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REFR's bogus patent promotion exposed, reports Asensio & Company, Inc.

A recently published Research Frontiers Incorporated (Nasdaq: REFR) (Price: \$16.90) stock promotion story leads with its "solid patent" claim. REFR constantly promotes that it controls 365 SPD patents and patent applications throughout the world. Apparently, REFR wants investors to conclude that its patents are more valuable than its current \$204 million market value, despite REFR's uninterrupted 35-year history of unfulfilled stock promotion promises and commercial failure. We believe REFR's patent history more accurately supports the exact opposite conclusion. Of course, patents are only valuable if they protect profitable products from competition, and REFR does not have and has never had a single profitable product. REFR's patents and the number of patents they claim are highly questionable. However, we believe that REFR's patent promotion shows both the extent of SPD's commercial failure and the willingness of REFR to distort and perhaps fabricate claims and then use the claims to sell grossly overpriced stock to investors.

In 1999, between May 21st and June 10th, REFR increased the number of patents and patents pending it was promoting from 121 to 275. REFR did not disclose any information about its new inventions. One day later, on June 11th, it announced it purchased an additional 74 patents and applications from Glaverbel, S.A. and began claiming 351 patents. This announcement leads to far more serious evidence pointing to wrongful intent.

In the June 11th announcement REFR "did not disclose" that it only paid a single lump-sum payment of \$289,177 for all 74 SPD patents and applications it purchased from Glaverbel. Nor did REFR disclose that Glaverbel had been a SPD licensee since 1992. In fact, in 1996 REFR once claimed that Glaverbel had built and demonstrated a SPD rear-view mirror with a substantial advantage over Gentex Corporation's (GNTX; \$30) mirror. In the Glaverbel statement REFR noted that Gentex's allegedly inferior mirror business had a market value of \$520 million apparently implying that REFR's stock was worth more than \$520 million given the allegation that rear-view mirrors are only one part of REFR's potential business. This REFR statement was shown to be wildly promotional at best when not a single mirror was sold and then Glaverbel sold its SPD patents and applications to REFR for \$289,177.

REFR only has 19 U.S. patents. We believe that the number of relevant patents is even smaller than 19, given that a number of REFR's allegedly enforceable patents cover earlier SPD versions and SPD features that REFR admits it does not intend to exploit. REFR has had SPD patents since at least 1972. In fact, there are almost as many old expired REFR U.S. SPD patents than there are allegedly enforceable U.S. REFR SPD patents.

We found that at least 18 U.S. REFR SPD patents have expired worthlessly without any commercial product exploitation. The expired SPD patents may harm the enforceability of later issued SPD patents. Of course, REFR has had no product sales and there are many other established smart glass suppliers that do not use or need the unique know-how REFR claims allege to possess.

REFR's SPD has never been successfully commercially exploited. REFR has never provided any independent verifiable opinion that SPD has overcome its inherent design defects that include particle settling, degradation and coloration problems. Furthermore, even assuming SPD can be made to work and is sufficiently durable (particles that

stay suspended in liquid for 25 years), SPD would only merely be one of many products in a highly competitive market controlled by existing companies that have successfully produced and sold proven display and smart glass products since the early 1980s.

We see no purpose for REFR's questionable patent claims promotion, or its other seriously questionable stock promotions, other than to encourage investors to buy REFR's stock. SPD's well-known problems combined with REFR's many highly questionable investor representations and REFR insider stock sales and insider cash compensation founded from stock-sales lead us to firmly believe that REFR is a stock scam.

Asensio & Company believes REFR is grossly overvalued.