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RESEARCH FRONTIERS INC
Form 10-Q
November 10, 2011

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For Quarter Ended September 30, 2011 Commission File No. 1-9399

RESEARCH FRONTIERS INCORPORATED
(Exact name of registrant as specified in charter)

Delaware
(State of incorporation or organization)

11-2103466
(IRS Employer
Identification No.)

240 Crossways Park Drive, Woodbury, N.Y.
(Address of principal executive offices)

11797
(Zip Code)

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

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

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

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 10, 2011, there were outstanding 18,544,355 shares of Common Stock, par value \$0.0001 per share.

RESEARCH FRONTIERS INCORPORATED

Consolidated Balance Sheets

	September 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,715,548	\$ 6,957,544
Short term investments	2,000,000	---
Royalty receivables, net of reserves of \$92,723 and \$162,723	154,955	380,177
Prepaid expenses and other current assets	124,456	118,099
Note receivable SPD Control Systems	150,000	---
Total current assets	5,144,959	7,455,820
Fixed assets, net	88,897	109,768
Note receivable SPD Control Systems	--	150,000
Deposits and other assets	22,605	69,103
Total assets	\$ 5,256,461	\$ 7,784,691
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 141,906	\$ 51,938
Deferred revenue	89,841	25,000
Accrued expenses and other	100,701	235,301
Total liabilities	332,448	312,239
Commitments and Contingencies		
Shareholders' equity:		
Capital stock, par value \$0.0001 per share; authorized 100,000,000 shares, issued and outstanding 18,544,355 and 18,281,973 shares, respectively	1,854	1,828
Additional paid-in capital	88,506,620	87,744,842
Accumulated deficit	(83,584,461)	(80,274,218)
Total shareholders' equity	4,924,013	7,472,452
Total liabilities and shareholders' equity	\$ 5,256,461	\$ 7,784,691

See accompanying notes to consolidated financial statements.

RESEARCH FRONTIERS INCORPORATED

Consolidated Statements of Operations

(Unaudited)

	Nine months ended September 30,		Three months ended September 30,	
	2011	2010	2011	2010
Fee income	\$ 492,048	\$ 425,942	\$ 207,200	\$ 137,702
Operating expenses	2,741,042	2,476,490	678,640	585,506
Research and development	1,080,020	1,099,693	340,960	305,532
	3,821,062	3,576,183	1,019,600	891,038
Operating loss	(3,329,014)	(3,150,241)	(812,400)	(753,336)
Net investment income	18,771	11,431	10,560	3,945
Net loss	\$ (3,310,243)	\$ (3,138,810)	\$ (801,840)	\$ (749,391)
Basic and diluted Net loss per common share	\$ (.18)	\$ (.18)	\$ (.04)	\$ (.04)
Basic and diluted weighted average number of common shares outstanding	18,535,913	17,264,146	18,544,355	17,062,472

See accompanying notes to consolidated financial statements.

RESEARCH FRONTIERS INCORPORATED

Consolidated Statements of Cash Flows

(Unaudited)

	Nine months ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net loss	\$ (3,310,243)	\$ (3,138,810)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	29,597	32,706
Stock-based compensation	695,827	718,248
Recovery of uncollectible royalty receivable	(30,000)	(20,000)
Changes in assets and liabilities:		
Royalty receivables	255,222	110,489
Prepaid expenses and other assets	40,141	35,959
Deferred revenue	64,841	36,250
Accounts payable and accrued expenses	(44,632)	(99,710)
Net cash used in operating activities	(2,299,247)	(2,324,868)
Cash flows from investing activities:		
Purchase of fixed assets	(8,726)	(3,248)
Purchase of short term investments	(2,000,000)	---
Net cash used in investing activities	(2,008,726)	(3,248)
Cash flows from financing activities:		
Net proceeds from issuance of common stock	---	4,537,574
Net proceeds from the exercise of options or warrants	65,977	---
Net cash provided by financing activities	65,977	4,537,574
Net (decrease) increase in cash and cash equivalents	(4,241,996)	2,209,458
Cash and cash equivalents at beginning of year	6,957,544	3,760,534
Cash and cash equivalents at end of period	\$ 2,715,548	\$ 5,969,992
Supplemental disclosure of non-cash financing activities:		
Receivable from issuance of common stock	\$ ---	\$ 406,080

See accompanying notes to consolidated financial statements.

