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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

OR

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number: 333-232426

Crown Electrokinetics Corp.
(Exact name of registrant as specified in its charter)

Delaware	**47-5423944**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1110 NE Circle Blvd., Corvallis, Oregon 97330
(Address of principal executive offices) (Zip Code)

213.660.4250
(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 x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
		Emerging growth company	x

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 7(a)(2)(B) of the Securities Act. o

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

The number of shares of common stock, $0.0001 par value per share, outstanding as of May 15, 2024 was 281,930,398.

Common Stock, $0.0001 par value	CRKN	The Nasdaq Capital Market

CROWN ELECTROKINETICS CORP.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This Quarterly Report on Form 10-Q contains forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may be identified by such forward-looking terminology as "may," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. Our forward-looking statements are based on a series of expectations, assumptions, estimates and projections about our company, are not guarantees of future results or performance and involve substantial risks and uncertainty. We may not actually achieve the plans, intentions or expectations disclosed in these forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in these forward-looking statements. Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties.

All of our forward-looking statements are as of the date of this Quarterly Report on Form 10-Q only. In each case, actual results may differ materially from such forward-looking information. We can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this Quarterly Report on Form 10-Q or included in our other public disclosures or our other periodic reports or other documents or filings filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC") could materially and adversely affect our business, prospects, financial condition and results of operations. Except as required by law, we do not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections or other circumstances affecting such forward-looking statements occurring after the date of this Quarterly Report on Form 10-Q, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. Any public statements or disclosures by us following this Quarterly Report on Form 10-Q that modify or impact any of the forward-looking statements contained in this Quarterly Report on Form 10-Q will be deemed to modify or supersede such statements in this Quarterly Report on Form 10-Q.

PART I - FINANCIAL INFORMATION

Item 1. - Financial Statements.

CROWN ELECTROKINETICS CORP.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	March 31, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash	$ 290	$ 1,059
Prepaid and other current assets	813	728
Accounts receivable, net	776	83
Note receivable	576	—
Total current assets	2,455	1,870
Property and equipment, net	3,036	3,129
Intangible assets, net	1,326	1,382
Right-of-use assets	1,533	1,701
Deferred debt issuance costs	362	1,306
Other assets	165	139
TOTAL ASSETS	$ 8,877	$ 9,527
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,297	$ 1,500
Accrued expenses	962	1,190
Lease liabilities - current portion	606	655
Warrant liability	23	—
Notes payable - Current	93	429
Deferred revenue	1,260	—
Warranty customer liability	20	2
Total current liabilities	5,261	3,776
Notes payable - non-current	328	—
Lease liabilities - non-current portion	950	1,072
Warranty customer liability long term	20	2
Total liabilities	6,559	4,850
Commitments and Contingencies (Note 14)		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $0.0001; 50,000,000 shares authorized, no shares outstanding	-	-
Series A preferred stock, par value $0.0001; 300 shares authorized, 251 shares outstanding as of March 31, 2024 and December 31, 2023; liquidation preference $266 as of March 31, 2024 and $261 as of December 31, 2023	-	-
Series B preferred stock, par value $0.0001; 1,500 shares authorized, 1,443 shares outstanding as of March 31, 2024 and December 31, 2023; liquidation preference $1,530 as of March 31, 2024 and $1,501 as of December 31, 2023	-	-
Series C preferred stock, par value $0.0001; 600,000 shares authorized, 500,756 shares outstanding as of March 31, 2024 and December 31, 2023; liquidation preference $541 as of March 31, 2024 and $531 as of December 31, 2023	-	-
Series D preferred stock, par value $0.0001; $7,000 shares authorized, no shares issued and outstanding as of March 31, 2024 and December 31, 2023; liquidation preference zero as of March 31, 2024 and December 31, 2023	-	-
Series E preferred stock, par value $0.0001; 77,000 shares authorized, no shares issued and outstanding as of March 31, 2024 and December 31, 2023.	-	-
Series F preferred stock, par value $0.0001; 9,073 shares authorized, 4,448 shares outstanding as of March 31, 2024 and 4,448 shares outstanding as of December 31, 2023; liquidation preference $4,931 as of March 31, 2024 and $4,753 as of December 31, 2023.	-	-
Series F-1 preferred stock, par value $0.0001; 9,052 shares authorized, 653 shares outstanding as of March 31, 2024 and 653 shares outstanding as of December 31, 2023; liquidation preference $722 as of March 31, 2024 and $696 as of December 31, 2023.	-	-
Series F-2 preferred stock, par value $0.0001; 9,052 shares authorized, 1,153 shares outstanding as of March 31, 2024 and 1,153 shares outstanding as of December 31, 2023; liquidation preference $1,267 as of March 31, 2024 and $1,371 as of December 31, 2023.	-	-
Common stock, par value $0.0001; 800,000,000 shares authorized; 51,702,229 and 25,744,158 shares outstanding as of March 31, 2024 and December 31, 2023, respectively	10	7
Additional paid-in capital	123,915	121,665
Accumulated deficit	(121,607)	(116,995)
Total stockholders' equity	2,318	4,677
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 8,877	$ 9,527

The accompanying notes are an integral part of these condensed consolidated financial statements.

CROWN ELECTROKINETICS CORP.
Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Revenue	$ 682	$ 22
Cost of revenue, excluding depreciation and amortization	(1,636)	(31)
Depreciation and amortization	(212)	(182)
Research and development	(756)	(541)
General and administrative	(1,783)	(3,394)
Loss from operations	(3,705)	(4,126)
Other income (expense):		
Interest expense	(860)	(2,017)
Loss on extinguishment of warrant liability	-	(504)
Gain on issuance of convertible notes	-	64
Change in fair value of warrants	(23)	5,606
Change in fair value of notes	-	(117)
Other expense	(24)	(1,206)
Total other income (expense)	(907)	1,826
Loss before income taxes	(4,612)	(2,300)
Income tax expense	-	-
Net loss	(4,612)	(2,300)
Deemed dividend on Series D preferred stock	-	(6)
Cumulative dividends on Series A preferred stock	(5)	(4)
Cumulative dividends on Series B preferred stock	(29)	(20)
Cumulative dividends on Series C preferred stock	(10)	-
Cumulative dividends on Series D preferred stock	-	(86)
Cumulative dividends on Series F preferred stock	(178)	-
Cumulative dividends on Series F-1 preferred stock	(26)	-
Cumulative dividends on Series F-2 preferred stock	(35)	
Net loss attributable to common stockholders	$ (4,895)	$ (2,416)
Net loss per share attributable to common stockholders	$ (0.13)	$ (4.88)
Weighted average shares outstanding, basic and diluted:	36,675,540	494,918

The accompanying notes are an integral part of these condensed consolidated financial statements.

CROWN ELECTROKINETICS CORP.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(in thousands, except share and per share amounts)

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Series D Preferred Stock		Series E Preferred Stock		Series F Preferred Stock		Series F-1 Preferred Stock		Series F-2 Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount			
Balance as of December 31, 2023	**251**	**$ -**	**1,443**	**$ -**	**500,756**	**$ -**	**0**	**$ -**	**-**	**$ -**	**4,448**	**$ -**	**653**	**$ -**	**1,153**	**$ -**	**25,744,158**	**$ 7**	**$ 121,665**	**$ (116,995)**	**$ 4,677**
Issuance of common stock in connection with equity line of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,133,689	3	1,388	-	1,391
Issuance of common stock/at-the-market offering, net of offering costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,824,382	-	588	-	588
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			274	-	274
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,612)	(4,612)
Balance as of March 31, 2024 (unaudited)	**251**	**$ -**	**1,443**	**$ -**	**500,756**	**$ -**	**-**	**$ -**	**-**	**$ -**	**4,448**	**$ -**	**653**	**$ -**	**1,153**	**$ -**	**51,702,229**	**$ 10**	**$ 123,915**	**$ (121,607)**	**$ 2,318**

The accompanying notes are an integral part of these condensed consolidated financial statements.

CROWN ELECTROKINETICS CORP.
Condensed Consolidated Statements of Stockholders' Equity (Continued)
(Unaudited)
(in thousands, except share and per share amounts)

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Series D Preferred Stock		Series E Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount			
Balance as of December 31, 2022	**251**	**$ -**	**1,443**	**$ -**	**500,756**	**$ -**	**1,058**	**$ -**	**-**	**$ -**	**338,033**	**$ 2**	**$ 88,533**	**$ (88,005)**	**$ 530**
Exercise of common stock warrants	-	-	-	-	-	-	-	-	-	-	109,257	1	2,061	-	2,062
Issuance of common stock in connection with conversion of notes	-	-	-	-	-	-	-	-	-	-	31,466		516	-	516
Commitment to issue shares of common stock in connection with March waiver agreement	-	-	-	-	-	-	-	-	-	-	-	-	298	-	298
Deemed dividend for repricing of Series D preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	6	(6)	-
Issuance of common stock/at-the-market offering, net of offering costs	-	-	-	-	-	-	-	-	-	-	211,667	1	2,106	-	2,107
Issuance of Series E preferred stock in connection with LOC	-	-	-	-	-	-	-	-	5,000				4,350		4,350
Stock-based compensation	-	-	-	-	-	-	-	-	-	-	38,335	-	181	-	181
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,300)	(2,300)
Balance as of March 31, 2023 (Unaudited)	**251**	**$ -**	**1,443**	**$ -**	**500,756**	**$ -**	**1,058**	**$ -**	**5,000**	**$ -**	**728,758**	**$ 4**	**$ 98,051**	**$ (90,311)**	**$ 7,744**

The accompanying notes are an integral part of these condensed consolidated financial statements.

CROWN ELECTROKINETICS CORP.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three months ended March 31, 2024	Three months ended March 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (4,612)	$ (2,300)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	274	181
Depreciation and amortization	212	182
Loss on extinguishment of warrant liability	-	504
Change in fair value of warrant liability	23	(5,606)
Gain on issuance of convertible note	-	(64)
Amortization of debt discount	-	374
Change in fair value of notes	-	117
Amortization of deferred debt issuance costs	944	1,635
Amortization of right-of-use assets	168	133
Other expenses	-	1,206
Changes in operating assets and liabilities:		
Prepaid and other assets	(111)	(161)
Accounts receivable	(693)	—
Note receivables	(576)	—
Deferred revenue	1,260	—
Accounts payable	797	125
Accrued expenses	(228)	(920)
Lease liabilities	(171)	(134)
Warranty customer liability	36	—
Net cash used in operating activities	(2,677)	(4,728)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for acquisition of Amerigen 7	-	(645)
Purchase of equipment	(63)	(435)
Net cash used in investing activities	(63)	(1,080)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the exercise of warrants	-	2,062
Proceeds from the issuance of common stock and warrants, net of fees	-	-
Proceeds from the issuance of common stock / at-the-market offering, net of offering costs	588	2,107
Proceeds from issuance of notes in connection with Line of Credit	-	2,000
Proceeds from issuance of January promissory notes, net of fees paid	-	970
Repayment of notes payable	(8)	(14)
Proceeds from the issuance of common stock in connection with equity line of credit, net of offering costs	1,391	-
Net cash provided by financing activities	1,971	7,125
Net increase / decrease in cash	(769)	1,317
Cash — beginning of period	1,059	821
Cash — end of period	$ 290	$ 2,138
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of Series E preferred stock in connection with line of credit	$ -	$ 4,350
Issuance of common stock in connection with conversion of notes	$ -	$ 516
Commitment to issue shares of common stock in connection with March Waiver agreement	$ -	$ 298
Deemed dividend for repricing of series D preferred stock	$ -	$ 6
Unpaid equipment included in accounts payable	$ -	$ 156
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ -	$ 8

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Note 1 – Nature of Business and Liquidity

Organization

Crown Electrokinetics Corp. (the "Company") was incorporated in the State of Delaware on April 20, 2015. Effective October 6, 2017, the Company's name was changed to Crown Electrokinetics Corp. from 3D Nanocolor Corp. ("3D Nanocolor").

