, respectively, of fee income recognized during such period. During the first three months of 2018, four licensees accounted for 10% or more of fee income of the Company; these licensees accounted for approximately 33%, 14%, 12% and 11%, respectively, of fee income recognized during this period.

Note 7. Stock-Based Compensation

The Company has granted options/warrants to consultants. GAAP requires that all stock-based compensation be recognized as an expense in the financial statements and that such costs be measured at the fair value of the award at the date of grant. These awards generally vest ratably over 12 to 60 months from the date of grant and the Company charges to operations quarterly the current market value of the options using the Black-Scholes method. During the three months ended March 31, 2019 and 2018 there were no charges related to options granted to consultants.

The Company did not grant any stock options to employees and directors during the three months ended March 31, 2019 and 2018.

There was no compensation expense recorded relating to restricted stock grants to employees and directors during the three months ended March 31, 2019 and 2018.

Note 8. Income Taxes

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

Note 9. Basic and Diluted Loss Per Common Share

Basic loss per share excludes any dilution. It is based upon the weighted average number of common shares outstanding during the period. Dilutive loss per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. The Company's dilutive loss per share equals basic loss per share for the periods ended March 31, 2019 and 2018 respectively because all common stock equivalents (*i.e.*, options and warrants) were antidilutive in those periods. The number of options and warrants that were not included (because their effect is antidilutive) was 2,752,766 and 2,825,803 for the three months ended March 31, 2019 and 2018.

Note 10. Equity

During the three months ended March 31, 2019, the Company received $1,101,782 in proceeds from the exercise of outstanding warrants and issued 1,001,620 shares of its capital stock in connection with these exercises.

On or around February 16, 2018, a small group of long-time shareholders of the Company who are accredited investors made an interest-free five-year convertible loan of $1.25 million to the Company which, upon the occurrence of certain conditions which have already occurred, automatically converted into 1,388,893 shares of common stock at a price equal to the market price of the Company's common stock when the loan was made, plus warrants expiring February 28, 2023 to purchase 1,388,893 shares of common stock at an exercise price of $1.10, $1.20 or $1.35 per share depending on the exercise date. No payments are due on this note during its five-year term or after conversion into equity. On April 23, 2018, Research Frontiers Incorporated filed a prospectus supplement relating to the issuance and sale of the above common stock and warrant securities with the Securities and Exchange Commission. The Company recorded this transaction as an equity transaction whereby the proceeds were accounted for as the issuance of the Company's common stock on the date that the proceeds were received.

On September 7, 2018, the Company announced that it had sold common stock to a group of investors led by Gauzy Ltd., a licensee of the Company's SPD technology. The aggregate proceeds from these stock offerings was $2,000,000. At the closing, the investors received 2,173,916 shares of Research Frontiers common stock at a price of $0.92 per share, as well as five-year warrants to purchase 1,086,957 shares of Research Frontiers common stock at an exercise price of $1.10, $1.20 or $1.38 per share depending on the exercise date. In connection with the issuance of certain of these warrants during the third quarter of 2018, the Company recorded $223,370 as a warrant liability upon the issuance of these warrants on August 13, 2018 and recorded a non-cash accounting expense of $278,044 to mark the warrants to their estimated market value as of December 31, 2018. This resulted in a liability of $501,414 recorded on the Company's December 31, 2018 balance sheet. During the three months ended March 31, 2019, the Company recorded a non-cash accounting expense of $247,590 to mark the warrants to their estimated market value as of March 31, 2019.

The Company did not sell any equity securities during the three ended March 31, 2019 and 2018 respectively.

Note 11. Leases

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

The Company has operating leases for certain facilities, vehicles and equipment with a weighted average remaining lease term of 5.9 years. Operating leases are included in right of use lease assets, other current liabilities and long-term lease liabilities on the Condensed Consolidated Balance Sheet. Right of use lease assets and liabilities are recognized at each lease's commencement date based on the present value of its lease payments over its respective lease term. The Company does not have an established incremental borrowing rate as its does not have any debt. The Company uses the stated borrowing rate for a lease when readily determinable. When the interest rates implicit in its lease agreements is not readily determinable, the Company used an interest rate based on the marketplace for public debt. The weighted-average discount rate associated with operating leases as of March 31, 2019 is 5.5%.