RESEARCH FRONTIERS INCORPORATED
Notes to Consolidated Financial Statements
September 30, 2011
(Unaudited)

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 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2011. 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, 2010.

Business

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

Patent Costs

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

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.

Fee Income

Fee income represents amounts earned by the Company under various license and other agreements relating to technology developed by the Company. During the first nine months of 2011, five licensees of the Company accounted for approximately 26%, 15%, 14%, 10%, and 8%, respectively, of fee income recognized during such period. During the first nine months of 2010, six licensees of the Company accounted for approximately 18%, 13%, 13%, 13%, 11% and 9%, respectively, of fee income recognized during such period.

Stock-Based Compensation

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.

During the nine months ended September 30, 2011, the Company granted a total of 202,000 shares to its directors and employees. Directors received 63,000 of these shares of restricted common stock. All of the shares granted to the directors, as well as 3,000 shares granted to certain employees vested immediately upon grant. The remaining 136,000 shares issued vest ratably over the next 36 months. The market value per share on the date of grant was \$5.20. In connection with these grants, as well as prior grants that are not yet fully vested, the Company charged \$695,827 and \$104,500 to operations during the nine and three months ended September 30, 2011, respectively.

In addition during the first nine months of 2010, the Company granted a total of 40,500 shares of restricted common stock to three directors. The market price of each share on the date of grant was \$3.69. These shares were fully vested on the date of grant.

No options were granted during the first nine months of 2011. During the first nine months of 2010 the Company granted 175,500 fully vested options to employees and 500 fully vested options to a consultant. The relevant information for this option grant was as follows:

Fair value of option on date of grant	\$	2.31
Expected dividend yield		--
Expected Volatility		76%
Risk free interest rate		2.57
Expected term of option		5 years

The aggregate charge to operations relating to these options and share grants as well as charges relating to grants from prior years that vested during the first nine and three months of 2010 was \$718,248 and \$51,755.

As of September 30, 2011, remaining unamortized compensation costs in connection with these grants was \$565,621 which will be recognized over the next 27 month period.

Equity

During the first nine months of 2011 the Company received proceeds of \$65,977 in connection with the exercises of outstanding options and warrants.

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During the first nine months of 2010 the company sold, pursuant to the company's effective registration statement filed with the SEC, equity in the Company as follows:

Date	Shares issued	Warrants issued	Unit price	Proceeds
March 3, 2010	588,602	117,719	\$ 2.75	\$ 1,618,653
September 17, 2010	641,026	128,205	\$ 3.90	\$ 2,500,000
September 27, 2010	194,118	38,824	\$ 4.25	\$ 825,000
Total	1,423,746	284,748		\$ 4,943,653

Warrants issued are five year warrants at an exercise price of \$5 per share for the March 3, 2010 offering and \$6.25 per share for the September offerings. Proceeds of \$406,000 relating to the September offerings were not received by the Company until October 2010.

Treasury Stock

The Company did not repurchase any of its stock during the nine months ended September 30, 2011 or September 30, 2010.

Investments

The Company classifies investments in marketable securities as trading, available-for-sale or held-to-maturity at the time of purchase and periodically re-evaluates such classifications. Trading securities are carried at fair value, with unrealized holding gains and losses included in earnings. Held-to-maturity securities are recorded at cost and are adjusted for the amortization or accretion of premiums or discounts over the life of the related security. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized. In determining realized gains and losses, the cost of securities sold is based on the specific identification method. Interest and dividends on the investments are accrued at the balance sheet date. At September 30, 2011, all investments were classified as held to maturity and consisted of the following:

Certificate of Deposit:

Investments	Maturity	Value of Held to Maturity Investments (based on cost)
Amount	Date	
\$ 1,000,000	12-29-11	\$ 1,000,000
\$ 1,000,000	6-28-12	\$ 1,000,000
		\$ 2,000,000