The Company is commercializing technology for smart or dynamic glass. The Company's electrokinetic glass technology is an advancement on microfluidic technology that was originally developed by HP Inc.

On December 20, 2022, the Company incorporated Crown Fiber Optics Corp., a Delaware based entity, to own and operate its acquired business from the acquisition of Amerigen 7, LLC ("Amerigen 7") in January 2023. Crown Fiber Optics Corp. is accounted for as a wholly-owned subsidiary of Crown Electrokinetics, Corp.

Initial Public Offering

On January 26, 2021, the Company completed its public offering, and its common stock began trading on the Nasdaq Capital Market ("Nasdaq") under the symbol CRKN.

Reverse Stock Split

On August 11, 2023, the Company's board of directors authorized a reverse stock split ('Reverse Stock Split") at an exchange ratio of one-for-60 basis. The Reverse Stock Split was effective on August 15, 2023, such that every 60 shares of common stock have been automatically converted into one share of common stock. The Company did not issue fractional certificates for post-reverse split shares in connection with the Reverse Stock Split. Rather, all shares of common stock that were held by a stockholder were aggregated and each stockholder was entitled to receive the number of whole shares resulting from the combination of the shares so aggregated. Any fractions resulting from the Reverse Stock Split computation were rounded up to the next whole share.

The number of authorized shares and the par value of the common stock was not adjusted as a result of the Reverse Stock Split. In connection with the Reverse Stock Split, the conversion ratio for the Company's outstanding convertible preferred stock was proportionately adjusted such that the common stock issuable upon conversion of such preferred stock was decreased in proportion to the Reverse Stock Split. All references to common stock and options to purchase common stock share data, per share data and related information contained in the condensed consolidated financial statements have been adjusted to reflect the effect of the Reverse Stock Split.

Liquidity and Going Concern

The Company has incurred substantial operating losses since its inception and expects to continue to incur significant operating losses for the foreseeable future and may never become profitable. As reflected in the condensed consolidated financial statements, the Company had an accumulated deficit of approximately $121.6 million and cash of approximately $0.3 million as of March 31, 2024, a net loss of approximately $4.6 million, and approximately $2.7 million of net cash used in operating activities for the three months ended March 31, 2024.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

The Company has obtained additional capital through the sale of debt or equity financings or other arrangements to fund operations including through its existing at-the-market offering, and $50.0 million equity line of credit; however, there can be no assurance that the Company will be able to raise needed capital under acceptable terms, if at all. The sale of additional equity may dilute existing stockholders and newly issued shares may contain senior rights and preferences compared to currently outstanding shares of common stock. Issued debt securities may contain covenants and limit the Company's ability to pay dividends or make other distributions to stockholders. If the Company is unable to obtain such additional financing, future operations would need to be scaled back or discontinued. Due to the uncertainty in the

Company’s ability to raise capital, management believes that there is substantial doubt in the Company’s ability to continue as a going concern for twelve months from the issuance of these condensed consolidated financial statements.

Note 2 – Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The Company’s condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and include all adjustments necessary for the fair presentation of the Company’s financial position for the periods presented.

The condensed consolidated balance sheet as of March 31, 2024, the condensed consolidated statements of operations, stockholders’ equity for the three months ended March 31, 2024 and 2023 and the condensed consolidated statements of cash flows for the three months ended March 31, 2024 and 2023 are unaudited. These unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company’s consolidated financial position, results of operations and cash flows for the interim period presented. The financial data and the other financial information contained in these notes to the condensed consolidated financial statements related to the three month periods are also unaudited. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2024 or for any other future annual or interim period. The condensed consolidated balance sheet as of December 31, 2023 included herein was derived from the audited financial statements as of that date. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 1, 2024.

Use of Estimates

The preparation of condensed financial statements in conformity with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed financial statements and the reported amounts of revenue and expenses during the reporting periods. Accounting estimates and assumptions are inherently uncertain. Management bases its estimates and assumptions on current facts, historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ materially and adversely from these estimates. Significant estimates and assumptions made in the accompanying condensed consolidated financial statements include, but not limited to, valuation of its business combination, estimated fair value of convertible notes, estimated fair value of warrant liability, Series F/F-1/F-2 preferred stock, stock option awards for stock-based compensation and operating lease right-of-use assets and liabilities.

Risks and Uncertainties

The Company is currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine, as well as Israel and Hamas. The Company’s financial condition and results of operations may be materially adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions.

The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Summary of Significant Accounting Policies

Reference is made to Note 3 *Basis of Presentation and Significant Accounting Policies* in our 2023 Form 10-K filed on April 1, 2024 for a detailed description of significant accounting policies. There have been no significant changes to our accounting policies as disclosed in our 2023 Form 10-K.

Revenue Recognition

The Company recognizes revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by following a five-step process:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the company satisfies a performance obligation

The Company has elected the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component when the time between the goods or service being transferred to the customer and the customer pays is one year or less,

The Company generates revenue from providing fiber splicing services as required based on short-term work orders assigned by customers. The Company is required to complete the description of work described in the work order and test the service provided prior to any recognition of revenue and invoicing. The short-term work orders are generally completed within two weeks. The Company is required to adhere to the rules and regulations that are outlined in the Agreement between the Company and the Customer.

Cost of revenue is based on individual work orders and detailed description of work to be performed. All of the revenue is recognized immediately upon completion of each work order. A 5% retainage will be withheld by the Customer upon payment of invoices and will be paid to the Company within one year after termination of the contract. The retainage can be utilized by Customer for any claims that may arise after work is completed up through one year after completion.

Revenue recognized during the three months ended March 31, 2024 was generated by the Company's wholly-owned subsidiary, Crown Fiber Optics Corporation, and was $0.7 million. During the three months ended March 31, 2023, revenue generated was approximately $22,000.

Segment and Reporting Unit Information

Operating segments are defined as components of an entity for which discrete financial information is available that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's Chief Executive Officer is determined to be the CODM. The Company has two operating segments and two reportable segments as of March 31, 2024, which includes film group and fiber optics group. Revenue recognized during the three months ended March 31, 2024 relates to the fiber optics group.

Business Combinations

The Company accounts for business combinations using the acquisition method of accounting by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any non-controlling interest in the acquired business, measured at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the aforementioned amounts.

Accounting for business combinations requires management to make significant estimates and assumptions, especially at the acquisition date, including estimates for intangible assets. Although the Company believes the assumptions and estimates made have been reasonable and appropriate, they are based in part on historical experience and information obtained from management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain intangible assets we have acquired include future expected cash flows from customer contracts. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates, or actual results. The initial purchase price may be adjusted as needed per the terms of the arrangement agreement. The allocation of purchase price, including any fair value of the assets acquired and liabilities assumed as of the acquisition date has not been completed.

Acquisition-related expenses are recognized separately from the business combination and are expensed as incurred.

Deferred Debt Issuance Costs

The Company accounts for debt issuance costs related to its line of credit and equity line of credit as a deferred asset on the condensed consolidated balance sheets, which is amortized over the life of the line of credit and equity line of credit. Since the Company has elected the fair value option for its convertible notes (see Note 10), upon a draw down, a portion of the deferred asset balance will be amortized and recognized as other income (expense) on the condensed consolidated statements of operations. On the issuance date of the Company's line of credit, the cost related to issuance of the Series E preferred shares and the warrant to purchase Series E preferred shares was recorded as a deferred asset. On the issuance date of the Company's equity line of credit, the cost related to issuance of common stock was recorded as a deferred asset.

Notes Payable at Fair Value

The Company has elected the fair value option for the recognition of its convertible notes and notes payable, with changes in fair value recognized in the statements of operations. As a result of applying the fair value option, direct costs and fees related to the convertible notes and notes payable are recognized in other income (expense) in the condensed consolidated statements of operations. The Company includes the interest expense as a component of the notes fair value.

Warrants

The Company accounts for certain common stock warrants outstanding as a liability at fair value and adjusts the fair value of the instruments at each reporting period. The liability is subject to remeasurement at each balance sheet date until exercised, and any change in fair value is recognized in the Company's condensed consolidated statements of operations. The fair value of the warrants issued by the Company was estimated using the Black-Scholes model.

SLOC

The Company accounts for its warrants related to the SLOC as stockholders' equity, and therefore, the warrants are not revalued after issuance. The Company uses the Black-Scholes model to value the warrants at issuance.

As of March 31, 2024, since no loan amounts were drawn down, the SLOC warrant is recorded as a deferred asset on the condensed consolidated balance sheets at fair value and will be amortized over the life of the SLOC. Upon a draw down, the remaining balance of the deferred asset would be reclassified to debt discount and amortized under the effective interest method over the one-year term of the loan.

Purchase Order Warrants

On August 12, 2022, the Company entered into two Purchase Orders (PO's) with Hudson Pacific Properties, L.P. ("Hudson") for the purchase of the Company's Smart Window Inserts™ ("Inserts"). The PO's have a value of $0.1 million and represent the first orders the Company has received prior to the launch of its Inserts. As additional consideration for the PO's, the Company issued a warrant to Hudson to purchase 5,000 shares of the Company's common stock at $45.00 per share. The warrant has a five-year life and expires on August 12, 2027.

Because Hudson is a customer, the Company accounts for the PO's and warrants under ASC 606. As the performance obligations have not yet been satisfied, the Company has not recognized any revenue in connection with Hudson during the year ended March 31, 2024.

The Company measured the fair value of the warrant using the Black-Scholes valuation model on the issuance date, with the value being recognized as a prepaid asset up to the recoverable value represented by the value of the contract.
The fair value of the warrant on the issuance date totaled $0.2 million, and as of March 31, 2024, the Company recorded a prepaid asset of $0.1 million, representing the recoverable value from the PO's, which is included in prepaid and other current assets on the consolidated balance sheet.

Net Loss per Share Attributable to Common Stockholders

Basic net loss per share attributable to common stockholders is computed using the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share attributable to common stockholders is computed using the sum of the weighted-average number of shares of common stock outstanding during the period and the effect of dilutive securities.

As the Company was in a net loss position for the three months ended March 31, 2024 and 2023, diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders because the effects of potentially dilutive securities are antidilutive.

Securities that could potentially dilute loss per share in the future that were not included in the computation of diluted loss per share at March 31, 2024 and 2023 are as follows:

	March 31,	
	2024	2023
Series A preferred stock	3,146	190,994
Series B preferred stock	33,883	2,047,359
Series C preferred stock	9,346	560,757
Series D preferred stock	-	2,289,247
Series E preferred stock	-	5,000,000
Convertible notes	-	216,530
Series F preferred stock	501,579	-
Series F-1 preferred stock	72,631	-
Series F-2 preferred stock	124,946	-
Warrants to purchase common stock (excluding penny warrants)	2,470,078	599,576
Warrants to purchase Series E preferred stock	750,000	750,000
Options to purchase common stock	632,779	157,058
Unvested restricted stock units	1,124,527	8,299
Commitment shares	212,890	31,724
Total	5,935,805	11,851,544

Warranty Customer Liability

The Company provides warranties depending on the terms of the arrangement with the customer. This warranty covers defects in materials and workmanship under normal use and conditions. It is applicable to projects completed by Crown's fiber optics segment, which includes services provided by Crown Fiber Optics Corporation, a wholly-owned subsidiary of Crown. The standard warranty period ranges for up to two years from the project completion date. The Company accrues for warranty costs as part of the cost of revenues at the time the revenue is recognized based on historical experience and any current known trends that might affect future costs. Total warranty expense recognized during the period ended March 31, 2024 and 2023 was $36,000 and $nil, respectively.