Operating lease expense for the three months ended March 31, 2019 was approximately $44,000 as compared to approximately $45,000 under the accounting standards in effect for the period ended March 31, 2018. The Company has no material variable lease costs or sublease income for the three months ended March 31, 2019. Subsequent to the Company's adoption of the new lease accounting guidance on January 1, 2019, the Company recorded new right of use lease assets of approximately $0.9 million and associated lease liabilities of approximately $1.1 million.

Maturities of operating lease liabilities as of March 31, 2019 were as follows:

		March 31, 2019
For the remainder of 2019	$	161,698
For the year ended December 31, 2020		213,146
For the year ended December 31, 2021		207,229
For the year ended December 31, 2022		213,320
For the year ended December 31, 2023		217,151
For the year ended December 31, 2024 and beyond		277,743
Total lease payments		1,290,287
Less: imputed lease interest		(196,008)
Present value of lease liabilities	$	1,094,279

Pursuant to the Company's adoption of the new lease accounting guidance, comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. As previously disclosed in its Annual Report filed on Form 10-K for the year ended December 31, 2018, the following table presents the Company's future minimum rental commitments under operating leases as of December 31, 2018:

Year		Amount
2019	$	191,000
2020	$	197,000
2021	$	203,000
2022	$	209,000
Thereafter:	$	493,000

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 adopted ASC 606, the new revenue recognition standard, beginning January 1, 2018. The Company determined that its license agreements provide for three performance obligations: (i) Grant of Use, (ii) Technical Support, and (iii) New Improvements.

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

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

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

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

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

The Company 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 accounting for equity instruments that are issued to other than employees for acquiring, or in conjunction with selling, goods or services, the Company is required to record consulting expenses based upon the fair value of such options or warrants on the earlier of the service period or the period that such options or warrants vest as determined using a Black-Scholes option pricing model and are marked to market quarterly using the Black-Scholes option valuation model.

Effective January 1, 2019, the Company adopted the Financial Accounting Standards Board's Standard, *Leases (Topic 842)*, as amended. The standard requires all leases to be recorded on the balance sheet as a right of use asset and a lease liability. The Company used a transition method that applies the new lease standard at January 1, 2019. The Company applied a policy election to exclude short-term leases from balance sheet recognition and also elected certain practical expedients at adoption. As permitted, the Company did not reassess whether existing contracts are or contain leases, the lease classification for any existing leases, initial direct costs for any existing lease, which were not previously accounted for as leases, are or contain a lease. At adoption on January 1, 2019, an operating lease liability of $1,133,821 and an operating lease right of use asset of $941,000 was recorded. The operating lease liability was $192,537 more than the operating lease right of use asset due to unamortized lease incentive from periods prior to the adoption of the new lease standard. There was no cumulative earnings effect adjustment.

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 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

Overview

The majority of the Company's fee income comes from the activities of several licensees participating in the automotive market. The Company currently believes that the automotive market will be the largest source of its royalty income over the next several years. The Company's royalty income from this market may be influenced by numerous factors including various trends affecting demand in the automotive industry and the rate of introduction of new technology in OEM product lines. In addition to these macro factors, the Company's royalty income from the automotive market could also be influenced by specific factors such as whether the Company's SPD-SmartGlass technology appears as standard equipment or as an option on a particular vehicle, the number of additional vehicle models that SPD-SmartGlass appears on, the size of each window on a vehicle and the number of windows on a vehicle that use SPD-SmartGlass, fluctuations in the total number of vehicles produced by a manufacturer, and in the percentage of cars within model like produced with SPD-SmartGlass, and changes in pricing or exchange rates. Certain license fees, which are paid to the Company in advance of the accounting period in which they are earned resulting in the recognition of deferred revenue for the current accounting period, which will be recognized as fee income in future periods. Also, licensees offset some or all of their royalty payments on sales of licensed products for a given period by applying these advance payments towards such earned royalty payments.