Note Receivable from SPD Control Systems

On May 9, 2007, the Company began participating in the funding of the ongoing development of automotive controllers by SPD Control Systems Corp., a licensee of the Company. This development work is to produce the electronic controllers to operate SPD-Smart automotive windows and glass roof systems for one or more of the top five automotive makers in the world. The Company's funding of this project is reflected in the form of a senior secured convertible promissory note (the "Note") of SPD Control Systems Corp. held by Research Frontiers', wholly-owned subsidiary, SPD Enterprises Inc. The note bears interest at 10% per annum, is secured by all of the assets (including intellectual property) of SPD Control Systems, and is convertible at the option of SPD Enterprises into common stock of SPD Control Systems at an initial conversion price of \$0.50 per share. This conversion price is adjustable downward to result in the issuance to SPD Enterprises of additional shares of SPD Control Systems common stock under certain conditions. The Note provides for funding of up to \$150,000 by SPD Enterprises based upon the achievement of certain development milestones by SPD Control Systems. As of September 30, 2011, the principal and interest amount outstanding under this Note was \$150,000 and \$57,670, respectively. As part of a broader agreement between SPD Control Systems and the Company, effective as of May 9, 2010, the maturity date of this Note was extended to May 9, 2012 and the applicable conversion price for the Note was specified as \$0.25 per share of SPD Control Systems stock through May 9, 2012 and \$0.10 per share thereafter. The SPD Control Systems note was classified as a current asset due to its maturity date being less than one year as of September 30, 2011.

Fair Value Measurements

We value financial instruments using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted prices for similar assets or liabilities in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Financial assets accounted for at fair value on a recurring basis at September 30, 2011 include cash equivalents and investments of approximately \$3.0 million. These assets are carried at fair value based on quoted market prices for identical securities (Level 1 inputs).

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," filed with our form 10-K for December 31, 2010.

The Company has entered into a number of license agreements covering potential products using the Company's SPD 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.

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 would be required to record consulting expenses based upon the fair value of such options or warrants (determined using a Black-Scholes option pricing model) on the earlier of the service period or the period that such options or warrants vest.

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

Nine month periods ended September 30, 2011 and 2010

The Company's fee income from licensing activities for the nine months ended September 30, 2011 was \$492,048, as compared to \$425,942 for the three months ended September 30, 2010. A majority of the increase in fee income during this period was a result of higher product sales in the automotive market from one of our licensees. This licensee's sales levels exceeded its minimum annual royalty levels under its license agreement, thereby resulting in the amount of royalty fee income in excess of the minimum annual royalty being recognized as additional fee income.

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. 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 is paid its royalty resulting from such activity.

In February 2011, Research Frontiers announced that Daimler AG selected its SPD-SmartGlass light-control technology for use in their Magic Sky Control glass roof. The first vehicle to offer the Magic Sky Control glass roof as an option is the new Mercedes-Benz SLK Roadster. Research Frontiers' licensee Pilkington reports shipping SPD-SmartGlass for the Magic Sky Control roof of the SLK Roadster during the third quarter of 2011. Research Frontiers currently expects to start receiving additional royalty payments from sales of this Mercedes-Benz SLK optional feature on schedule in the fourth quarter of 2011 to the extent that such additional royalty payments exceed contractual minimum annual royalties' payable by Pilkington under their licensing agreement with the Company.

Operating expenses increased by \$264,552 for the first nine months of 2011 to \$2,741,042 from \$2,476,490 for the first nine months of 2010. This increase was primarily the result of higher director fees attributable to the increase in the number of outside directors (\$257,000), patent costs (\$109,000), and insurance costs (\$45,000) partially offset by lower payroll and stock compensation charges (\$145,000). Included in operating expenses are \$613,000 and \$554,000 of non cash stock and option compensation charges for 2011 and 2010, respectively relating to common stock and options granted to directors, employees and consultants.

Research and development expenditures decreased by \$19,673 to \$1,080,020 for the first nine months of 2011 from \$1,099,693 for the first nine months of 2010. This decrease was principally the result of lower non-cash compensation charges from the issuance of stock options (\$82,000), as well as lower allocated rent (\$16,000), partially offset by increased cash payroll compensation (\$22,000) higher allocated income costs (\$36,000) as well as higher material costs (\$22,000). Included in research and development expenses are \$83,000 and \$164,000 of non cash stock and option compensation charges for the first nine months of 2011 and 2010, respectively.