Retainage

The Company’s customers have a contractual right to withhold payment of a retainage amount, typically 5%. The retainage can be utilized by customers for any claims that may arise after work is completed through one year after project completion. The retainage amount is recorded as an accounts receivable in the balance sheet and is expected to be collected upon the project's completion and acceptance by the customer. As of March 31, 2024 and December 31, 2023, the Company has recorded a retainage receivable of $0.1 million and zero, respectively, which is included in the accounts receivable balance in the condensed consolidated balance sheet

Note 3 – Acquisitions

On January 3, 2023, the Company acquired certain assets and assumed liabilities from Amerigen 7, which was accounted for as a business combination as the Company concluded that the transferred set of activities and assets related to the acquisition constituted a business. The Company paid cash consideration of approximately $0.7 million which included approximately 12 employees, customer contracts, and certain operating liabilities.

The following table summarizes the allocation of the purchase price to the assets acquired and liabilities assumed for the Amerigen 7 acquisition (in thousands):

Property and equipment	$ 655
Intangible assets	200
Security deposits	5
Accrued expenses	(529)
Notes payable	(338)
Total identifiable assets and liabilities acquired	(7)
Goodwill	652
Total purchase consideration	$ 645

The Company engaged an independent valuation specialist to conduct a valuation analysis of the identifiable intangible assets acquired by the Company with the objective of estimating the fair value of such assets as of January 3, 2023. The valuation specialist utilized the income approach, specifically the multi-period excess earnings method, to value the existing customer relationship.

During the year ended December 31, 2023, all the acquired assets and assumed liabilities that relate to the original Amerigen7 acquisition were written off and all the key employees terminated. Due to these key qualitative changes to the Fiber Optics Group after the acquisition, the Company concluded that the goodwill balance associated with the Amerigen7 acquisition was fully impaired as there were no future expected cash flows from the acquired Amerigen7 business. The Company has no goodwill balance as of March 31, 2024.

Note 4 – Prepaid and Other Current Assets

Prepaid and other current assets consist of the following (in thousands):

	March 31, 2024	December 31, 2023
License fees	$ 114	$ 158
Professional fees	142	53
General liability insurance	60	26
Hudson warrant *	86	86
Prepaid rent	60	277
Other	351	128
Total	$ 813	$ 728

* Fair value of warrant issued to Hudson Pacific Properties, L.P. (See Note 14)

Note 5 – Property & Equipment, Net

Property and equipment, net, consists of the following (in thousands):

	March 31, 2024	December 31, 2023
Equipment	$ 3,280	$ 3,155
Leasehold improvements	362	362
Vehicles	410	395
Computers	56	56
Furniture and Fixtures	3	3
Construction-in-progress	-	77
Total	4,111	4,048
Less: accumulated depreciation	(1,075)	(919)
Property and equipment, net	$ 3,036	$ 3,129

Depreciation expense for the three months ended March 31, 2024 and 2023 was $0.1 million and $0.1 million, respectively.

Note 6 – Intangible Assets, Net

Intangible assets, net, consists of the following (in thousands):

	March 31, 2024	December 31, 2023
Patents	$ 1,800	$ 1,800
Research license	375	375
Customer relationships	4	4
Total	2,179	2,179
Less: accumulated amortization	(853)	(797)
Intangible assets, net	$ 1,326	$ 1,382

The following table represents the total estimated amortization of intangible assets for the five succeeding years and thereafter as of March 31, 2024 (in thousands):

	Estimated Amortization Expense
Nine months ended December 31, 2024	$ 179
Year ended December 31, 2025	234
Year ended December 31, 2026	197
Year ended December 31, 2027	194
Year ended December 31, 2028	195
Thereafter	327
Total	$ 1,326

For the three months ended March 31, 2024 and 2023, amortization expense was approximately $0.1 million and $0.1 million, respectively.

Note 7 – Deferred Debt Issuance Costs

Deferred debt issuance costs consist of the following (in thousands):

	March 31, 2024	December 31, 2023
Standing letter of credit	$ 150	$ 150
Equity letter of credit	554	554
Line of credit	$ 9,943	9,943
Total	10,647	10,647
Accumulated amortization	(10,285)	(9,341)
Deferred debt issuance costs	$ 362	$ 1,306

SLOC

For the three months ended March 31, 2024 and 2023, the Company recognized amortization expense of approximately $0.8 million and $41,000, respectively.

Equity line of credit

In July 2023, the Company entered into the equity line of credit ("ELOC") for the right to sell common stock shares to an investor and recorded deferred debt issuance costs of approximately $0.6 million. For the three months ended March 31, 2024, the Company recognized amortization expense of approximately $0.1 million.

Line of Credit

During the three months ended March 31, 2024, in connection with the $2.4 million draw down and issuance of the convertible promissory notes, the Company recognized amortization expense of approximately $0.9 million. During the three months ended March 31, 2023, the Company recognized amortization expense of approximately $1.8 million.

Note 8 – Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
Payroll and related expenses	$ 118	$ 112
Bonus	700	1,000
Taxes	96	51
Other expenses	48	27
Total	$ 962	$ 1,190

Note 9 - Contracts with Customers and Revenue Concentration

Concentration of Credit Risk and Accounts Receivable

Crown Electrokinetics Corp. assesses and monitors the creditworthiness of its customers continually and maintains an allowance for estimated credit losses based on historical experience, current conditions, and reasonable and supportable forecasts. As of March 31, 2024, the Company had accounts receivable of $776,000, net of an allowance for doubtful accounts, compared to $83,000 as of December 31, 2023. The significant increase in receivables is primarily due to increased activity in fiber splicing services and extended payment terms offered to certain customers.

No single customer accounted for 10% or more of the net accounts receivable balance as of March 31, 2024, and no significant concentrations of credit risk were noted.

Deferred Revenue and Transaction Price Allocated to Remaining Performance Obligations

As of March 31, 2024, Crown Electrokinetics Corp. has recorded deferred revenue totaling $1.3 million. This amount represents the advance payments received under the Fixed Price Construction Agreement with Vista Serena, S. de R.L. de C.V., dated March 1, 2024. The contract stipulates the construction of two slant wells at Santa Maria Bay, with Crown Fiber Optics Corp. serving as the contractor.

The total contract price is $3.6 million, of which an advance payment of $1.3 million collected as of March 31, 2024. The revenue associated with this project is expected to be recognized as Crown Fiber Optics Corp. fulfills its performance obligations under the contract, specifically as construction milestones are completed in accordance with the agreed project schedule.

Approximately $2.3 million of the contract price is anticipated to be recognized within the next 12 months as construction progresses. This projection includes considerations for potential adjustments such as material changes or force majeure events that could alter the timing of revenue recognition. The remaining balance will be recognized as the final stages of the project are completed, with the entire project expected to be finalized by the date specified in the project schedule, unless modifications are necessitated by unforeseen circumstances as outlined in the agreement. Revenue is expected to be recognized based on the costs incurred relative to the total estimated costs at completion, following the percentage of completion method.

Note 10 – Notes Payable

Convertible Notes

<u>2022 Notes</u>

In October 2022, the Company issued convertible notes (the "2022 Notes") with a principal balance of approximately $5.4 million and warrants to purchase 362,657 shares of the Company's common stock for net proceeds of $3.5 million. The 2022 Notes is non-interest bearing and secured by the Company's assets. The maturity date is the earlier of (i) twelve months from the date of issuance or (ii) the closing of a change of control transaction. The 2022 Notes are convertible into shares of the Company's common stock at a conversion price of $29.70 per share. The warrants have an exercise price of $19.32 per share and expire five years from the issuance date.

In February 2023, the Company entered into waiver agreements with holders of the 2022 Notes which extended the maturity date of the 2022 Notes from October 19, 2023 to April 18, 2024. As consideration for this agreement, the Company issued 96,890 warrants to purchase shares of the Company's common stock (See Note 11).

In March 2023, the Company entered into the waiver agreements with holders of the 2022 Notes to eliminate the minimum pricing covenant as it relates to Company's at-the-market facility. As consideration for this agreement, the Company provided the holders with two options to choose from (i) to take an additional five percent original issue discount ("OID") on their 2022 Note principal or (ii) to be issued shares of common stock with a value equal to the five percent OID, and to issue total shares of 31,724 as converted using the Nasdaq minimum price of $9.42. During 2023, six of the note holders elected option (i), and the Company increased the respective principal balance of the notes by approximately $0.2 million. The remaining noteholders elected option (ii), and as of March 31, 2024, no shares of common stock have been issued. The Company recorded expense of $0.3 million associated with the commitment to issue shares of the Company's common stock.

In May 2023, the Company entered into an inducement agreements with the investors to reduce the conversion price of the 2022 Notes in an aggregate principal amount equal to $1.5 million, convertible into 161,603 shares of the Company's common stock at $9.28 per share. The remaining investors agreed to reduce the conversion price of the 2022 Notes in an aggregate principal amount equal to $1.4 million, convertible into 127,393 shares of the Company's common stock at $10.93 per share.

The Company elected to account for the 2022 Notes under the fair value option. For the inducement agreements that were entered into as described above, the Company accounted for the change in the terms through the fair value adjustment of $2.7 million, which is included in the change in fair value of notes on the condensed consolidated statements of operations, upon the settlement of $0.2 million principal balance of the 2022 Notes as part of the exchange agreements, and $1.0 million principal balance of the 2022 Notes in June 2023 based on the issuance of 248,981 shares of the Company's common stock. As of March 31, 2024, there was no outstanding balance related to the 2022 Notes.

Senior Secured Notes

In January 2023, the Company issued senior secured notes (“Senior Secured Notes”) with a principal balance of approximately $1.2 million and warrants to purchase 41,667 shares of the Company’s common stock for net proceeds of $1.0 million. The Senior Secured Notes do not bear interest, and mature three months from the date of issuance. Pursuant to these terms, the Senior Secured Notes were subsequently extended to May 3, 2023, incurring an additional 10% on principal. The warrants are exercisable for five years at an exercise price of $19.32 per share.

In May 2023, the Company entered into several amendments to extend the Senior Secured Notes maturity date with the investors. In exchange, the Company issued a total of 203,500 shares of common stock to the investors.

The Company concluded that a troubled debt restructuring did not occur, but an extinguishment of the outstanding senior secured notes occurred. Subsequent to the extinguishment, the Company concluded to account for the Senior Secured Notes using the fair value option. The Company recorded an extinguishment loss of $2.2 million.

On June 4, 2023, $0.2 million of the outstanding Senior Secured Notes was settled. The Company accounted for the settlement as an extinguishment that resulted in a $0.1 million gain and resulted in $0.1 million being recorded as Series F convertible preferred stock and $0.1 million being recorded as part of the warrant liability.

On June 30, 2023, the Company and the remaining investors agreed to extend the maturity date of the 2023 Notes until July 31, 2023, in exchange for 41,667 shares of common stock. The Company recorded a change in fair value adjustment of $0.3 million based on the fair value of the 41,667 shares of common stock.

On July 10, 2023, the Company and the remaining investors entered into a forbearance agreement, which was subsequently amended on July 14, 2023. The forbearance agreement provides that the investor shall forbear the exercise of its rights and remedies due to certain events of defaults under the Senior Secured Notes, including payment, until December 31, 2024, in exchange for a non-refundable and indefeasible payment of $0.1 million in the form of a promissory note due December 31, 2024 (the “December 2024 Note). The December 2024 Note was never executed and the Senior Secured Notes investors fully settled the outstanding balance for a total of 189,602 shares of common stock during July and August 2023. The Company recorded a change in fair value adjustment of $0.04 million at settlement of the Senior Secured Notes. As of March 31, 2024, there was no outstanding balance related to the Senior Secured Notes.

2023 Note

In February 2023, upon drawing down on the line of credit, the Company issued a Secured Promissory Note (the “2023 Note”) totaling $2.0 million, which is due and payable 60 days from the issuance date. The 2023 Note is non-interest bearing and secured by the Company’s assets. The 2023 Note is convertible into shares of the Company’s common stock at $30.00 per share.