In 2019 and 2018, the Company received royalty revenues from sales of the Magic Sky Control option on the S-Class Coupe, Maybach and S-Class Sedan, and SL and SLK/SLC roadsters in excess of the minimum annual royalty levels for the two licensees supplying products using the Company's technology to Daimler. As such, royalties from these five car models was accretive to the Company's royalty revenue. In addition, during the first quarter of 2019 one of the Company's licensees started commercial production of SPD products for McLaren Automotive. Production efficiencies are expected to continue and accelerate with the introduction of the higher vehicle production volumes for various car models going forward, and the Company expects that lower pricing per square foot of the Company's technology could expand the market opportunities, adoption rates, and revenues for its technology in automotive and non-automotive applications. The Company expects to generate additional royalty income from the near-term introduction of additional new car and aircraft models from other OEM's (original equipment manufacturers), continued growth of sales of products using the Company's technology for the marine industry in yachts and other watercraft, in trains, in museums, and in larger architectural projects.

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

Three months ended March 31, 2019 Compared to the three months ended March 31, 2018

The Company's fee income from licensing activities for the three months ended March 31, 2019 was $418,657 as compared to $433,269 for the three months ended March 31, 2018 representing a $14,612 decrease between these two periods. Lower fee income from the architectural licensees was partially offset by higher fee income in automotive, aircraft and display market sectors.

Operating expenses decreased by $258,659 for the three months ended March 31, 2019 to $751,166 from $1,009,825 for the three months ended March 31, 2018. This decrease was the result of lower payroll and related costs ($156,000) as well as lower patent costs ($20,000) and lower stock listing and transfer agent fees ($50,000).

Research and development expenditures increased by $11,347 to $229,963 for the three months ended March 31, 2019 from $218,616 for the three months ended March 31, 2018. This increase was principally the result of higher payroll and related costs ($12,000).

In connection with the issuance of certain warrants during the third quarter of 2018, the Company recorded a non-cash expense of $247,590 to mark these to their market value as of March 31, 2019.

The Company's net investment income for the three months ended March 31, 2019 was $6,165 as compared to $1,405 for the three months ended March 31, 2018. The difference was primarily due to higher cash balances available for investment.

As a consequence of the factors discussed above, the Company's net loss was $803,897 ($0.03 per common share) for the three months ended March 31, 2019 as compared to $793,767 ($0.03 per common share) for the three months ended March 31, 2018. Had the Company not incurred the non-cash expense to mark the warrants to their market value, the Company's net loss would have been $247,590 less or $556,307 ($0.02 per common share) for the three months ended March 31, 2019 as compared to $793,767 ($0.03 per common share) for the three months ended March 31, 2018.

Financial Condition, Liquidity and Capital Resources

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

During the three months ended March 31, 2019, the Company's cash and cash equivalents balance increased by $369,097 principally as a result of cash proceeds of $1,101,782 from the issuance of common stock in connection with the exercise of warrants, partially offset by cash used for operations of $732,551 and cash used for the purchase of property and equipment of $134. At March 31, 2019 the Company had cash and cash equivalents of $3,338,513, working capital of $3,882,852 and total shareholders' equity of $3,397,375.

Our quarterly projected cash flow shortfall, based on our current operations adjusted for any non-recurring cash expenses for the next 12 months, is approximately $450,000 per quarter. We may eliminate some operating expenses in the future, which will further reduce our cash flow shortfall if needed. We expect to have sufficient working capital for the next 18 months of operations. Since last year we have reduced our cash shortfall and are working to further reduce it and may seek new sources of financing.