The Company's net investment income for the first nine months of 2011 was \$18,711, as compared to net investment income of \$11,431 for the first nine months of 2010. The increase was primarily due to higher balances available for investment.

As a consequence of the factors discussed above, the Company's net loss was \$3,310,243 (\$0.18 per common share) for the first nine months of 2011 and compared to \$3,138,810 (\$0.18 per common share) for the first nine months of 2010.

Three month periods ended September 30, 2011 and 2010

The Company's fee income from licensing activities for the three months ended September 30, 2011 was \$207,200, as compared to \$137,702 for the three months ended September 30, 2010. A majority of the increase in fee income during this period was a result of higher product sales in the automotive market from one of our licensees. This licensee's sales levels exceeded its minimum annual royalty levels under its license agreement, thereby resulting in the amount of royalty fee income in excess of the minimum annual royalty being recognized as additional fee income.

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. 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 is paid its royalty resulting from such activity.

In February 2011, Research Frontiers announced that Daimler AG selected its SPD-SmartGlass lightcontrol technology for use in their Magic Sky Control glass roof. The first vehicle to offer the Magic Sky Control glass roof as an option is the new Mercedes-Benz SLK Roadster. Research Frontiers' licensee Pilkington reports shipping SPD-SmartGlass for the Magic Sky Control roof of the SLK Roadster during the third quarter of 2011. Research Frontiers currently expects to start receiving additional royalty payments from sales of this Mercedes-Benz SLK optional feature on schedule in the fourth quarter of 2011 to the extent that such additional royalty payments exceed contractual minimum annual royalties' payable by Pilkington under their licensing agreement with the Company.

Operating expenses increased by \$93,134 for the three months ended September 30, 2011 to \$678,640 from \$585,506 for the three months ended September 30, 2010. This increase was the result of higher insurance costs (\$34,000), payroll costs (\$13,000) and stock registration fees (\$10,000) partially offset by lower patent costs (\$45,000) as well as lower professional fees (\$11,000). Included in operating expenses are \$79,000 and \$46,000 of non-cash stock and option compensation charges for 2011 and 2010, respectively relating to common stock and options granted to directors, employees and consultants.

Research and development expenditures increased by \$35,428 to \$340,960 for the three months ended September 30, 2011 from \$305,532 for the three months ended September 30, 2010. This increase was principally the result of higher allocated insurance costs (\$39,000) as well as higher payroll and non cash compensation changes of (\$18,000) partially offset by lower allocated rent and utility costs (\$16,000) and lower material costs (\$3,000). Included in research and development expenses are \$26,000 and \$6,000 of non-cash stock and option compensation charges for the three months ended September 30, 2011 and 2010, respectively.

The Company's net investment income for the three months ended September 30, 2011 was \$10,560, as compared to net investment income of \$3,945 for the three months ended September 30, 2010. This difference was primarily due to higher balances available for investment.

As a consequence of the factors discussed above, the Company's net loss was \$801,840 (\$0.04 per common share) for the three months ended September 30, 2011 as compared to \$749,391 (\$0.04 per common share) for the three months ended September 30, 2010.

Financial Condition, Liquidity and Capital Resources

The Company has primarily utilized its cash 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 first nine months of 2011, the Company's cash and cash equivalents balance decreased by \$4,241,996 principally as a result of cash used for operations of \$2,299,247 and \$2,000,000 invested in short term bank certificates of deposit and capital expenditures of \$8,726 partially offset by proceeds of \$65,977 from the exercise of options and warrants. At September 30, 2011, the Company had working capital of \$4,812,511 and total shareholders' equity of \$4,924,013.

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'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 third quarter of 2013. 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.

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, 2010. 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 September 30, 2011, and, based on their evaluation, have concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the nine months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Forward-Looking Statements

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

PART II. OTHER INFORMATION

Item 6. Exhibits

- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Joseph M. Harary - Filed herewith.
- 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.
- 101.INS XBRL Instance Document **
- 101.SCH XBRL Taxonomy Extension Schema Document **
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase **
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document **
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document **
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document **

SIGNATURES

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

RESEARCH FRONTIERS INCORPORATED
(Registrant)

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

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

Date: November 10, 2011