In April 2023, the Company entered into a first amendment to the 2023 Note with the lender, pursuant to which the lender agreed to extend the maturity date of the 2023 Note balance until May 1, 2023 in exchange for 33,333 shares of the Company’s common stock. The 2023 Note was further amended to accrue interest at the 15% per annum from the original funding date of the 2023 Note. The Company recorded a change in fair value adjustment of $0.2 million related to the commitment to issue 33,333 shares of the Company’s common stock.

On May 1, 2023, the Company entered into a second amendment to the 2023 Note with the lender, pursuant to which the lender agreed to extend the maturity date of the 2023 Note balance until May 15, 2023

On May 15, 2023, the Company entered into a third amendment to the 2023 Note with the lender, pursuant to which the lender agreed to extend the maturity date of the 2023 Note until June 7, 2023 in exchange for 4,000 shares of the Company’s Series E preferred stock, which are convertible into 66,667 shares of the Company’s common stock. The Company recorded a change in fair value adjustment of $0.7 million related to the commitment to issue 4,000 shares of the Company’s Series E preferred stock.

On May 16, 2023, the Company made a second draw of $0.2 million under the line of credit. Upon drawing down on the line of credit, the Company issued a second Secured Promissory Note (the “2nd 2023 Note”) which is due and payable on July 16, 2023. The 2nd 2023 Note shall accrue interest at the 15% per annum from the original funding date of the 2nd 2023 Note.

On May 26, 2023, the Company made a third draw of $0.2 million under the line of credit. Upon drawing down on the line of credit, the Company issued a third Secured Promissory Note (the “3rd 2023 Note”) which is due and payable on June 2, 2023. The 3rd 2023 Note included a $0.2 million commitment fee and does not bear interest. With the 3rd 2023 Note, the Company recorded a change in fair value adjustment of $0.2 million related to the commitment fee.

On May 26, 2023, the Company entered into a fourth amendment to the 2023 Note, pursuant to which the Company will issue to the holder a convertible promissory note in the principal amount of $0.2 million due June 2, 2023 in exchange for 4,000 shares of the Company’s Series E preferred stock, which are convertible into 66,667 shares of the Company’s common stock. The Company recorded a change in fair value adjustment of $0.6 million related to the commitment to issue 4,000 shares of the Company’s Series E preferred stock.

On June 13, 2023, the Company partially redeemed the principal of the 2023 Note. In addition to the accrued interest and commitment fees, the total redeemed balance was approximately $2.1 million. With the settlement of the 2nd 2023 and the 3rd 2023 Note, the Company recorded a change in fair value adjustment of $0.1 million.

On June 30, 2023, the Company and the line of credit lender agreed to amend the 2nd 2023 Note and the 3rd 2023 Note to extend the maturity dates of each until July 16, 2023. In connection with the amendments, the Company agreed to issue to the line of credit lender 5,000 shares of the Company’s Series E preferred stock, which is convertible into 83,333 shares of the Company’s common stock. Additionally, the Company agreed to issue an additional 8,000 shares of the Company’s Series E preferred stock, which is convertible into 133,333 shares of the Company’s common stock, to the line of credit lender for failure to comply with a covenant in the line of credit, as amended. The Company recorded a change in fair value adjustment of $2.0 million related to the commitment to issue 13,000 shares of the Company’s Series E preferred stock.

During July 2023, the Company repaid the outstanding balance of the 2nd 2023 Note and 3rd 2023 Note for cash of $0.4 million. As of March 31, 2024, there was no outstanding balance related to the 1st 2023 Note, 2nd 2023 Note and 3rd 2023 Note.

Demand Note

Between May 17 and May 18, 2023, the Company issued secured demand promissory notes (the “Demand Notes”) in an aggregate principal amount equal to $0.2 million. The Demand Notes are due and payable at any time upon demand by the noteholders after the earlier of (i) the consummation of the Company’s first securities offering after the issuance of the Demand Notes or (ii) July 16, 2023. The Demand Notes do not bear interest. In connection with the issuance of the Demand Notes, the Company agreed to issue an aggregate of 76,626 shares of the Company’s common stock to the Demand Note holders. The Company recorded expense of $0.2 million associated with the commitment to issue shares of the Company’s common stock.

On May 30, 2023, the Company issued secured demand promissory notes (the “2nd Demand Notes”) in an aggregate principal amount equal to $0.1 million. The 2nd Demand Notes are due and payable at any time upon demand by the noteholder after the earlier of (i) the consummation of the Company’s first securities offering after the issuance of the 2nd Demand Notes or (ii) July 16, 2023. The 2nd Demand Notes do not bear interest. In connection with the issuance of the 2nd Demand Notes, the Company agreed to issue an aggregate of 46,935 shares of the Company’s common stock to the 2nd Demand Notes holders. The Company recorded expense of $0.1 million associated with the commitment to issue shares of the Company’s common stock.

On July 25, 2023, the Company entered into the Demand Secured Promissory Note Agreement (“Q3 Demand Notes”) with two investors for a purchase price of $20,000 each and with an original issue discount of $12,000. Upon settlement, the Company is obligated to pay a total of $0.1 million in principal for the issuance of both notes. The Q3 Demand Notes are due and payable at any time upon demand by the holder after the earlier of (i) the consummation of the Company’s first securities offering after the issuance of the Q3 Demand Notes and (ii) August 25, 2024.

As of March 31, 2024, the Company had approximately $0.1 million of outstanding balance related to the 2023 Notes.

On December 28, 2023, the Company entered into a secured notes payable agreement with Cemen Tech Capital, LLC bearing an interest rate of 8.75% per year. In Q1, 2023, the Company entered into a secured notes payable agreement with Ford Motor Credit bearing an interest rate of 6.96% per year. Both notes are secured by the vehicles financed. Monthly principal and interest payments are to be made commencing from the issuance date through January, 2030 and April, 2026 respectively.

As of March 31, 2024, the expected future minimum principal payments under the Company's notes payable is as follows (in thousands):

		Amount
2024, remainder	$	93
2025		65
2026		60
2027		60
2028, and thereafter		143
Total		421

Note 11 - Fair Value Measurements

The following table classifies the Company's liabilities measured at fair value on a recurring basis into the fair value hierarchy as of March 31, 2024:

	Fair value measured at March 31, 2024			
	Total carrying value	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Liabilities:				
Warrant liability	$ 23	$ -	$ -	$ 23

The Company did not have any assets or liabilities measured at fair value on a recurring basis into the fair value hierarchy as of December 31, 2023.

For the three months ended March 31, 2024 there was a increase of approximately $23,000 in Level 3 liabilities measured at fair value.

The Company uses significant unobservable inputs to value its Level 3 liabilities, which include warrants to purchase shares of common stock. The fair value of these warrants is estimated using the Black-Scholes valuation model. The key factors considered in this model are:

- Dividend Yield: The expected dividend yield is based on the Company's historical dividend payments and future expectations. As of March 31, 2024, the dividend yield used was 0.0%.

- Expected Price Volatility: The expected volatility is based on the historical volatility of the Company's stock over a period equivalent to the expected term of the warrants. As of March 31, 2024, the expected price volatility was 70.0%.

- Risk-Free Interest Rate: The risk-free interest rate is based on the yield of U.S. Treasury securities with a maturity similar to the expected term of the warrants. As of March 31, 2024, the risk-free interest rate was 4.33%.

- Expected Term: The expected term of the warrants is based on the remaining contractual life of the warrants. As of March 31, 2024, the expected term was 3.8 years.

2022 Convertible Notes at Fair Value

The fair value of the 2022 Notes on the issuance dates, and as of March 31, 2024 were estimated using a Monte Carlo simulation to capture the path dependencies intrinsic to their terms. The significant unobservable inputs used in the fair value measurement of the Company's convertible notes are the common stock price, volatility, and risk-free interest rates.

The Company elected the fair value option when recording its 2022 Notes and the 2022 Notes were classified as liabilities and measured at fair value on the issuance date, with changes in fair value recognized as other income (expense) on the statements of operations and disclosed in the condensed consolidated financial statements.

In February 2023, the Company entered into waiver agreements with holders of the 2022 Notes (See Note 10). In connection with the waiver agreement, the 2022 Notes were revalued as of the amendment date.

In March 2023, the Company entered into the second waiver agreements with holders of the 2022 Notes (See Note 10). A number of holders elected to increase the principal balance of their notes. The Company revalued the respective notes on the date prior to the amendment date and again on the amendment date. The change in fair value related to the amendment of these 2022 Notes was approximately $0.4 million.

In June 2023, the Company entered into an exchange agreement and $0.2 million fair value of the 2022 Notes was exchanged for 206 shares of Series F Preferred stock. As of March 31, 2024, there was no outstanding balance related to the 2022 Notes.

Line of Credit

In February 2023, the Company drew down $2.0 million from the line of credit and issued the 2023 Notes of $2.0 million. The 2023 Note had fair value at issuance of $1.9 million and the Company recorded a gain on issuance of approximately $0.1 million, which is included in other income (expense) on the condensed consolidated statement of operations.

In May 2023, the Company drew down $0.4 million from the line of credit and in accordance with the terms of the agreement issued the 2nd 2023 Notes and 3rd 2023 Notes. During July 2023, the Company repaid the outstanding balance of $0.4 million in cash.

As of March 31, 2024, there are no outstanding balances pertaining to the 2023 Notes, following the full termination of the associated line of credit.

The following table provides the change in fair value of the warrant liability (in thousands):

	Warrant Liability
Balance at December 31, 2023	$ -
Change in fair value	23
Balance at March 31, 2024	$ 23

Warrants

During the three months ended March 31, 2024, the Company executed a warrant agreement with two consultants, issuing warrants for 750,000 shares. These five-year warrants are exchangeable for the Company's common stock and carry an exercise price of $0.094 per share.

Series F Preferred Stock Exchange Agreements

In connection with the Series F preferred stock exchange agreements, the Company issued 592,137 warrants to purchase shares of the Company's common stock. The Company concluded that the exchange warrants are liability classified with a fair value of $1.3 million as of the issuance date. As of March 31, 2024, the exchange warrants had a nominal fair value.

Senior Secured Notes

In connection with the issuance of the Senior Secured Notes in January 2023 (See Note 10), the Company issued 41,667 warrants to purchase shares of the Company's common stock. The Company estimated the aggregate fair value of the warrants on the issuance date to be approximately $0.2 million, and nominal value as of March 31, 2024.

Line of Credit

In February 2023, in connection with the issuance of its line of credit, the Company issued 45,000 warrants to purchase shares of its Series E preferred stock (See Note 12). The Company estimated the aggregate fair value of the warrants on the issuance date to be approximately $5.6 million, and nominal value as of March 31, 2024.

Series F-1 and F-2 Issuances

As part of the Series F-1 and F-2 preferred stock issuances, the Company issued 523,323 warrants to purchase shares of the Company's common stock. The Company concluded that the Series F-1 and Series F-2 warrants are liability classified with a fair value of $1.2 million as of the issuance date. As of March 31, 2024, the fair value of the Series F-1 and Series F-2 warrants were nominal.

The warrants were classified as liabilities and measured at fair value on the grant date, with changes in fair value recognized as other income (expense) on the condensed consolidated statements of operations.