The Company expects to use its cash to fund its research and development of SPD light valves, its expanded marketing initiatives, and for other working capital purposes. The Company believes that its current cash and cash equivalents would fund its operations until at least the fourth quarter of 2020. There can be no assurances that expenditures will not exceed the anticipated amounts or that additional financing, if required, will be available when needed or, if available, that its terms will be favorable or acceptable to the Company. Eventual success of the Company and generation of positive cash flow will be dependent upon the extent of commercialization of products using the Company's technology by the Company's licensees and payments of continuing royalties on account thereof. To date the Company has not generated sufficient revenue from its licensees to fully fund its operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by Item 3 has been disclosed in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. There has been no material change in the disclosure regarding market risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We designed our disclosure controls and procedures to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer, with assistance from other members of our management, have reviewed the effectiveness of our disclosure controls and procedures as of March 31, 2019, and, based on their evaluation, have concluded that, because of the need to test a new control during 2019 over the determination of the method for accounting for warrants issued in connection with a registered offering of common stock, that our disclosure controls and procedures were not effective at the reasonable assurance level solely as a result of the material weakness in our internal control over financial reporting discussed below.

Changes in Internal Control Over Financial Reporting

In connection with the preparation of our consolidated financial statements as of and for the quarter ended September 30, 2018, we identified a material weakness in our internal control over financial reporting related to our controls over the method for accounting for warrants issued in connection with a registered offering of common stock. This control deficiency did not result in a material adjustment to our financial statements for the period ended September 30, 2018. Management is in the process of implementing remediation procedures to address the control deficiency that led to the material weakness. The remediation plan included, but is not limited to, the implementation of additional review procedures regarding the method for accounting for warrants issued in connection with a registered offering of common stock. The enhanced review/evaluation procedures and documentation standards were put in place starting in the fourth quarter of 2018.

Forward-Looking Statements

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

PART II. OTHER INFORMATION

Item 6. Exhibits

31.1	Rule 13a-14(a)/15d-14(a) Certification of Joseph M. Harary - Filed herewith.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Seth L. Van Voorhees - Filed herewith.
32.1	Section 1350 Certification of Joseph M. Harary - Filed herewith.
32.2	Section 1350 Certification of Seth L. Van Voorhees - Filed herewith.

SIGNATURES

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

RESEARCH FRONTIERS INCORPORATED
(Registrant)

/s/ Joseph M. Harary
Joseph M. Harary, President, CEO and Treasurer
(Principal Executive)

/s/ Seth L. Van Voorhees
Seth L. Van Voorhees, Vice President, CFO and Treasurer
(Principal Financial and Accounting Officer)

Date: May 14, 2019

(Back To Top)

Section 2: EX-31.1

EXHIBIT 31.1 CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

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

Dated: May 14, 2019

/s/ Joseph M. Harary
Joseph M. Harary
President, Chief Executive Officer

(Back To Top)

Section 3: EX-31.2

EXHIBIT 31.2 CERTIFICATION

I, **Seth L. Van Voorhees,** certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: May 14, 2019

/s/ Seth L. Van Voorhees

Seth L. Van Voorhees
Vice President, Chief Financial Officer,
Treasurer and Principal Accounting Officer

(Back To Top)

Section 4: EX-32.1

EXHIBIT 32.1

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

In connection with the Quarterly Report of Research Frontiers Incorporated (the “Company”) on Form 10-Q for the quarter ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joseph M. Harary, President and Chief Executive Officer and Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Joseph M. Harary

Joseph M. Harary
President, Chief Executive Officer and Principal Executive Officer
May 14, 2019

(Back To Top)

Section 5: EX-32.2

EXHIBIT 32.2

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

In connection with the Quarterly Report of Research Frontiers Incorporated (the "Company") on Form 10-Q for the quarter ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Seth L. Van Voorhees, Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Seth L. Van Voorhees

Seth L. Van Voorhees
Vice President, Chief Financial Officer,
Treasurer and Principal Accounting Officer
May 14, 2019

(Back To Top)