A summary of significant unobservable inputs (Level 3 inputs) used in measuring warrants on the issuance dates and as of March 31, 2024 is as follows:

	Series F / F-1 / F-2	2022 Notes	Warrants - Senior Secured Note	Warrants - Series E - Line of Credit	Warrants - March 1, 2024
Date	3/31/2024	3/31/2024	3/31/2024	3/31/2024	3/31/2024
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Expected price volatility	70.0%	65.0%	70.0%	70.0%	70.0%
Risk free interest rate	4.29%	4.35%	4.33%	4.32%	4.22%
Expected term (in years)	4.2	3.6	3.8	3.8	4.9

Note 12 – Stockholders' Equity

Preferred Stock

As of March 31, 2024, there were 50,000,000 authorized shares of the Company's preferred stock with par value of $0.0001**.**

Series A Preferred Sock

As of March 31, 2024 and December 31, 2023, 251 shares of Series A preferred stock are issued and outstanding, respectively.

Series B Preferred Stock

As of March 31, 2024 and December 31, 2023, 1,443 shares of Series B preferred stock are issued and outstanding, respectively.

Series C Preferred Stock

As of March 31, 2024 and December 31, 2023, 500,756 shares of Series C preferred stock are issued and outstanding, respectively.

Series D Preferred Stock

As of March 31, 2024 and December 31, 2023, no shares of Series D preferred stock are issued and outstanding, respectively.

Series E Preferred Stock

On February 1, 2023, the Company's Board of Directors authorized 77,000 shares of Series E preferred stock with a par value of $0.0001 per share, in connection with its line of credit. Each share of Series E preferred stock is convertible into 1,000 shares of the Company's common stock at the option of the holders. The holders of the Series E preferred stock shall receive dividends on an as converted basis together with the holders of the Company' common stock. The Series E preferred stock has no voting rights and does not have a preference upon any liquidation, dissolution or winding-up of the Company.

On February 2, 2023, in connection with its line of credit, the Company issued 5,000 shares of Series E preferred stock as a commitment fee with a fair value of $1.5 million. In addition, the Company agreed to issue an additional 5,000 shares of Series E preferred stock on both the first and second anniversary date of the line of credit, or 10,000 shares on the first anniversary, if the Company does not elect to extend the maturity date of the line of credit. The fair value of the additional 10,000 shares of Series E preferred stock on the issuance date totaled $2.9 million. The Company recorded the total fair value of $4.4 million as additional paid-in capital with the offsetting increase to deferred debt issuance costs.

As of March 31, 2024, following Series E preferred stock conversions, zero shares of Series E preferred stock are issued and outstanding. There were no shares of Series E preferred stock issued and outstanding as of December 31, 2023.

Series F Preferred Stock

On June 4, 2023, the Company entered into exchange agreements with (i) the 2022 Notes investors for the exchange of 2022 Notes in the aggregate principal amount of $2.6 million for 2,622 shares of the Company's Series F convertible preferred stock ("Series F preferred stock"), (ii) with the Senior Secured Notes investors for the exchange of Senior Secured Notes in the aggregate principal amount of $0.2 million for 206 shares of Series F Preferred Stock; (iii) with the Demand Noteholders for the exchange of Demand Notes in the principal amount of $0.6 million for 576 shares of Series F Preferred Stock, and (iv) with the purchasers of the Company's Series D Preferred Stock for the exchange of 1,197 shares of Series D Preferred Stock for 1,847 shares of Series F Preferred Stock.

In addition, the Company issued new five-year warrants to purchase an aggregate of 592,137 shares of common stock (the "Exchange Warrants") to the 2022 Note holders, the Senior Secured Note holders, and the purchasers of the Company's Series D preferred stock. The Exchange Warrants are exercisable at an exercise price of $8.868 per share of common stock. The holders may exercise the Exchange Warrants on a cashless basis if the shares of the Company's common stock underlying the Exchange Warrants are not then registered pursuant to an effective registration statement. The Company concluded that the Exchange Warrants are liability classified.

For the 2022 Note holders, the total fair value of Series F preferred stock and warrant liability issued were $1.1 million and $0.6 million, respectively. For the Senior Secured Note holders, the total fair value of Series F preferred stock and warrant liability issued were $0.1 million and $30,000, respectively. For the Demand Note holders, the total fair value of Series F Preferred Stock and Warrant Liability issued were $0.2 million and $0.2 million, respectively. For the purchasers of the Company's Series D preferred stock, the Company accounted for the exchange as an extinguishment of the Series D preferred stock and recorded the total fair value of Series F preferred Stock and warrant liability of $0.7 million and $0.5 million, respectively. The difference of $0.5 million with the $0.7 million carrying value of the Series D preferred stock as a deemed dividend and reduction to additional-paid-in-capital.

In July 2023, the Company converted 803 shares of Series F preferred stock for 103,234 shares of common stock. As of March 31, 2024 and December 31, 2023, 4,448 shares of Series F preferred stock are issued and outstanding, respectively.

Series F-1 Preferred Stock

On June 13, 2023, the Company issued 3,583 shares of Series F-1 preferred stock for an aggregate purchase price of $2.3 million. In connection with the issuance of the Series F-1 preferred stock, the holders will receive five-year warrants to purchase an aggregate of 398,377 shares of common stock (the "Series F-1 Warrants"). The Series F-1 Warrants will be exercisable at an exercise price of $8.994 per share of the Company's common stock, subject to certain adjustments as set forth in the Series F-1 Warrants. The holders may exercise the Series F-1 Warrants on a cashless basis if the shares of our Common Stock underlying the Series F-1 Warrants are not then registered pursuant to an effective registration statement. The obligations of the Company and the Purchasers to consummate the transactions contemplated by the Purchase Agreement are subject to the satisfaction on or prior to the Closing of customary closing conditions..

The Company allocated the proceeds of $2.3 million to the liability classified warrants with a fair value of $0.9 million and the remaining proceeds of $1.4 million to the Series F-1 preferred stock.

In July 2023, the Company converted 2,930 shares of Series F-1 preferred stock for 325,737 shares of common stock. As of March 31, 2024 and December 31, 2023, 653 shares of Series F-1 preferred stock are issued and outstanding, respectively.

Series F-2 Preferred Stock Offering

On June 14, 2023, the Company issued 1,153 shares of its Series F-2 preferred stock for an aggregate purchase price of approximately $0.7 million. In connection with the issuance of the Series F-2 preferred stock, the holders will receive five-year warrants to purchase an aggregate of 124,946 shares of common stock (the “F-2 Warrants”). The F-2 Warrants will be exercisable at an exercise price of $9.228 per share of common stock.

The Company allocated the proceeds of $0.7 million to the liability classified warrants with a fair value of $0.3 million and the remaining proceeds of $0.4 million to the Series F-2 preferred stock.

As of March 31, 2024 and December 31, 2023, 1,153 shares of Series F-2 preferred stock are issued and outstanding, respectively.

Common Stock

Authorized Shares

As of March 31, 2024, there were 800,000,000 shares of the Company’s authorized shares of common stock.

Warrant Exercises

During the three months ended March 31, 2024, the Company executed a warrant agreement with two consultants, issuing warrants for 750,000 shares. These five-year warrants are exchangeable for the Company's common stock and carry an exercise price of $0.094 per share. No warrants have been exercised as of March 31, 2024.

At-the-Market Offering

As of March 31, 2024, the Company has received net proceeds on sales of 4,824,382 shares of common stock under the at-the-market offering of approximately $0.6 million after deducting $28,000 in commissions and expenses. The weighted-average price of the common stock was $0.13 per share.

Equity Line of Credit

On July 20, 2023 (“Closing Date”), the Company entered into the ELOC with a purchaser (“ELOC Purchaser”) whereby the Company has the right to sell up to an aggregate of $50.0 million of newly issued shares (the “ELOC Shares”) of the Company’s common stock. The aggregate number of shares that the Company can sell under the ELOC Purchase Agreement may not exceed 4.99% of the outstanding common stock, subject to certain exceptions set forth in the ELOC Purchase Agreement.

The purchase price of the shares of common stock that the Company elects to sell to the pursuant to the ELOC Purchase Agreement will be equal to 97.0% of the lower of (i) the lowest intraday sale price of the common stock on the Company’s current trading market on the applicable purchase date or (ii) the arithmetic average of the three lowest closing sale prices during the ten trading days immediately preceding the applicable purchase date. There is no upper limit on the price per share that ELOC Purchase could be obligated to pay for the common stock under the ELOC Purchase Agreement.

As of March 31, 2024, the Company received net proceeds on sales of 21,133,689 shares of common stock of approximately $1.4 million, after deducting commissions and expenses, at a weighted average price of $0.13 per share.

Note 13 – Stock-Based Compensation

Stock Options

The Company grants equity-based compensation under its 2020 Long-Term Incentive Plan (the “2020 Plan”) and its 2016 Equity Incentive Plan (the “2016 Plan”). The 2020 Plan and 2016 Plan allows the Company to grant incentive and nonqualified stock options, and shares of restricted stock to its employees, directors and consultants. On June 14, 2019, the Board of Directors of the Company approved increasing the number of shares allocated to the Company’s 2016 Equity Incentive Plan from 91,667 to 122,222.

On December 16, 2020, the Company adopted its 2020 Plan. Under the 2020 Plan, there are 88,889 shares of the Company’s common stock available for issuance and the 2020 Plan has a term of 10 years.

Under the 2016 Plan and the 2020 Plan, upon the exercise of stock options and issuance of fully vested restricted common stock, shares of common stock may be withheld to satisfy tax withholdings. The Company intends to net settle certain employee options to ensure adequate authorized shares under the Incentive Plan.

On December 22, 2022, the Company adopted its 2022 Long-Term Incentive Plan (the "2022 Plan"). Under the 2022 Plan, there are 70,000 shares of the Company's common stock available for issuance and the 2022 Plan has a termination date of October 31, 2032.

A summary of activity under the Plans for the three months ended March 31, 2024 is as follows:

	Shares Underlying Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2023	382,779	$ 65.04	8.1	$ —
Granted	250,000	$ 0.09	9.9	
Forfeited	0	$ —	0	-
Outstanding at March 31, 2024	632,779	$ 39.38	8.7	$ -
Exercisable at March 31, 2024	176,728	$ 138.32	5.8	$ -

During the three months ended March 31, 2024, the Company recognized stock-based compensation of approximately $38,000 related to stock options. The unrecognized compensation cost totaled approximately $0.1 million which is expected to be recognized over a weighted-average period of 1.1 years.

During the three months ended March 31, 2024, the Company issued 250,000 stock options, which were valued using the Black-Scholes option pricing model.

The following table presents the inputs used for the valuation of options granted, as per the Black-Scholes fair value model:

	Three months ended March 31,	
	2024	2023
Dividend yield	— %	—
Expected price volatility	95.7 %	—
Risk free interest rate	4.9 %	—
Expected term (years)	0.8	—

Stock-Based Compensation

The total stock-based compensation expense recognized was as follows (in thousands):

	Three months ended March 31,	
	2024	2023
Research and development expenses	$ 30	$ 59
Selling, general and administrative expenses	244	122
Total stock-based compensation	$ 274	$ 181

As of March 31, 2024, the total unrecognized stock-based compensation cost related to outstanding unvested stock options that are expected to vest was $0.1 million, which the Company expects to recognize over an estimated weighted-average period of 1.1 years.

Restricted Stock Units

A summary of the Company's restricted stock activity and related information is as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at December 31, 2023	1,696,904	$ 0.38
Granted	750,000	$ 0.09
Vested	(1,322,374)	$ 0.27
Unvested at March 31, 2024	1,124,530	$ 0.32

During the three months ended March 31, 2024, the Company granted 750,000 restricted stock units and recognized stock-based compensation of approximately $0.2 million related to restricted stock units. The unrecognized compensation cost totaled approximately $0.1 million which is expected to be recognized over a weighted-average period of 0.6 years.

Note 14 – Warrants

A summary of the Company's warrant (excluding penny warrants) activity and related information is as follows:

	Shares Underlying Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2023	1,760,095	$ 18.96	4.4	$ —
Issued	750,000	$ 0.09	4.9	$ —
Exercised	—	$ —	—	$ —
Outstanding at March 31, 2024	2,510,095	$ 14.01	4.2	$ —

Liability Classified Warrants

During the three months ended March 31, 2024, the Company issued a total of 750,000 warrants to purchase shares of the Company's common stock with an exercise price of $0.09 per share. The warrants were distributed as follows: 250,000 to Ascent Art Ventures, LLC and 500,000 to Five Oceans Capital, LLC. The warrants are set to expire 5 years from the issuance date.

2022 Notes

In connection with the 2022 Notes, the Company issued 362,657 warrants to purchase shares of the Company's common stock. The warrants have an exercise price of $19.30 per share and expire five years from the issuance date.

During 2023, the Company entered into a warrant inducement and exercise agreement with certain holders. Under the terms of the agreement, the holders exercised 106,764 warrants, and the Company issued 106,764 new warrants to purchase shares of its common stock with an exercise price of $19.30 per share. The warrants expire 5 years from the issuance date.

On February 28, 2023, the Company entered into waiver agreements with holders of the 2022 Notes and issued 96,894 warrants to purchase shares of the Company's common stock with an exercise price of $19.30 per share.

Exchange Warrants, F-1 Warrants, and F-2 Warrants

In connection with the exchange agreement, the Company issued new five-year warrants to purchase an aggregate of 592,137 shares of common stock to the noteholders and the purchasers of the Company's Series D preferred stock. The Exchange Warrants are exercisable at an exercise price of $8.868 per share of common stock. The holders may exercise the warrants on a cashless basis if the shares of the common stock underlying the warrants are not then registered pursuant to an effective registration statement. The Company concluded that the Exchange Warrants are liability classified.

In connection with the issuance of the Series F-1 preferred stock, the noteholders will receive five-year warrants to purchase an aggregate of 398,379 shares of common stock. The warrants will be exercisable at an exercise price of $8.994 per share of the Company's common stock. The noteholders may exercise the warrants on a cashless basis if the shares of the common stock underlying the warrants are not then registered pursuant to an effective registration statement.

In connection with the issuance of the Series F-2 preferred stock, the noteholders will receive five-year warrants to purchase an aggregate of 124,948 shares of common stock. The F-2 warrants will be exercisable at an exercise price of $9.228 per share of common stock. The noteholders may exercise the F-2 warrants on a cashless basis if the shares of the common stock underlying the F-2 warrants are not then registered pursuant to an effective registration statement.

Note 15 – Commitments and Contingencies

Leases Under Crown Electrokinetics Division

Oregon State University

Since March 8, 2016, the Company has entered into a lease agreement with Oregon State University, to lease 1,700 square feet of office and laboratory space located at HP Campus Building 11, 1110 NE Circle Blvd, Corvallis, Oregon. On January 20, 2023, the Company entered into the ninth amendment which reduces the amount of cubicle space from 768 square feet to 288 square feet. Effective January 20, 2023 the quarterly operating expense will be $41,323 covering all utility and facility tooling costs. The sublease expires June 30, 2025.

Hudson 11601 Wilshire, LLC

Since March 4, 2021, the Company has entered into a lease agreement with Hudson 11601 Wilshire, LLC, to lease 3,500 square feet of office space located in Los Angeles, California. The lease term is 39 months and expires on June 30, 2024.

HP Inc.

Since May 4, 2021, the Company has entered into a lease agreement with HP Inc., to lease 3,694 square feet of office and laboratory space at HP Campus Building 10, located at 1110 NE Circle Blvd, Corvallis, Oregon. On January 26, 2022, the Company amended the lease commencement date to January 26, 2022. The lease term is 60 months and expires on January 31, 2027. The Company may extend for one additional 60 months period, which is not reasonably certain of being exercised.

Pacific N.W. Properties, LLC

Since October 5, 2021, the Company has entered into a lease agreement with Pacific N.W. Properties, LLC to lease 26,963 square feet of warehouse, manufacturing, production, and office space located in Salem Oregon. The lease commencement date is December 9, 2021 and expires on February 28, 2027.

During the second quarter of 2023, the Company determined that it no longer desired to occupy the premises. The Company and the Lessor entered into the Lease Termination Agreement on April 7, 2023.

The Lease Termination Agreement set forth a termination fee of $0.1 million as well as required the forfeiture of the security deposit of $0.2 million from the original lease agreement. The Company was required to vacate by April 30, 2023 as well as cover all utilities through that day. In the second quarter of 2023, the Company recorded a gain of $0.1 million for the difference between lease liability and right-of-use asset, loss of $0.1 million in payment of termination penalty, and a loss of $0.2 million of the original security deposit related to the termination agreement.

Leases Under Crown Fiber Optics Division

Burnham 182, LLC

On October 16, 2023, the Company entered into a lease agreement with Burnham 182, LLC, to lease 40,524 square feet of vacant land, including a 1,225 square foot Quonset hut and mobile office, located in Mesa, Arizona. This lease provides yard space with which to store equipment for the Fiber business in Phoenix. The lease term is 36 months and expires on October 31, 2026. The monthly lease expense is as follows:

- Months 1-12 - $9,321
- Months 13-24 - $9,726
- Months 25-36 - $10,131

The Company paid a security deposit totaling $31,450 at lease inception date.

NFS Leasing, Inc.

On October 31, 2023, we entered into a lease agreement with NFS Leasing, Inc. to lease certain equipment. The equipment will be physically located at a property which is owned and operated by Burnham 182, LLC located in Mesa, AZ. The lease term is 48 months, and the lease commencement date is November 30, 2023. The monthly lease expense is $23,060. We will pay a security deposit totaling $23,060. We have the option to purchase the equipment at fair market value, not to exceed 25% of the total sale price or extend the monthly payments on a month-to-month basis or for a fixed term at a mutually agreed to price and term, upon the expiration of the lease.

The components of the consolidated operating lease expense were as follows:

	Three Months Ended March 31,	
	2024	**2023**
Operating leases:		
Operating lease cost	$ 471	$ 190
Variable lease cost	—	58
Operating lease expense	$ 471	$ 248

The following information represents supplemental disclosure for the condensed consolidated statement of cash flows related to operating leases (in thousands):

	Three months Ended March 31,	
	2024	**2023**
Operating cash flows - operating leases	$ 484	$ 192
Right-of-use assets obtained in exchange for operating lease liabilities	$ 1,146	$ —

The present value assumptions used in calculating the present value of the lease payments were as follows:

	March 31,	
	2024	**2023**
Weighted-average remaining lease term (years)	2.7	3.0
Weighted-average discount rate	12.0 %	12.0 %

As of March 31, 2024, future minimum payments are as follows (in thousands):

	Operating Leases
Nine months ended December 31, 2024	$ 606
Year ended December 31, 2025	578
Year ended December 31, 2026	478
Year ended December 31, 2027	240
Total	1,902
Less present value discount	(346)
Operating lease liabilities	$ 1,556

Litigation

From time to time, the Company is also involved in various other claims and legal actions that arise in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the Company does not believe that the ultimate resolution of these actions will have a material adverse effect on its financial position, results of operations, liquidity or capital resources.

Future litigation may be necessary to defend ourselves and our partners by determining the scope, enforceability and validity of third party proprietary rights or to establish the Company's proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

Note 16 – Segment Reporting

Crown Electrokinetics Corp. operates in two segments: the Electrokinetic Film Technology division and the Fiber Optics division.

Electrokinetic Film Technology Division: This division focuses on developing and selling optical switching films that can be embedded between sheets of glass or applied to the surface of glass or other rigid substrates like acrylic, to electronically control opacity. The technology, initially developed by Hewlett-Packard, enables a transition between clear and dark states in seconds. It is aimed at various applications including commercial buildings, automotive sunroofs, and residential windows. Crown partners with leading glass and film manufacturers for the mass production and distribution of its DynamicTint product. This segment also includes Smart Window Inserts, designed for retrofitting in commercial and residential settings, offering dynamic tinting along with additional insulation and soundproofing.

Fiber Optics Division: Crown's involvement in fiber optics is relatively recent, marked by the acquisition of Amerigen 7 LLC's assets, which was focused on the construction of 5G fiber optics infrastructure. Under the Crown Fiber Optics Corp. subsidiary, the company provides contracting services to the fiber optics and telecommunications infrastructure industry. Services range from program management and engineering to the construction of aerial and underground fiber networks. This division aims to capitalize on the demand for enhanced telecommunications bandwidth, with efforts to expand through selective market share increase, potential acquisitions, and leveraging new equipment like micro trenchers to gain a strategic advantage.

Our CODM does not evaluate operating segments using asset or liability information.

The following table presents a comparative summary of the Company's revenues and gross profit (loss) by reportable segment for the periods presented (in thousands):

	For the three months ended	
	2024	2023
Segment Revenue		
Film	$ -	$ -
Fiber Optics	$ 682	$ 22
Total Revenue	**$ 682**	**$ 22**

Operations by reportable segment for the three months ended March 31, 2024 and 2023, are as follows (in thousands):

	For the three months ended March 31, 2024			
	Film	**Fiber Optics**	**Corporate and Other[(a)]**	**Total**
Total Revenue	$ -	$ 682	$ -	$ 682
Cost of revenue, excluding depreciation and amortization	-	(1,636)	-	(1,636)
Gross profit (loss)	-	(954)	-	(954)
Depreciation and amortization	(142)	(70)	-	(212)
Research and development	(756)	-	-	(756)
Selling, general and administrative	-	(136)	(1,647)	(1,783)
Loss from operations	(898)	(1,160)	(1,647)	(3,705)
Other income (expense):				
Interest expense	-	(10)	(851)	(860)
Change in fair value of warrants	-	-	(23)	(23)
Other expense	-	-	(24)	(24)
Total other income (expense)	-	(10)	(898)	(907)
Loss before income taxes	**$ (898)**	**$ (1,170)**	**$ (2,545)**	**$ (4,612)**

(a) The Corporate and Other are expenses that are not currently allocated between our film and fiber divisions.

	For the three months ended March 31, 2023			
	Film	Fiber Optics	Corporate and Other(a)	Total
Total Revenue	$ -	$ 22	$ -	$ 22
Cost of revenue, excluding depreciation and amortization	-	(31)	-	(31)
Gross profit (loss)	-	(9)	-	(9)
Depreciation and amortization	(142)	(40)	-	(182)
Research and development	(541)	-	-	(541)
Selling, general and administrative	-	(1,620)	(1,774)	(3,394)
Goodwill impairment charge	-	-	-	-
Loss from operations	(683)	(1,669)	(1,774)	(4,126)
Other income (expense):				
Interest expense	-	(7)	(2,010)	(2,017)
Loss on extinguishment of warrant liability	-	-	(504)	(504)
Loss on extinguishment of debt	-	-	-	-
Gain on issuance of convertible notes	-	-	64	64
Change in fair value of warrants	-	-	5,606	5,606
Change in fair value of notes	-	-	(117)	(117)
Change in fair value of derivative liability	-	-	-	-
Other expense	-	-	(1,206)	(1,206)
Total other income (expense)	-	(7)	1,832	1,826
Loss before income taxes	**$ (683)**	**$ (1,676)**	**$ 58**	**$ (2,300)**

(a) The Corporate and Other are expenses that are not currently allocated between our film and fiber divisions.

The following table presents long-lived assets by segment (in thousands):

	For the three months ended	
	2024	2023
Film Segment	$ 3,180	$ 12,953
Fiber Optics Segment	$ 3,076	$ 1,940
Other assets(a)	$ 165	$ 213

(a) "Other assets" primarily includes security deposits made with respect to the Company's lease agreements.

Note 17 - Note Receivable

On March 30, 2024, the Company entered into a Senior Secured Promissory Note agreement with RamPro Construction and HDD, LLC, and Vero HDD, LLC (collectively, the "Borrowers"). Under this agreement, the Company holds a note receivable with a principal amount of $576,038. The note bears interest at a rate of 5% per annum, calculated on a 360-day year basis, with interest payable upon maturity. The principal and accrued interest are due on December 30, 2024.

The note is secured by all personal property and assets of the Borrowers and their subsidiaries, granting the Company a first priority security interest in these assets. In the event of default, the Company has the right to declare the unpaid balance immediately due and payable and pursue remedies available to a secured party under the Uniform Commercial Code. Events of default include non-payment of principal or interest, and the bankruptcy or insolvency of the Borrowers.

The Company evaluates the collectability of the note receivable regularly and maintains an allowance for credit losses based on historical experience, current conditions, and reasonable forecasts. As March 31, 2024, no allowance for credit losses has been deemed necessary for this note receivable.

Note 18 – Subsequent Events

From April 1, 2024 through May 15, 2024, the Company drew upon its equity line of credit (ELOC) agreement to issue and sell shares. The Company issued 178,866,337 shares of common stock at a weighted average price of $0.04 per share, resulting in net proceeds of approximately $6.3 million after commissions, fees, and offering costs. Based on the transaction discussed above, the Company believes it has stockholders' equity of at least $2.5 million as of the date of this filing, as required by Nasdaq Listing Rule 5550(b)(1).

On May 15, 2024 the Company's Series F Preferred holders converted 1,148 Series F Preferred shares into 31,362,068 share of common stock at an alternate conversion price of $0.04. On May 15, 2024 the Company's Series F-1 Preferred holders converted 424 Series F-1 Preferred shares into 11,584,699 share of common stock at an alternate conversion price of $0.04. On May 15, 2024 the Company's Series F-2 Preferred holders converted 308 Series F-2 Preferred shares into 8,415,301 share of common stock at an alternate conversion price of $0.04.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and related notes thereto included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" included elsewhere in this report.

As an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, we can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are electing to delay our adoption of such new or revised accounting standards. As a result of this election, our condensed consolidated financial statements may not be comparable to the condensed financial statements of other public companies.

Overview

We were incorporated in the State of Delaware on April 20, 2015. Effective October 6, 2017, our name was changed to Crown Electrokinetics Corp. from 3D Nanocolor Corp.

On January 26, 2021, we completed our public offering, and our common stock began trading on the Nasdaq Capital Market (Nasdaq) under the symbol CRKN.

We commercialize technology for smart or dynamic glass. Our electrokinetic glass technology is an advancement on microfluidic technology that was originally developed by HP Inc.

On December 20, 2022, we incorporated Crown Fiber Optics Corp., a Delaware based entity, to own and operate our acquired business from the acquisition of Amerigen 7, LLC ("Amerigen 7") in January 2023. Crown Fiber Optics Corp. is accounted for as our wholly- owned subsidiary.

Reverse Stock Split

On August 11, 2023, our board of directors authorized a reverse stock split ('Reverse Stock Split") at an exchange ratio of one-for-60 basis. The number of authorized shares and the par value of the common stock was not adjusted as a result of the Reverse Stock Split. In connection with the Reverse Stock Split, the conversion ratio for our outstanding preferred stock was proportionately adjusted such that the common stock issuable upon conversion of such preferred stock was decreased in proportion to the Reverse Stock Split. All references to common stock and options to purchase common stock share data, per share data and related information contained in the condensed consolidated financial statements have been adjusted to reflect the effect of the Reverse Stock Split.

Components of Operating Results

Revenue

Revenue include fiber splicing services as required based on short-term work orders assigned by customers. We recognize revenue immediately upon completion of each work order in the amount that reflects the consideration to which we expect to be entitled.

Cost of Revenue, excluding depreciation and amortization

Cost of revenue primarily consists of cost of inventory sold during the period (net of discounts and allowances), storage costs, direct labor, shipping and handling costs, and allocated overhead.

Gross Profit

Gross profit have been, and will continue to be, affected by a variety of factors, including those that may affect our revenue set forth above and factors that may affect our cost of revenue.

Operating Expenses

Our operating expenses consist of (i) research and development expenses and (ii) general and administrative expenses.

Research and Development Expenses

Research and development expenses primarily consist of compensation and related costs for personnel (including stock-based compensation expenses), materials, supplies, technology and software license amortization and equipment depreciation.

General and Administrative Expenses

General and administrative expenses primarily consist of personnel costs, including salaries, bonus and benefit costs, professional fees, stock-based compensation, facility costs (including rent, property taxes, utilities, common area maintenance and insurance), audit and compliance expenses, advertising and marketing expenses and other administrative costs.

Other Income (Expense)

Interest Expense

Interest expenses consist primarily of amortization expense from our line of credits. Refer to Note 7 on our condensed consolidated financial statements for additional information.

Loss on Extinguishment of Warrant Liability

Loss on extinguishment of warrant liability relates to the loss recognized on the settlement of our warrant liabilities. Refer to Note 10 on our condensed consolidated financial statements for additional information.

Loss on Extinguishment of Debt

Loss on extinguishment of debt relates to the loss recognized on the settlement of our convertible notes. Refer to Note 9 on our condensed consolidated financial statements for additional information.

Gain on Issuance of Convertible Notes

Gain on issuance of convertible notes relates to the gain recognized due to the change in fair value of our convertible notes. Refer to Note 10 on our condensed consolidated financial statements for additional information.

Change in Fair Value of Warrants

Change in fair value of warrants relates to changes in the fair value of our warrants which were remeasured to fair value in each reporting period. Refer to Note 10 on our condensed consolidated financial statements for additional information.

Change in Fair Value of Notes

Change in fair value of notes relates to changes in the fair value of our convertible notes which were remeasured to fair value in each reporting period. Refer to Note 10 on our condensed consolidated financial statements for additional information.

Change in Fair Value of Derivative Liability

Change in fair value of derivative liability relates to changes in the fair value of our derivative liability which was remeasured to fair value in each reporting period. Refer to Note 11 on our condensed consolidated financial statements for additional information.

Other Expense

Other expenses consist primarily of various other expenses.

Results of Operations for the Three Months Ended March 31, 2024 and 2023, respectively. (in thousands):

	Three Months Ended March 31,			
	2024	2023	Change	
Revenue	$ 682	$ 22	$ 660	3000 %
			-	
Cost of revenue, excluding depreciation and amortization	(1,636)	(31)	(1,605)	5177 %
Depreciation and amortization	(212)	(182)	(30)	16 %
Research and development	(756)	(541)	(215)	40 %
General and administrative	(1,783)	(3,394)	1,611	(47)%
Loss from operations	(3,705)	(4,126)	421	(10)%
Other income (expense)				
Interest expense	(860)	(2,017)	1,157	(57)%
Loss on extinguishment of warrant liability	-	(504)	504	(100)%
Gain on issuance of convertible notes	-	64	(64)	(100)%
Change in fair value of warrants	(23)	5,606	(5,629)	(100)%
Change in fair value of notes	-	(117)	117	(100)%
Other expense	(24)	(1,206)	1,182	(98)%
Total other income (expense)	(907)	1,826	(2,733)	(150)%
Loss before income taxes	(4,612)	(2,300)	(2,312)	101 %
Net loss	$ (4,612)	$ (2,300)	(2,312)	101 %

Revenue

Revenue is solely generated by Crown Fiber Optics, and was $0.7 million and $22,000 for the three months ended March 31, 2024 and 2023, respectively. The increase in revenue of $0.7 million is due to new contracts the Company entered into with new subcontractors in the first quarter of 2024.

Cost of Revenue, excluding depreciation and amortization

Cost of revenue is solely generated by Crown Fiber Optics, and was $1.6 million and $31,000 for the three months ended March 31, 2024 and 2023, respectively. The increase in cost of revenue of $1.6 million is due to increases in compensation related to cost of sales of $0.5 million, insurance of $0.2 million, subcontractor labor of $$0.4 million, equipment cost of $0.3 million and other costs related to supplies, materials and maintenance of $0.2 million.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended March 31 2024 and 2023, were $0.2 million and $0.2 million, respectively.

Research and Development

Research and development expenses were $0.8 million for the three months ended March 31, 2024 compared to $0.5 million for the three months ended March 31, 2023. The increase of $0.3 million is primarily related to an increase in salaries and benefits of $0.1 million and further by an increase in stock compensation of $0.2 million.

General and Administrative

General and administrative ("G&A") expenses were $1.8 million and $3.4 million for the three months ended March 31, 2024 and 2023, respectively. The $1.6 million decrease in G&A expenses is primarily due to decrease in compensation and benefits related to wages of $0.6 million, decrease in professional fees of $0.4 million, decrease in rent expense of $0.1 million and decrease in other expenses of $0.5 million.

Interest expense

Interest expense were $0.9 million and $2.0 million for the three months ended March 31, 2024 and 2023, respectively. The decrease of $1.1 million is primarily related to a decrease in amortization of deferred asset related to the Company's standby letter of credit and equity line of credit.

Loss on extinguishment of warrant liability

Loss on extinguishment of warrant liability were $nil and $0.5 million for the three months ended March 31, 2024 and 2023. The decrease is primarily due to warrant exercises in prior quarter and none in the current quarter.

Change in fair value of warrants

Change in fair value of warrants were $23,000 and $5.6 million for the three months ended March 31, 2024 and 2023. The decrease of $5.6 million is primarily due to change in fair value of warrants that were recorded in prior quarter and none for the current quarter.

Change in fair value of notes

Change in fair value of notes were $nil and $0.1 million for the three months ended March 31, 2024 and 2023. The $0.1 million recorded in prior quarter was primarily related to record of note issuances.

Other Income (Expense)

Other expense for the three months ended March 31, 2024 was $24,000 compared to $1.2 million for the three months ended March 31, 2023. The decrease of $1.2 million is due to a decrease in amortization expense reclass as well as other warrant issuances in connection with a waiver agreement.

Liquidity and Going Concern

	March 31, 2024	March 31, 2023
Cash and cash equivalents at the beginning of the period	$ 1,059	$ 821
Net cash used in operating activities	(2,677)	(4,728)
Net cash used in investing activities	(63)	(1,080)
Net cash provided by financing activities	1,971	7,125
Cash and cash equivalents at the end of the period	$ 290	$ 2,138

We had an accumulated deficit of approximately $121.6 million, and a net loss of $4.6 million, and used approximately $2.7 million in net cash in operating activities for the three months ended March 31, 2024. We expect to continue to incur ongoing administrative and other expenses, including public company expenses.

During the three months ended March 31, 2024, the Company participated in an At-the-Market (ATM) offering, where a total of 4,824,382 shares of common stock were sold. The total gross proceeds from the sales amounted to $0.6 million, out of which $28,000 were deducted for commissions and other offering expenses. Consequently, the net proceeds received by the Company from the ATM offering totaled $0.6 million.

In connection with our Equity Line of Credit (ELOC), the Company issued 21,133,689 shares of common stock. The gross proceeds from this issuance totaled $1.6 million, associated issuance fees amounted to $0.1 million, resulting in net proceeds of approximately $1.4 million. This facility continues to provide flexible financing options to support the Company's growth initiatives and operational needs.

On January 3, 2023, we received net proceeds of $1.0 million from the issuance of senior secured notes with a principal balance of $1.2 million and a debt discount of $0.2 million.

On February 2, 2023, we withdrew $2.0 million under the Line of Credit. Upon drawing down on the Line of Credit, we issued the LOC Note which is due and payable 60 days from the issuance date.

On April 4th, 2023, we made a $0.3 million payment on the LOC balance.

On May 16, 2023, we made a second draw of $0.2 million under the line of credit. Upon drawing down on the line of credit, we issued the 2nd LOC Note which was due and payable July 16, 2023. The 2nd LOC Note shall accrue interest at the 15% per annum from the original funding date of the 2nd LOC Note.

On May 26, 2023, we made a third draw of $0.2 million under the line of credit. Upon drawing down on the line of credit, we issued a third Secured Promissory Note (the "3rd LOC Note") which became due and payable June 2, 2023. The 3rd LOC Note included a $0.2 million commitment fee and does not bear interest.

On June 13, 2023, we partially redeemed the principal of the LOC Note and fully redeemed the principal of the 2nd LOC Note and the 3rd LOC Note in addition to all accrued interest and commitment fees owing for approximately $2.1 million.

On July 25, 2023, we entered into the Demand Secured Promissory Note Agreement ("Q3 Demand Notes") with two investors for a purchase price of $20,000 each and with an original issue discount of $12,000. Upon settlement, we are obligated to pay a total of $0.1 million in principle for the issuance of both notes. The Q3 Demand Notes were due and payable at any time upon demand by the holder after the earlier of (i) the consummation of our first securities offering after the issuance of the Q3 Demand Notes and (ii) August 25, 2024.

We have obtained additional capital through the sale of debt or equity financings or other arrangements including through our existing ATM Offering, and the ELOC to fund operations; however, there can be no assurance that we will be able to raise needed capital under acceptable terms, if at all. The sale of additional equity may dilute existing stockholders and newly issued shares may contain senior rights and preferences compared to currently outstanding shares of common stock. Issued debt securities may contain covenants and limit our ability to pay dividends or make other distributions to stockholders. If we are unable to obtain such additional financing, future operations would need to be scaled back or discontinued. Due to the uncertainty in our ability to raise capital, we believe that there is substantial doubt in our ability to continue as a going concern for twelve months from the issuance of these consolidated financial statements.

Cash Flows

Net Cash Used in Operating Activities

For the three months ended March 31, 2024, net cash used in operating activities was $2.7 million, which primarily consisted of our net loss of $4.6 million, adjusted for non-cash expenses of $1.6 million, which primarily consisted of stock-based compensation of $0.3 million, depreciation and amortization of $0.2 million, amortization of deferred debt issuance costs of $0.9 million and amortization of right of use assets of $0.2 million. The net change in operating assets and liabilities was $0.3 million, primarily consisting of an increase of deferred revenue of $1.3 million and accounts payable of $0.8 million, offset by a decrease of accounts receivable $0.7 million, other receivables of $0.6 million, accrued expenses of $0.2 million, lease liability of $0.2 million and prepaid and other assets of $0.1 million.

For the three months ended March 31, 2023, net cash used in operating activities was $4.7 million, which primarily consisted of our net loss of $2.3 million, adjusted for non-cash expenses of $1.3 million, which primarily consisted of a gain related to the change in fair value of warrant liabilities of $5.6 million, offset by the amortization of deferred debt issuance costs of $1.6 million, a loss on extinguishment of warrant liabilities of $0.5 million, amortization of debt discount of $0.4 million, stock-based compensation of $0.2 million, depreciation and amortization of $0.2 million, and other expenses of $1.4 million which primarily consisted of expenses incurred in connection with our February and March waiver agreements. The net change in operating assets and liabilities was $0.8 million, primarily consisting of an increase in accrued expenses.

Net Cash Used in Investing Activities

For the three months ended March 31, 2024, net cash used in investing activities was approximately $0.1 million, consisting of purchases of equipment.

For the three months ended March 31, 2023, net cash used in investing activities was approximately $1.1 million, consisting of cash paid for the acquisition of Amerigen 7 of approximately $0.6 million, and purchases of equipment totaling $0.5 million.

Net Cash Provided by Financing Activities

For the three months ended March 31, 2024, net cash provided by financing activities was $2.0 million, consisting of $1.4 million in proceeds from issuance of common stock in connection with equity line of credit, net of offering costs and $0.6 million in proceeds from issuance of common stock/at-the-market offering.

For the three months ended March 31, 2023, net cash provided by financing activities was $7.1 million, consisting of net proceeds received from the issuance of common stock in connection with our ATM agreement totaling $2.1 million, proceeds from the exercise of common stock warrants of $2.1 million, proceeds from the issuance of our 2023 Note (in connection with the Line of Credit) of $2.0 million, and proceeds from the issuance of senior secured notes of $0.9 million.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements during the periods presented, and we do not currently have any off-balance sheet arrangements, as defined in the SEC rules and regulations.

Critical Accounting Policies and Significant Judgments and Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of our condensed consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, costs and expenses. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates.
There are certain critical estimates that require significant judgment in the preparation of our consolidated financial statements. We consider an accounting estimate to be critical if:

- it requires us to make an assumption because information was not available at the time or it included matters that were highly uncertain at the time the estimate is made; and

- changes in the estimate or different estimates that could have been selected may have had a material impact on our financial condition or results of operations.

Our accounting estimates, specifically related to the impairment of long-lived assets and share-based compensation, play a crucial role in our financial reporting. Despite our thorough assessment, we have not identified any recent events or conditions necessitating revisions to our estimates and assumptions that would materially impact the carrying values of our assets or liabilities as of this Form 10-Q’s issuance date. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Recent Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements for a description of recent accounting pronouncements applicable to our financial statements.

JOBS Act Transition Period

As an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012, we can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We are electing to delay our adoption of such new or revised accounting standards. As a result of this election, our condensed consolidated financial statements may not be comparable to the condensed financial statements of other public companies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, as of the end of the period covered by this report, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Act of 1934. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be included in our Securities and Exchange Commission reports is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, relating to our company, including our consolidated subsidiaries.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

Our management, including our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were not effective as of such date to provide assurance that information required to be disclosed by us 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, and that such information is accumulated and communicated to management as appropriate, to allow timely decisions regarding disclosures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with U.S. GAAP.
Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention of overriding controls. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2024. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control-Integrated Framework (2013). Management is committed to accurate and ethical business practices. Based on our evaluation, management concluded that our disclosure controls and procedures were not effective as of March 31, 2024, due to material weaknesses in our internal controls over financial reporting. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Management noted the following deficiencies that we believe to be material weaknesses:

- Lack of documentation of processes and controls at the level appropriate for a public company;
- Inadequate design of information technology general and application controls over certain operating systems and system applications supporting financial reporting processes;
- Lack of segregation of duties in certain accounting and financial reporting processes; and
- Ineffective risk assessment controls, due to a lack of documentation of management’s periodic risk assessment.

Management’s view is that unethical, illegal, or inaccurate conduct in the operations and accounting for our company violates the trust and integrity of our company and is damaging to the interests of all stakeholders, and in the long-term misconduct injures the interests of even the individual whom it might initially benefit. This is reinforced periodically with informal conversations and is ingrained in the culture of our company. When questions arise, they are escalated to the CFO, CEO, or Board of Directors for review, investigation, direction, and consensus, and external opinion is sought if consensus is not achieved. The Senior Vice President of Accounting and CFO both have direct contact with all levels of review. Management intends to work internally and with third parties to ensure we have the proper controls in place going forward.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended March 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are also involved in various other claims and legal actions that arise in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we do not believe that the ultimate resolution of these actions will have a material adverse effect on our financial position, results of operations, liquidity or capital resources.

Future litigation may be necessary to defend ourselves and our partners by determining the scope, enforceability and validity of third party proprietary rights or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, and are not required to provide the information required under this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Other than those previously disclosed by the Company in its current reports on Form 8-K as filed with the SEC, there have been no unregistered sales of the Company's equity securities during the period covered by this Quarterly Report.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

N/A

Item 5. Other Information

N/A

Item 6. Exhibits

3.1	Certificate of Amendment to Certificate of Incorporation, as amended, filed with the Secretary of State of Delaware (incorporated by reference to Exhibit 3.1 to the registrant's Form 8-K filed on June 15, 2023).
3.2	Series F-1 Certificate of Designations filed with the Secretary of State of Delaware (incorporated by reference to Exhibit 3.2 to the registrant's Form 8-K filed on June 15, 2023).
3.3	Series F-2 Certificate of Designations filed with the Secretary of State of Delaware (incorporated by reference to Exhibit 3.3 to the registrant's Form 8-K filed on June 15, 2023).
3.4	Certificate of Amendment to Amended and Restated Certificate of Incorporation, as amended, filed with the Secretary of State of Delaware on August 11, 2023 (incorporated by reference to Exhibit 3.1 to the registrant's Form 8-K filed on August 14, 2023).
4.1	Form of Warrant (incorporated by reference to Exhibit 4.1 to the registrant's Form 8-K filed on June 15, 2023).
4.2	Form of F-2 Warrant (incorporated by reference to Exhibit 4.2 to the registrant's Form 8-K filed on June 15, 2023).
10.1	Form of Inducement Agreement by and between the Company and the October Investors (incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K filed on May 18, 2023).
10.2	Form of LOC Note Amendment by and between the Company and Eleven Advisors LLC (incorporated by reference to Exhibit 10.2 to the registrant's Form 8-K filed on May 18, 2023).
10.3	Form of Demand Note issued by the Company to the Holder (incorporated by reference to Exhibit 10.3 to the registrant's Form 8-K filed on May 18, 2023).
10.4	Form of Demand Note issued to the Company to the Demand Holders (incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K filed on June 6, 2023).
10.5	Form of May Note issued by the Company to the May Holder (incorporated by reference to Exhibit 10.2 to the registrant's Form 8-K filed on June 6, 2023).
10.6	Form of Securities Purchase Agreement, dated June 13, 2023, between the Company and the Purchasers (incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K filed on June 15, 2023).
10.7	Form of Registration Rights Agreement (incorporated by reference to Exhibit 10.2 to the registrant's Form 8-K filed on June 15, 2023).
10.8	Form of Securities Purchase Agreement, dated June 14, 2023, between the Company and the F-2 Purchasers (incorporated by reference to Exhibit 10.3 to the registrant's Form 8-K filed on June 15, 2023).
10.9	Forbearance Agreement by and between the Company and a January Investor, dated July 10, 2023 (incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K filed on July 14 2023).
10.10	First Amendment to Forbearance Agreement by and between the Company and a January Investor, dated July 14, 2023 (incorporated by reference to Exhibit 10.2 to the registrant's Form 8-K filed on July 14 2023).
10.11	Common Stock Purchase Agreement by and between the Company and the ELOC Purchaser, dated July 20, 2023 (incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K filed on July 24, 2023).
10.12	Registration Rights Agreement by and between the Company and the ELOC Purchaser, dated July 20, 2023 (incorporated by reference to Exhibit 10.2 to the registrant's Form 8-K filed on July 24, 2023).
10.13	Exchange Agreement by and between the Company and a January Investor, dated August 2, 2023 (incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K filed on August 7, 2023).
31.1	Certification of the Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certifications of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

	Crown Electrokinetics Corp.
Dated: May 20, 2024	/s/ Doug Croxall
	Doug Croxall Chief Executive Officer and Principal Executive Officer
Dated: May 20, 2024	/s/ Joel Krutz
	Joel Krutz Chief Financial Officer and Principal Financial Officer

Exhibit 31.1

CERTIFICATION

I, Doug Croxall, Chief Executive Officer of Crown Electrokinetics Corp. (the "registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the period ended March 31, 2024;

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 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.

Date: May 20, 2024

/s/ Doug Croxall

Doug Croxall
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Joel Krutz, Chief Financial Officer of Crown Electrokinetics Corp. (the “registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant for the period ended March 31, 2024;

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 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.

Date: May 20, 2024

/s/ Joel Krutz

Joel Krutz
Chief Financial Officer
(Principal Financial Officer)

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**

Each of the undersigned hereby certifies, in his or her capacity as an officer of Crown Electrokinetics Corp. (the "Company"), for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his/her knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: May 20, 2024

/s/ Doug Croxall

Doug Croxall
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

Each of the undersigned hereby certifies, in his or her capacity as an officer of Crown Electrokinetics Corp. (the "Company"), for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his/her knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) 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.

Date: May 20, 2024

/s/ Joel Krutz

Joel Krutz
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.